Philosophy of Paradigm Shift

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This paper is a compilation of thoughts on paradigm shifts in the management world. The paper says that paradigm shift takes place when a significant change happens – usually from one fundamental view. When to a different view–when a paradigm shift occurs in science, there is a contest between the prevailing and emerging paradigms. The interim period may be characterised by chaos. The compilation says that changes in paradigm will be easily accepted if, amongst other things, the approach is holistic and system focused.

Introduction

The term paradigm is used to indicate a constellation, of concepts, ideas, approaches, and principles shared and used by a scientific community to define research problems and solutions.

During a paradigm shift, the new paradigm first emerges in outline and then establishes itself as and when a synthesis is produced that is sufficiently attractive to a large number of people in the community. A paradigm is only a partial view of the World hence there are merits and demerits. One paradigm that has heavily influenced our thinking about change processes is the Darwin's model of evolution. As a slow stream of small mutations, gradually shaped by environmental selection into novel forms. This concept of incremental, cumulative change has become all pervasive. Similar explanations are offered for geological erosion, skill acquisition, et al.

A paradigm shift takes place when a significant change happens - usually from one fundamental view to a different view. Commonly paradigm shift or transformation, the way we humans perceive events, people,environment and life altogether,can have positive and negative effects. The end results include varying degrees of negative and positive transformations that allows people to open their hearts and minds to multicultural diversities, promotes liberty and freedom-on the flip side of the shift we have increased promiscuity, higher divorce rates, higher drug usage, and imposes socialist views and applications of welfare systems. This is because local news reports, half truths or biased news reports creates a hype in relation to national and international events. Activists in various walks of life add fuel to the fire.

Paradigm shift happens when there are anomalies, disparate, odd scientific results, that cannot be explained away by inadequate method. When a paradigm shift occurs in science, it has the violence of revolution. The leaders of the dominating paradigm seem to kill those who are proposing the emerging paradigm.

We must live with unpredictability because the new ways may work for sometime and then thrown back, due to such factors as one not living by our principles, imperfect implementation, and reaction from those holding on to the old dominant paradigm. The only certain thing about life is change.

Change Management

Changes in paradigm will be accepted easily if the approach is:

- Holistic
- System focused
- Interdisciplinary
- Philosophical
- Healing and recovery oriented
- Grounded in spiritual wisdom

Change is constant. Every one has to abandon their comfort zones to adapt to the changes that are taking place. This transition from the comfort zone to the uncomfortable zone is painful. The old paradigm is a dominant paradigm, which, if not abandoned will ruin the growth and prosperity of the individual, organisation or society. Society will never progress if old dominant paradigms continue to monopolise thinking.

Several paradigm shifts can be identified in the Management world:

OLD PARADIGM	NEW PARADIGM
◆ Office	Virtual space
◆ Success and career ladder	Success and valued skills
◆ Authority	Influence
◆ Manager Management	Leadership
◆ Entitlement	Marketability
◆ Loyalty to company	Loyalty to work and self
◆ Salaries + benefits	Contracts + fees
◆ Job security	Personal freedom + control
◆ Identity-Job, position, occupation	Identity-contribution to work, family, community
◆ Attention to bosses and managers	Attention to clients and customers
◆ Employees	Stakeholders
◆ Retirement	Self employment-Second career

The Collaborative Process - The Paradigm Shift

Each system that we use to deal with conflict is based on the implicit set of assumption. By choosing the Adversarial Paradigm model we implicitly state that the World is a dangerous place and we will be crushed, defeated, or even destroyed if we do not defend ourselves. This leads to an aggressive posture before the advent of danger. This elicits judgmental, aggressive or defensive and positional behaviour.

Another set of implicit assumptions where behaviour work best to resolve conflict. The collaborative model asserts that it is best to establish a cooperative approach to conflict resolutions before an adversarial patterns has developed.

The following table indicates the difference in the assumptions behind the two models dealing with conflict.

Paradigm Shift

ADVERSARIAL POSITIONS	COLLABORATIVE INTEREST
● WIN/LOSE	WIN/WIN
● This/That	This and That
● Right/Wrong	Different
● Defensive/Aggressive	Empathetic/Assertive
● Judgmental/Blaming	Curiosity/Compassion
● You v/s Me	You and I v/s. The problem
● Dividing the (limited) Pie	Expanding the Pie
● Power Over	Empowerment

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Global Overview

This article attempts to capture the paradigm shifts which have affected the World. This has brought about a radical change in organisations and people's mindsets too. The paradigm shift has turned around economic policies of nations and changed their thinking process. The advent of new technology has made the World a global electronic village. The paradigm shifts have unified the World, standardized the processes, improved availability of knowledge to all at a fast pace thereby bringing about a radical change for the better. The ten forces discussed have flattened the World, according to the author Thomas Friedman in his book The World is Flat, Penguins, Publication, 2005.

The ten forces that have flattened the World and caused all round shifts in paradigms are presented in the box below:

EVENTS	***FROM***	***TO***
● Berlin Wall	Divided Berlin	Unified Berlin
● Harnessing the Power of Communities (Uploading)	Closed source	Open source
● New Age of Connectivity	Low Connectivity	High Connectivity
● Workflow Software	Low maneuverability	High maneuverability
● Outsourcing	Obese organisation	Lean and Mean organisation
● Offshoring	High Native Cost	Low Global Cost
● Supply Chain	Old Technology	Innovative Technology
● Insourcing	Dependent	Independent
● Information (Google/Yahoo!,M.S.N. (Microsoft Network) Websearch)	Information Access Constraint	Abundant Access to Information
● The Steroids (Digital/Mobile/Personal/ Virtual)	Limited Channels	Unlimited Channels

Based on the book "The World is flat" by Thomas Friedman, Edition (2005) Publisher Penguin Books Ltd.

There have been three great eras of globalisation. The first lasted from 1492, when Columbus set sail, opening trade between the Old World and the New World until around 1800. Second great era of globalisation lasted from 1800 to 2000, interrupted by the Great Depression and the World Wars I and II. This era shrunk the world from medium size to small. The key agent of change, the dynamic force driving the global integration were the multinational companies. They went for global markets and cheap labour, spearheaded by the expansion of Dutch and English joint stock companies and the Industrial Revolution.

In the year 2000, we entered the third era of globalisation. This is shrinking the world from the small to tiny and flattening the playing field at the same time. In globalisation era one, the countries got globalised, second era saw the companies globalised and the third globalisation is unique in character since it is the power given to the individuals to collaborate and compete globally. This phenomenon which is enabling, empowering, and enjoining individuals to go global is the flat world platform.

The Berlin Wall

This wall ran through the modern city for the sole purpose of preventing the people on the other side from enjoying, even glimpsing freedom. "The fall of the 'Berlin Wall' so named by East Germans fell on 11th Sept.1989." This revolution was carried out by ordinary people of East Germany with high resolution, a characteristic of East Germany, peacefully and persistently, taking matters in their hands. This fall of Berlin Wall, unleashed forces that ultimately liberated all the captive peoples of Soviet Empire. It tipped the balance of power across the World towards those advocating democratic, consensual, free - market - oriented governance and away from those advocating authoritarian rule with centrally planned economies. The Cold War had been a struggle between two economic systems - capitalism and communism, and with the wall disintegration, there was only one system left and every one had to orient themselves, by default to the residue 'ism' viz capitalism. Economies, henceforth were to be governed by interests, demands, and aspirations of the people rather than from top to down. Among the old generation, this was an unwelcome transformation. Communism was a system for making people equally poor and capitalism made people unequally rich.

The fall of Berlin Wall effected a ripple effect, and felt by the Confederation of Indian Industry (CII) too. Nehruvian governance was influenced by the Soviet model of governance, which built a mistrust among the private sector, as they were into profits perceived as a dirty word and synonymous with profiteering. This was the state of affairs from 1947 - 1991, where the infrastructure was owned by the government, nearly putting the country to bankruptcy. In May 1991 following the miserable balance of payments position, the IMF/World Bank initiated and insisted on a rescue package which included inter alia, liberalisation, globalisation and privatisation. This brought about a change from quiet self confidence to outrageous ambitionism. This event of fall of Berlin Wall unlocked the economies of India, Brazil, China, and the Soviet Empire. Berlin wall actually blocked the ways of growth as well as sight - the ability to think about the world as a single market, a single ecosystem, and a single community.

The fall of Berlin Wall facilitated the people to tap into one another's knowledge pools, adopting common standards and enhanced knowledge regarding best practices.

Harnessing the Power of Communities (uploading)

The genesis of the flat-world platform not only enabled more people to author more content and to collaborate on that content, it also enabled to upload fields and globalise that content-individually or as part of self-forming communities-without going through any of the traditional hierarchical organisations.

Uploading is becoming one of the most revolutionary forms of collaborations. Community - developed software movement like 'open source' community derives its identity from the notion that companies and adhoc communities, should make available, online, the source code, and then let any contributor improve it, for their use.

The free software movement has become a challenge to Microsoft and some other big global software players. While Linux or Apache began as pure forms of community-developed software, uploaded by self - generating collaborative communities, Apache with IBM became a 'blended model'. These blended models are the future, because for a complex software platform to be sustainable, there has to be an economy around it. In the case of Linux, the software nowadays is not developed for free. Another form of uploaded community development that is used regularly is Wikipedia, the user - contributed online encyclopedia also known as people's encyclopedia. Wikipedia is not always sweet and light, does not control itself. When people can upload their own encyclopedia, lots of things can happen.

The number of uploaders is still relatively small, but as the tools for individual uploading and collaboration become more diffused and as more people get positive feedback from their uploading experiences, all concerned will feel the effects.

New Age of Connectivity

By mid 1990's the personal computer and Windows era had reached a plateau. The People all over the World could suddenly author their own content in digital forms. The event that made this happen was actually a coincidence of events that took place in a space of few years in 1990's - a) the emergence of the Internet connectivity as a tool of low - cost global connectivity b) and the emergence of World Wide Web (WWW), a magical virtual realm, where individuals could post their digital content for everybody to access and the spread of commercial Web browser to retrieve documents.

The concept of world wide web-a system for creating, organising and linking documents, so that they can be browsed over the internet was developed by British computer scientist Tim Berners-Lee.

This revolutionised the connectivity. The telephone and modems made it possible to establish physical connections between all the personal computers of the World.

World wide web is an amazing cyberspace, where web is an abstract space of information. On the Net, we find computers, where as web contains documents, sounds, videos, and also information. The Web exists because of programs, which communicate between computers on the Net. The Web cannot exist without the Net.

The Netscope popularised the internet, till then it was the province of early adopters and geeks. Netscope browser brought the online net alive and made it accessible to all.

The first commercial installation of a fiber - optic system in 1977 replaced the copper telephone wires, since it could carry data plus digitised virus much farther and faster and in larger quantities. The most important benefit of fiber derives from higher band width of signals it can transport over long distances and fibers being thinner than copper wires, more optical fibres could be bundled together, to carry many more data and voices could be carried.

Workflow Software

The rise and integration of workflow software was a quiet revolution. It crystallised in the mid to late 1990's, and left an profound impact on the World. It enabled more people in more places to design, display, manage and collaborate on business data previously handled manually. Work now started to flow within and in-between companies and across countries continents faster, than ever. The combination of personal computer and email gave a breakthrough. The first right step by the software industry was creating and popularising a protocol known as SMTP (simple mail transfer protocol), enabling the exchange of e-mail messages between heterogeneous computer systems. Next the language HTML used by computers and the Internet enabled anyone to design and publish documents and data so that they can be transmitted, read on any computer, anywhere.

As HTML (Hyper Text Markup Language) / HTTP (Hyper Text Transfer Protocol) were accepted as standards, more standards are now being adopted. The business process is also being standardised. For workflow to keep advancing and deliver the increased productivity more and more common standards are required. Standards don't stop innovation, they just clear away a lot of extraneous stuff so one can focus on what really matters.

The revolution in workflow that has been witnessed from transmission protocols to standards to business processes, is already leading to an explosion of experimentation and innovation. Out of this chaos, many new products and services will emerge, as well as demand for customised, proprietary software and IT systems to propel them forward. Workflow platforms are enabling us to do for the service industry what Henry Ford did for manufacturing. We take apart each task, standardise it and send it around to whoever can do it best. This workflow platform creates virtual offices (global) - not limited by either the boundaries of office or the country-and to access talent sitting in different parts of the world and have them complete tasks in real time.

Outsourcing

Until recently India was known in the banking sector as 'second buyer'. Indians become the second buyers of the fibre-optics companies, which means they and their clients got to use all that cable practically for free. This was a stroke of luck for India. India though having huge natural resources, the population explosion offset all such benefits. Nehru, the then Prime Minister of India founded the seven IIT's and IIM's in 1951, which in turn churns out phenomenal knowledge meritocracy. These have become the factories and export some of the best gifted engineers, software talents and managerial human resources. This is one of the good things India did right.U.S.A. become the second buyer to India's brainpower. IIT's have become islands of excellence by not allowing the general debasement of the Indian system to lower their exacting standards. (The Wall Street Journal, April 16, 2003).

In 1991, Mr. Manmohan Singh, then Finance Minister began opening the Indian economy for foreign investment and introducing competition, to bring down prices. To attract more foreign investment he made it easier for companies to set up satellite downlink stations in Bangalore, skipping our phone systems and connect with their home bases in U.S.A., Europe or Asia. The fibre optic bubble was starting to inflate linking U.S.A. and India and the Y2K computer crises, the millennium bug was looming on the horizon. This danger brought India and U.S.A. closer, demonstrating to the different businesses that the combination of personal computer, Internet and fibre optic cable had created an opportunity of collaboration and horizontal value creation, known as outsourcing any service, call center, business support operation, or knowledge work that could be digitisied, could be sourced globally to the cheapest, smartest, most efficient provider. Outsourcing from U.S.A. to India exploded as a new form of collaboration.

India not only benefited from dot - com boom, it benefited from dot - com bust too. Y2K should be commemorated as second independence day in India as it collaborated ably with the western countries,by fibre - optic networks oportunities giving Indians more economic freedom. August 15, commemorates freedom at midnight, Y2K gave employment by midnight to the best talent.

"FORTUNE FAVOURS THE PREPARED MIND"
- LOUIS PASTEUR

Offshoring

Today the developed and the developing countries are facing the competition of suppling products and services at competitive prices to cut down on cost. The organisations have already started to develop a lean and mean profile by downsizing and getting some of its functions done on contract. The urbanisation of towns, high labour costs and necessary amenities (electricity, water, housing) at cheaper rates has become impossible due to the influx of people from the agricultural areas into the industrialised and urbanised towns.

To meet the demands of the customers, vendors, stakeholders alike, the industry at large started to look at options of offshoring. The faster the industry adopts to these changes, becomes the pioneer in the relocated area and can dictate its own terms.

Every morning in Africa, a gazelle wakes up. It knows it must run faster than the fastest lion or it will be killed. Every morning a lion wakes up. It knows it must outrun the slowest gazelle, or it will starve to death. It doesn't matter whether you are a lion or a gazelle. When the sun comes up, you better start running.

On December 21, 2001, China formally joined the WTO, thereby agreeing to follow the same global rules governing exports, imports and foreign investments as per other countries. In this case, who is the gazelle or lion is unclear but both WTO and the rest of the world has to run faster and faster. China joining the WTO gave a tremendous boost to another form of collaboration viz., offshoring. Offshoring has been existing for decades, but is different from outsourcing. Outsourcing means taking some specific but limited functions and having another company perform the same functions and then reintegrate their work back into the operation. Offshoring in contrast is when an organisation takes one's factory and moves it offshore, producing the same product in the same way, only with cheaper labour, lower taxes, subsidised energy and lower health care cost. This leads to more companies shifting their production offshore and then integrating it into their global supply chain. Once the offshoring business takes off in many industries viz textiles, consumer electronics, furniture, eyeglass frames, auto parts, other companies can compete by looking at alternative manufacturing centres in Eastern Europe and Carribeans, or anywhere in the developing world. China assured the foreign companies that if they shifted their activities to offshore China, they would be protected by International Law and standard business practices, which enhanced China's attractiveness as manufacturing platform.

To integrate globally China being a communist behemoth, existing institutions could not implement the change and reforms, they used WTO as leverage against their own bureaucracy.

China's economy is totally interlinked with that of the developed world and trying to decline it would cause economic plus geopolitical chaos, disturbing the global economy. Americans and Europeans have to develop new business models, enabling them to get the best out of China and cushion themselves against some of the worst. If this has to benefit the Americans and the Europeans, where China is the Lion, they have to run faster than the fastest Lion.

Supply Chain

Wal - Mart's ability to bring out the symphony of 24 x 7 x 365 delivery, sorting, packing, distribution, buying, manufacturing, reordering and this process goes on, on a global scale, has revolutionised supply chain. Supply chain is a method of collaborating horizontally, among suppliers, retailers and customers - to create value. As the supply chain grows and proliferates, they force the adoption of common standards between companies, by eliminating friction points at the borders. Supply chaining has become a important source of competitive advantage and profit. A customer benefits by getting the best products at the lowest price. Global supply chains that draw products and parts from every corner of the World, have become essential for both retailers and manufacturers. There are two basic challenges to the developing Global supply chain: global optimisation and co-ordinating disruption.

Global Optimisation means that it doesn't matter if you can get one part cheaper in one place. The key is that the total cost of delivering all your parts on time from all four corners of the globe to the factories or retail outlets has to be the lowest possible for the business and in any case lower than the competitors.

Co-ordinating disruption: Coordinating disruption is prone to supply chain and is the biggest challenge as it cannot predict the demand.

Both the challenges are exacerbated by the short life cycle of products, particularly fashion and consumer electronics products. Innovation is happening much faster, so forecasting demand becomes much more difficult. This has forced the businesses to adopt a strategy of postponement, where companies find various ways to adding value to their products till the last moment. Products are turned from innovation to commodity faster than ever before, as competition hots up, consumer demand is more volatile and informed.

Wal-Mart has introduced the latest chain innovation-RFID (Radio Frequency Identification microchips). These are attached to each pallet and merchandise box coming in. Barcodes are eased out as they have to be scanned individually and get ripped off or damaged during handling. RFID tag informs the stores about the temperature requirement to maintain products and even informs as to when they are high or too low. RFID is employed on big boxes rather than individual items. RFID helps to predict even the product wise off take from all the stores and on which weekdays or week offs. Wal-Mart has recently entered into the banking sector. It offers the customers cheque encashments, money orders, transfers and bills payments of utility services like electricity for a very small fee.

It is very clear that innovation and diversification are key factors to adopt the changes and stay ahead of competition.

Insourcing

Federal Express (Fed Ex) and United Parcel Service (UPS) are not only delivering packages, they are doing logistics. UPS has a slogan: 'Your World Synchronised'. It delivers packages, synchronises global supply chains for any large or small companies. UPS has reinvented itself from a messenger service to a dynamic supply chain manager.

Insourcing is a whole new form of collaboration and creates value horizontally. Insourcing is defined as the delegation of operations or jobs from production to an internal entity, specialising in the operation to cut down on delivery times and costs, involving taxes labour, transporation. Today there are many companies that offer after sales services to its customers through insourcing. The maintenance and spare parts of machineries, equipments is also carried out by the companies which engage themselves in delivery. UPS employees get requisite training from their dealer companies, thereby ensuring that the service rendered is on time, cutting down on the lead time if any, and thereby synchronising all the operations involved, leading to efficiency.

Insourcing came about because the small could act big – small companies could see around the World. This helped them to procure raw materials, manufacture goods, sell their goods in a more efficient manner. Many big companies do not want to manage this complexity because it is not part of their core competency. They would rather spend its cash and energy on designing, than on supply chains. This has created a whole new global business opportunity for traditional package delivery firms like UPS. It has invested about 1 billion to buy 25 different global logistics and freight forwarding firms so that it can serve virtually any supply chain from one corner of the World to another to the other. These are companies who do not touch their products, anymore, UPS global supply chain oversees the whole journey from factory to warehouse to customers to repair. It even collects money if need be. This sort of deep collaboration, involving huge amount of trust and intimacy among UPS, its clients customers is unique.

> "Trusts can be created through personal relations or through systems and controls. If you don't have trust, you can rely on a shipper who does not tum over until he is paid. We have more ability than a Bank to manage this, because we have the package and the ongoing relationship with the customer as collateral, so we have two points of leverage."
>
> KURT KUEHN –
> VPS'S SR. VICE PRESIDENT

Informing (Google/Yahoo! M.S.N. Websearch)

Google's goal–to make easily available all the world's knowledge, in every language. Google hopes that in time, everyone, everywhere will be able to carry around access to all the world's knowledge in their pockets.

Informing is the individual's personal analog to uploading, outsourcing, supply chaining, offshoring. It is the ability to build and deploy, your own personal supply chain– a supply chain of information, knowledge and entertainment. In–formation is about self collaboration–becoming one's own self directed and self employed researcher, editor and selector of entertainment, without having to go to the library or movie theater. In – forming is searching for knowledge, seeking like-minded people and communities. When one can search our own memory more efficiently, that is in–forming. "The democratisation of information is having a profound impact on society. Today's consumers are much more efficient, they find information, products, services, faster than through traditional means. They are better informed about issues related to work.

> 'Search is so highly personal, that searching is empowering for humans like nothing else'
>
> - GOOGLE CEO – ERIC SCHMIDT

Informing also involves searching for friends, allies and collaborators. It is empowering the formation of global communities, across all international and cultural boundaries, which is another critically important function.

The Internet is growing in the self services area, providing a forum platform, a set of tools for people to have private, semiprivate or public meting on the Internet regardless of geography or time,. It enables consumers to discuss around topics that are meaningful to them in ways that are either impractical or impossible offline. Groups can serve as support groups for complete strangers who are galvanised by a common issue or who seek others with similar interests. In the world of internet reputation of a person follows and precedes before one does.

The Steroids (Digital/Mobile/Personal/Virtual)

Digital means that thanks to the personal computer–Windows–Netscape– workflow revolutions, all analog content and processes–everything from photography to entertainment, communication to word processing to architectural design to management of home, can be shaped, manipulated, and transmitted over computers, the Internet, satellites, or fibre-optic cable. Mobile means - wireless technology, done from anywhere, to anyone, through any device, carried anywhere.

Personal means – done by you, for you on your own device.

These new forms of collaborations and turbo change them, the world will be changed.

A) The first steroid has to do with computing, composed of three things: computational capability, storage capability, input/output capability – the speed by which the information is drawn in and out of the computer or storage complexes.

B) The second steroid involves breakthroughs in instant messaging and file sharing. File sharing, allows computer users to share songs, video, and other kinds of files with one another online.

C) The third steroid involves breakthrough in making phone calls over the Internet. Collaborating with all this digitised data is going to be made even easier and cheaper by voice over internet protocol service (VOIP).It allows one to make phone calls over the internet by turning voices into data packets that are sent down Internet networks and converted back into voices on the other end. VOIP subscriber can receive unlimited calls local /long distance, via the internet. VOIP has revolutionised the telephone industry. As consumers increase, competition will be such that telecom companies will not charge for time and distance much longer. Telecom companies will be charging for add.ons.

D) The fourth steroid video conferencing – it creates an effect of everyone sitting around a single conference table and is apparently a qualitatively different experience from anything that has been on the market before.

E) Fifth steroid involves recent advances in computer graphics – driven in part by the advances in computer games. These enhance the video collaboration and computing offering so much sharper images and so many more ways to illustrate and manipulate those images on the screen This is important because every time a new paradigm emerges in the way people interact with computers, all kinds of new applications begin to appear, qualitatively better than and different from anything before.

F) Sixth steroid is a group of steroids involving new wireless technologies and devices. These are the uberst that make us, and all the collaborations, mobile, so that we can manipulate, share and shape our digital content from anywhere, with anyone, totally mobilely.

It is not without reason that the World is referred to as global electronic village. Thanks to the cohesiveness, complementarity and closeness initiated and inducted the digital era and certain social economic political events and paradigm shift discussed in box:

Organisation Performance

We are living in a world of change. Infact the world is always changing. The nature extent, direction, pace of change today is unprecedented. Hence individual/institutions who do not change are left behind. In fact the kind of change, which is at whirlwind speed, requires that the rate of learning be greater than the rate of change for survival or status quo. To make progress learning must be greater than change. Hence success of paradigm depends an willingness to change.

The three keys to the future of any organisation profit or non profit in the 21st century are: anticipation, innovation, and excellence.

The need to bring about change through shift in mindset is Paradigm Shift. Changes in the rules create new trends or dramatically alter trends already in place. They trigger cascades of innovations.

Anticipation.

Peter Drucker observed that a good manager needs to anticipate. In times of turbulence the ability to anticipate dramatically increases the chances of success.

Michael Porter also included preemptive moves as one of the key factors, amongst others to attain and maintain the competitive edge of a business. Anticipation is a prelude to preemptive move and provides the necessary, may be professional and scientific, guidance. Change is the order of the day and is taking place around the world and in our country is perhaps unprecedented. Hence the need for an

> Anticipation is the result of good strategic exploration and has five components: influence understanding, divergent thinking, convergent thinking, mapping and imaging

T.S.Kuhn's definition of paradigm shift in today's world is interpreted as: "paradigm is a set of rules and regulations (written/unwritten); in establishing or defining boundaries; and tells how to behave inside the boundaries in order to be successful.

A paradigm shift is a change to a new game, and new set of rules. These old rules and new game do not match; old games and new rules do not match; who do not adapt to the changes will get left behind. The experience of the past and the emerging environment seem to be difficult to co-relate. Since the rules of the game have under-gone a radical and meta-morphic change, new rules have emerged, mindsets have to be realigned to the call of the society and the order of the day as and when it emerges.When the rules change then the whole world can change.

Kuhn's theory of paradigm shift has been simplified by todays thinkers. Paradigm shifts occur/ appear, depend on timings. If entrepreneurs anticipates effectively the new rules can be handled with skill and dexterity. It is also important to understand who are the paradigm shifters, who change the rules. Early followers of the paradigm shifters are called paradigm pioneers, without whom paradigm shift takes longer. They bring the critical mass of brainpower, effort, and key resources necessary to drive the new rules into reality. According to literature Google.com

"A paradigm will, in the process of finding new problems, uncover problems it cannot solve. And these unsolvable problems provide the catalyst for triggering the paradigm shift."

New paradigms put everyone practicing the old paradigm as well as the author and protagonist at great risk. The higher one's position, the greater the risk. The better you are at your paradigm, the more you have invested in it, the more you have to lose by changing paradigm.

"Being a paradigm pioneer plus practicing continuous improvement leads to never giving the settlers an even break." (viz. SONY-it has never stopped adding improvements like auto reverse, bass + treble, special smaller head phones, shock resistance, water resistance, electronic tuning, rechargeable batteries Dolby, alarm clock. These improvements do not include the internal changes/improvements. Sony undertook, made it all the more a difficult life for its competitors.

At any given moment, life is completely senseless. But viewed over a period, it seems to reveal itself as an organism existing in time, having a purpose, trending in a certain direction.

ADLOUS HUXLEY (1894 - 1963)

Innovation

A means of gaining a competitive edge. Innovation with excellence is a powerful combination. In this 21st century leadership is not constant.

Excellence

It is at the base as it is concerned with Total Quality Management which gives the organisations the competitive edge over others and a necessity. It requires continuous improvement, benchmarking, pursuit of excellence at all times, and knowing how to do the right thing the first time.

	FROM	TO
●	Big is better	Small is good
●	Lead time	'just in time (JIT)
●	No control on production	Economic lot size
●	Quantity dominant	Quality predominant
●	Rampant inflation	Inflation under control
●	Energy wastage	Energy conservation
●	Obese organisation	Lean and mean organisation
●	Managers	Leaders

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Future of Education in India

Paradigm shift in education presents the issues related to education. India being an overpopulated country is said to be burdened with surplus human resources. A paradigm shift required is to treat human resources as assets which can produce results for the country. Further, the author says to improve the quality of education certain immediate steps need to be taken. Some of the suggestions made include: improving quality of education, appropriate pricing of Indian education and perceiving reservation as a social empowering mechanism. The article concludes by envisioning India as "the centre for education for the entire World and rejuvenating the stardom of Indian Universities of yesteryears, like Takshasheela and Nalanda. To quote the author "let Indian education be the torch bearer of all that is good in education." The author visualizes that Indian education will contribute to globalization and help to evolve the whole World as one family namely "Vasudhaiv Kutumbakam".

Introduction

The term 'Paradigm shift' as per Concise Oxford English Dictionary indicates "a fundamental change in approach or underlying assumptions." Therefore, paradigm shift in education would imply our thinking of new approaches significantly different from our current practices towards shaping of education for the present and the future.

Again for the present, it seems appropriate that we deal with paradigm shift in Indian education and not 'world education'. However, we should look at Indian education with the backdrop of an increasingly globalised world in mind.

First aspect of such a paradigm shift is to treat Indian population as an asset, a human resource and not as a liability or burden as signified by the comment which states that India is an overpopulated country and that its economic prosperity would be limited by its burgeoning population.

India's population is huge and needs to be limited. There is possibly unanimity in favour of this opinion and none should dispute it. But by shouting from our rooftops that India is overpopulated, we would not solve India's problems and we would only reinforce our feeling of helplessness.

On the contrary, if we stop blaming our environment e.g. overpopulation, and start converting 'our limitations or burdensome environment' into 'opportunities' we would be in a position to change the picture of this country and through its 16% of world population, the whole world.

Can we convert our huge population into a huge asset?

Can our educational institutions be human resource development centres?

Ten years before, if we were to raise such questions, we would have been laughed at. But today, possibly, we may be in a mood to accept such a changed way of looking at our population and our educational processes?

Second related paradigm shift in our thinking is to consider developing a model for our economic development with focus on Human Resource Development. We accepted basic and heavy industries model, popularly known as Mahalnobis model, in the early phases of our economic planning in preference to the 'Bombay plan' or C. N. Vakil plan also known as Consumer Goods model.

All large business organisations and successful corporates, attribute their successes and their competitive strength to the superior quality of their human resources.

International organisations led by World Bank are cautioning India that its economic growth would be constrained by the quality of its human resources. India's performance in the area of human resources is not praiseworthy. India ranks 128th amongst 177 countries as per the Human Development Index with a score of 0.602.

If a small percentage of its total population as engineers, doctors, management graduates, software professionals, etc. can change the face of Indian economy, we can imagine the transformation of India and the world would experience 102 crore more Indians, get converted into its powerful assets through stress on Human Resource Development in its national indicative plans for the next 10 to 15 years.

Once we develop, evaluate and accept such an HRD based model for our economic growth, Government, corporates, NGOs and every active and responsible citizen of this country should get wedded to this cause and undertake this gigantic but potentially immensely useful task of positive transformation of this country and the world.

Third paradigm shift is in the way we address the spread, quantity and quality of education. For example, in the Union budget of 2006-2007, for Sarva Shiksha Abhiyan it is proposed to add 50,000 classrooms and 1,50,000 teachers to the present strength of classrooms and teachers prospectively. In the year 2005-2006 one crore children in 6-14 age group were yet to be found in schools. Drop out ratio in the primary schools is around 35% and in the upper primary schools it is 53%. In the higher education only about a crore of our young men and women got enrollment and they constitute only 6% of our eligible population. While student strength in 6-14 age group is 20 crore plus, it is only 3.5 crores at the secondary level and just a crore in higher education.

Add to this the observation that the quality of education in our primary, secondary and higher secondary schools and our colleges and universities is not all that desirable.

Teacher-taught-class room paradigm as at present would slow down our HRD movement, may not give us the quality education that we aspire and may also not give us youthful human resources that are globally competitive in as large a number as possible as we require.

We need to be innovative in marshalling our scarce teaching-learning resources and the time available to us for achieving our ambitious targets of educational development of our young population.

We need to be in a hurry to achieve challenging goals and should innovate and be creative in using our resources, creating new resources, reducing costs and improving speed in achieving significant rise in spread and quality of education. Use of internet and the electronic media, creation of virtual schools, colleges and universities and use of best teachers/training material available nationally or from other countries should be some of the ways of achieving our objectives and targets economically and with speed.

Fourthly, our education should be economical, of high quality, accessible to all and attractive for the learners. A customer focused approach is needed for the purpose.

"No one can teach an uninterested person"is a thoughtful observation. Therefore, there is need to understand the needs and motives of the potential learners and to fashion our educational courses, contents, training material and other teaching/learning resources and its delivery.

This will motivate potential learners, get them attracted towards our courses and create a 'Pull ' for education and a little bit of 'Push' would give us dramatic results.

As part of this exercise of making our education learner oriented, we have to make it affordable to people and its pricing attractive and tempting for such learners.

Theodore Levitt in his very remarkable article 'Marketing Olympia' has told us about the pricing principle the pioneer of automobile industry Henry Ford followed.

His principle was to charge prices that customers found to be appropriate and to move backwards to determine the cost at which to produce a standard quality automobile and still make profits. He refused to accept the price recommended by his accountants after careful calculation of costs saying "What do I do with this price, if my customers do not buy at this price". Ford further tells us that such pressure to reduce costs and ensure quality and still make profits gave several ideas of improvement, reducing costs, etc.

Should not our educational design, quality and pricing be similarly determined so that Indian education would be cost effective, attractive, affordable, accessible and meeting customer needs squarely?

Pricing of Indian education should be determined by the market forces in this sense of the term 'Market determined'. Wherever necessary, Government, private sector, educational foundations and institutions should support those who cannot afford even these 'prices' with scholarships and free ships so that the cause of equity and social justice is subserved, which market forces are not always in a position to ensure.

Fifthly, instead of reservation being considered in a negative sense, it needs to be considered as an empowering mechanism and if we have a speedy spread of education, it would only add to existing demand for Indian education and widening of the market for education. If supply keeps pace with demand and there is no scarcity value to 'seats' in educational institutions, 'reservation' in education would cease to be a reason and point of social friction and conflict.

And finally, let us also envision India being the centre for education for the entire world. In the yesteryears, Indian universities of Takshasheela and Nalanda attracted students from all over the world. Let Indian education be the torch bearer of all that is good in education, Indian philosophy and culture to create a new world believing in the tenet 'whole world a family' or Vasudhaiv kutumbakam and praying and working for the welfare of every member of such extended family as follows:

Let everyone be happy, healthy, and prosperous. Let not anyone be sorrowful.

Prin.Y.B.Bhide

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Sunil Bedekar

India’s Look-East Policy

Introduction

Integration of India’s economy with the world economy in the process of globalisation became more discernible after 1991, as manifested in the new policy paradigm. The initial focus of reforms on industrialisation, exchange rate, external trade and foreign capital eventually and inevitably shifted to the financial sector, the public sector and the infrastructure.

India‘s attempts to strengthen trade and investment relationships with the rest of the world, also contemplated a special emphasis on strengthening economic ties with the southeast and northeast Asian countries within the framework of Asianisation of its economy. In this (commonly known as) *Look-east policy*, priority has been sought to be given to the member states of the Association of South East Asian Nations (ASEAN)

For promoting trade-cooperation, and several initiatives have been taken to establish closer contacts with them.

The fruits of this strategy were seen in the increased Indi-Asean trade in the post-1995 years. Asean investment in India had also picked up considerably ; which tapered off subsequently owing to difficult foreign exchange situation emerging from the crisis of 1991 in the ASEAN region.

Serious attempts have been made for ensuring India’s entry in the trading blocs of the region, notably the ASEAN and the Asia Pacific Economic Forum (APEC).While ASEAN enhanced its status to a full-fledged dialogue partner from a sectoral dialogue partner, India’s attempts to be included as a member of the ASEAN have not been successful.

Economic dynamism displayed by the southeast and east Asian economies was attributable to to their outward oriented development strategies. Their growth performance has been far higher than that of the most developed regions, including north America, European Union, other European countries and Japan. Consequently, their share in the global MVA went up considerably. While South Korea completed its transition from a developing to a developed state, became the 11th largest economy in the world and joined the rich nation’s club, i.e. the Organisation for Economic Cooperation and Development (OECD).

India can desire many benefits from the growing Asian economic co-operation. This would provide ample scope for mixing Asian and Indian inputs to produce “competitive consumables and exportables”
Raising a note of caution the author says that India's export profile, poor quality, low labour productivity add to the country's woes. There is a need for a paradigm shift in the approach to India's trade relations in order to safeguard the interest of our country and also to improve our competitive edge in global markets, without compromising on economic sovereignty and suzerainty.

Hong Kong, Taiwan and Sinapore also emerged as I-tier Newly Industralised Countries (NICs) with considerable trade and industrial orientation.

Singapore has justifiably aspired to become a developed nation. Malaysia, Thailand, Indonesia, and the Philippines have also emerged as NICs of II-tier, with their rising trade and industrial orientation. Many of these, for example, Malaysia and Thailand, are also aspiring for the status of a developed country by 2025. This confirms the fact that most of the "Policy *miracle economies* Policy" are concentrated in this part of the world.

Growth rate of these countries has been improving and also their foreign capital inflows, thus leading to expanding foreign exchange reserves. This has, in turn. Strengthened their respective currencies. Financial markets have also performed better with declining interest rated and rising market capitalisation. Hence, despite the temporary crisis situation, (out of which, most of them have struggled out). the relevance of India's *look-east* policy continues to exist.

Apart from this, India also enjoys a geographical proximity with this region though it does not belong to it. Its bilateral relationship with these countries would benefit from low transport costs and shorter delivery schedules. This is particularly important in the case of Indian exporters, in view of severe and wide-ranging domestic supply constraints which have been considered as one of the major hinderances by the European importers.

It is also important that geographically southeast Asian countries are situated in the main inter-continental routes between Europe, America, east Asia, and Australia and, hence,can act as an important stopover for Indian exports.

Again, a sizeable population of Indian origin, (about three million plus) in ten southeast Asian countries, which have played an important role in industralisation and trade-promotion of these countries, can act as a vital link in developing mutually beneficial commercial ties between India and southeast Asian countries. The new breed of Indian migrants that include software engineers, financial analysts, management professionals, are likely to play even more important role in promoting INDO-ASEAN economic relations. The age-old cultural ties between India and these countries are also a favourable factor in strengthening bilateral economic relations.

India may also derive benefits from the growing ASEAN economic cooperation, more specifically the ASEAN Free Trade Area (AFTA); as these countries require only 40 per cent local (i.e. ASEAN) content; which means that products containing as much as 60 per cent of value from the rest of the world would also qualify for the benefits of the free trade scheme. It would, therefore, provide ample scope for mixing ASEAN and Indian materials and labour to produce competitive consumables and exportables. This may also offer opportunities for relocating some of the *labour intensive* activities from the ASEAN states to India enabling them in maintaining their competitive edge, which are phasing out in several lines of production owing to rising wages. The supply of skilled manpower at low wages in India would act as a powerful magnet for them particularly in knowledge-oriented areas such as Information Technology (IT) and pharmaceutical sector. Such items are expected to fare well in the global market through highly developed and professional trade related infrastructure of the countries like, Singapore.

A Note of Caution

While expecting to reap benefits out of the INDO-ASEAN ties, attention is required to be drawn to certain vital aspects which may be decisive in success of the strategy:

(I) India, still exports raw or semi-finished goods and purchases finished goods (which come laegely from ASEAN countries); this state of affairs tends to create an imbalance ultimately against Indian interests.

(II) Much of the competitive edge is lost in cost of comparative quality in the finished goods.

(III) Input costs of Indian goods are rendered costly because of irresponsible labour unions. Jyoti Basu, recently has gone on record (although in Malaysia and not within India, yet) to say that the labour adapt itself to the changing scenario!

(IV) IPR (Intellectual Property Rights), and R&D (Research and Development) factors need to be profitably interlinked with input costs.

(V) Compliance with the commitments under the Agreements of WTO (World Trade Organisation) needs to be tackled. WTO—AUDITS may be helpful in this behalf.

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Deepti Gokhale

Leadership Styles

Shifts in Leadership Styles is another compilation on different styles of leadership and their role in contributing to organisational success. The compilation says directive leadership is more appropriate and acceptable to all concerned than participative leadership. Some thoughts on the transformational leader are also presented. The tenents of leadership are described and leadership interface paradigm management is discussed. The compilation concludes by saying 'paradigm shift and leadership goes hand in hand'.

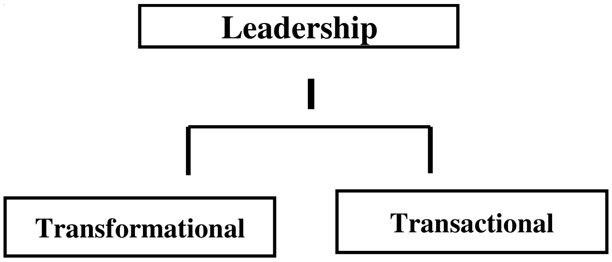
Leadership styles

There are many leadership styles viz:

- Autocratic: An extreme form of leadership having absolute power over his followers/subordinates.
- Bureaucratic: Leaders work by the book ensuring that subordinates toe the line.
- Charismatic: Similar to transformational leadership wherein the leader enthuses the followers. The self belief is of the highest order,carries highest responsibilities and long term commitments.
- Democratic: They invite opinions from the followers, increasing the job satisfaction, develop people's skills.
- Laissez faire: Leaders leave the followers to do their own work. This requires experienced leadership, self starters, but lack sufficient control.
- People Oriented: It is opposite of task oriented, but leaders are focussed on organising, supporting and developing people.
- Servant Leadership: Leaders do not have recognition, circumstantial leadership.
- Task Oriented: Leaders focus on getting the job done and are autocratic. They define the work and roles to be played. They do not look after the team members and have a very high rate of attrition.

"To avoid the agony of failure, one must know what one can transform and what one cannot"

Leaders are born and not made is a disputable point. There are two categories of leadership.



Burns defines Leadership as: "Leader who induces followers to act for certain goals that represent the values and the motivations the wants and needs, the aspirations and expectations from the followers. Leader is not merely wielding power, but appealing to the values of the follower". In this sense values mean "A principle, standard, or quality regarded as worthwhile or desirable." Burns insists that for leaders to have the greatest impact on the "led" they must motivate followers to action by appealing to shared values and by satisfying the higher order needs of the led, such as their aspirations and expectations Transformational leadership ultimately becomes moral as it raises the level of human conduct and ethical aspiration of both leader and the led and thus it has a transforming effect on both"

Transformational Leadership

It deals more with implementing new ideas, and constitutes a continuous change, requiring flexibility and adaptability. The transformational leadership has

i) Charisma
ii) Vision
iii) Intellectual stimulation
iv) Inspiration

which are abstract qualities, hard to define.

Transformational Leadership appeals to the individuals' needs and not only the job. They elicit sense of commitment, giving identity and self esteem to the subordinates/followers. This instills in the followers a sense to attain higher needs, represent a higher level of morality. Classic perspective of Transformational Leadership requires goals and values to be constantly reviewed and adopt to the prevailing changes, and is also referred to as "transvigorational" leadership. This is a perfect mix of transformational and transactional leadership.

The goals, then take on a life of their own. In business this leads to market domination and profit. In the military, this leads to professionals leading inspired subordinates through tough budgets, difficult deployments, the rigors of combat ultimate victory. Burns recognizes that 'transformational' leadership does not stand alone in the leadership lexicon.

Transactional Leadership

It is based on a transaction or exchange the values of the leadership and controls the wants of the followers. It requires a shrewd eye for opportunity, a good hand at bargaining, persuading, reciprocating. It uses management by exception. They are directive and dominating and action oriented. It is effective for small tasks and has limitations for knowledge based or creative work but has its own allurement.

Transactional leadership and transformational leadership are not at odds with one another, but complement each other as the circumstances dictate. There is no magic formula or checklist that dictates when one is more relevant than the other in any given situation. When to make the transition is an art borne of experience and education. The best leadership is both transformational and transactional. Transformational leadership augments the effectiveness of transactional leadership. When the transformational leader sees himself/herself in a win lose negotiation he tries to convert it into a win-win, problem solving situation. If this is not possible, then he or she can display the transactional skills necessary as an effective negotiator. On the surface it appears that the transactional style provides the basis of most leader follower encounters.

Leader may feel 'torn' in situations of conflicting loyalties' This feeling of competing loyalties may tempt these leaders to engage in situational leadership to resolve the dilemma of conflicting loyalties. Transactional, does exhibit some of the qualities of a transformational relationship with their followers.

Leaders have the ability to understand the available options and to act in the manner that is most appropriate to the situation. The military professional must weigh the pros and cons of these leader/follower relationships to judge which is best and when. This is by no means an easy task and usually results in a great deal of thought for being a leader at work. It is necessary to reflect on the kind of leaders and followers who will most likely succeed in a challenging environment. 'Today's networked, interdependent, culturally diverse organisations require transformational leadership to bring out in followers, their creativity, imagination and best efforts." This is exactly the type of leader and follower, who needs nurturing, developing and rewarding in the department of defense. All people including those not in uniform, are part of the team; ideally this would extend to all government employees and to all who do business with the government.

In the final analysis, transformational leadership, in the military should fuse the leader's vision so strongly in the follower, that both are motivated by high moral and ethical principles. This process raises them above self interest to perform their exacting duties, even to the ultimate sacrifice, for the good of the nation. The four most interrelated components that are essential for leaders to move followers into the transformational style:

- Idealized influence: He maintains genuine trust built between leaders and followers. If the leadership is truly transformational, its charisma or idealized influence is characterized by high moral and ethical standards. Trust for both leader and follower is built on a solid moral and ethical foundation.
- Inspirational motivation: It is transformational leadership's inspirational motivation that provides followers with challenges and meaning for engaging in shared goals and undertakings. 'The leaders appeal to what is right and needs to be done providing the impetus for all to move forward.
- Intellectual stimulation: Intellectual stimulation helps followers to question assumptions and to generate more creative solutions to problems.The leader's vision provides the framework for followers to see how they connect to the leader, the organization, each other, and the goal. Once they have this big picture view and are allowed freedom from convention they can creatively overcome any obstacles in the way of the mission.
- Individual consideration: Individual consideration treats each follower as an individual and provides coaching, mentoring and growth opportunities.' This approach not only educates the next generation of leaders, but also fulfills the individuals need for self' actualization, self fulfillment, and self worth. It also naturally propels followers to further achievement and growth.

Under various conditions, directive leadership is more appropriate and acceptable to all concerned than is participative leadership, Certainly there is a time and place for input to be heard, such as the planning process where consensus is the leader's goal.

'The Transformational leader strives to achieve a true consensus in aligning individual and organizational interests. In true consensus, the interests of all are fully considered, but the final decision reached may fail to please everyone completely Decision is accepted as the best under the circumstances even if it means some individual members' interests may have to be sacrificed. The authentic transformational leader must forge a path of congruence of values and interests among stake holders.

Hitler's a case of transactional leadership gone wrong. He appealed to the values and ethics of German people, but it can be argued that instead of fulfilling his followers' higher order needs and aspirations he led them to ruin. He was a powerful, charismatic leader that would probably fit the definition of a pseudo transformational leader, because his aim ultimately did not lead to the betterment of his followers, but rather his own fulfillment through abuse of power.

The tenets of leadership

High moral and ethical values.

Express genuine interest in followers.

An inspirational vision

Genuine trust must exists between leaders and led.

Followers should share leader's values and vision.

Leaders and followers now perform beyond self interest.

Participatory decision making becomes the rule.

Innovative thinking and action is expected.

Motivation to do the right thing.

Leaders mentor.

Leadership & Paradigm Management

In today's World where performance at all levels at all times is the most wanted virtue, people/leaders (political/industry) have tried to attain success by compromising on values, ethics, loyalty. This has abused the leadership. They have become more self gratuitous instead of being selfless. Today in the dog eat dog world, who is to be blamed. The leaders expect all the virtues in their followers/supporters. They do not lead by example. Everybody is trying to imbibe leadership qualities. Nowadays, life is so fast, that people want to become independent in the competitive world. They fight for better performance compromising on values and ethics. Earlier the informations system was top to bottom, today it is bottom to top. This gives a competitive edge in decision making -a decisive tool for Leadership. Leaders need to be clear on how paradigm shifts and leadership are interconnected. Leaders need to understand that depending on conditions and the kind of followers, each paradigm will require a different pathways. Most leaders are not visionaries but know who the visionaries are and select from them the innovative ideas that can sub serve the organisational goals.

In the 21st century you have to be competent for various changes for your organisation to flourish. One without other will not work. You need to be innovative and anticipating, giving you the edge over others. Paradigm and leadership go hand in hand.

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Vilasini G. Patkar

Human Resource Practices - Managing and Understanding Human Capital

The article starts by identifying HR challenges and focuses on the concept of a learning organization. Addressing the issue of current HRM practices the author talks about various aspects of HRM, such as HRM planning and allied activities. HRM is multi functional in approach and is no longer a specialized activity. HRM addresses many other issues like management development, training, retention and so on. New paradigms in HRM stress on the rejuvenated role of HRM as a strategic function of business and as an agent of change. The author specifically talks of the role of integrating HR of companies when mergers and acquisitions take place. Again, HRM is also a corporate image building exercise. Futuristic, HRM strategies include empowerment, consultation, collaboration, co-operation and co-ordination with other departments, talent retention, challenging work environment et al. Various case studies and examples have been presented on other related aspects of HRM. A total change in mindset is required to imbibe the state of the art HRM practices.

The path to a country's transformation invariably begins with the big picture in mind. India has rightly embarked the journey of paradigm shift, with its rich experience of almost 55 years of planned development. With the introduction of economic reforms since 1991, in the last 15 years, one experiences sweeping changes in every sector of the economy. Having assessed our potential, we have taken up an ambitions programme of change management strategies for building up a strong economy with a continuous rise in GDP of 8% to 10% annually. We have realized that, to achieve a steady growth, we must capitalise our most valuable asset, the Human Resources. We are the richest country in the world in terms of young talented population, with tremendous capacity to learn, along with amazing flexibility, habits of hard work, integrity and honesty. With good education, appropriate training and skill upgradation, India can become world leader in international management by 2025. To achieve this cherished dream we need to invest our resources to create strong buildings blocks of change utilisable/employable in the near future.

Human Resource Management Challenge

Human Resource (HR) is the most vital & most opportune of all the variety of resources required to develop a nation. HR is the toughest managerial challenges today. Besides tackling the challenges of domestic and global competition, managers have to deal with the challenge of retaining & nurturing talent. Managing Human Resources requires the application of innovative, out of the box strategies. Companies need to develop continuous learning type of organisational environment where emphasis is on team-work, engagement, talent recognition and encouragement-to the performing & knowledgable manpower in the organisation; through continuous appraisal of employee performance, strict accountability of responsibilities assigned, with appropriately designed rewards for success - so as to ensure excellence in performance. Failure, if any, has to be critically appraised and the concerned team should be motivated to accept another challenging project to prove its merit. The morale of the employees has to be always kept high through confidence building workshops & training sessions. There must be a harmonious blend of employer-employee aspirations, systematic delegation of powers - empowerment, career progression, attractive emoluments, new work opportunities, and a congenial working environment, for successful retention of HR skill sets in the organisation for accomplishing the corporate vision.

India's Transformation & Opportunities for Hr

India has transformed drastically over a period of almost 60 years, since 1947, recording an unrecognisable progress. Liberalisation, Privatisation, Globalisation, (LPG), launched in 1991 has given new momentum to the economic activities. The growth of the Indian economy has made us prominent on the world economic and political scenario as a major power influencing global strategies. Our various encouraging moves in the recent times have been–Tata Steel snatching the Corus deal, Infosys being reckoned on the NASDAQ, Mittal Steel making the Arcelor deal, India's role in WTO on trade talks and removal of agricultural subsidies, recognition of India's nuclear power status, etc. All this was achievable because of human resource availability & talent, as well as due to confidence in our human capital. This transformation is an acknowledgement of India's managerial potentials by the world economies thereby influencing the outlook of other countries vis-à-vis India. Transformation is on account of the recognition of the power to alter the behaviour of others, to get what one wants, and there are three ways of doing that -

- Coercion (stick) punishment,
- Payments (carrot) rewards and
- Attraction (soft skill) positive attitude.

Business organisations are concentrating on the later two techniques to build up their human capital. India has the most favourable population demographics across the globe. The vibrant young population will help India transform into the world's third largest economy by 2050, if the private and public sector expenditure on education is dramatically scaled up. Education is the key driver of a booming knowledge economy. Franklin D. Roosevelt had once rightly remarked "we cannot always build the future for our youth, but we can build our youth for the future." This is applicable to the young Indians today who need to be motivated, trained and educated in the right direction, appropriately tuned for the future needs.

Moreover, economic revolution is powered by a mind-boggling mix of energy and infrastructure solutions; the share market boom attracting Japanese, South Korean & Australian funds; the dominant position of IT industry in the global economy; and a significant stride in retailing, telecom, aviation and service sectors. These have opened up new opportunities for our Human Resources.

Traditionally our people were viewed as a burden on the economy, now they are considered as the assets of the economy. The transformation is tremendous. Earlier our people were looked upon as illiterate & ignorant, now they are reckoned as knowledge workers, well informed and creative. This paradigm shift in the outlook towards human capital is indeed heartening. Qualitative human capital is the basic wealth of Indian companies and every effort is made to achieve long term success in business by attracting, developing, retaining and utilizing the best available talent. Understanding HR needs, plays a significant role in this context.

Current HRM Practices

Presently managements have realized that it is essential to combine HR of business with its other resources/operations. To accomplish the corporate vision into reality it requires people management skills because people alone can translate monetary / financial projections into reality. This calls for appropriate Human Resource Planning (HRP)–determining the right type of people for the desired jobs in question, in right numbers, with the right expertise. Planning needs to be accurate, timely and clearly ahead of the future needs. The managements try to have a clear understanding of the expectations of their employees and accordingly design progression/career plans. Accelerating employee careers would go a long way in achieving expected results and targets as planned by the organisations. Thorough and systematic HR planning is the corner stone of growth, continuity & future health of the organisation.

Developments in Human Resource Management (HRM) are usually evolutionary rather than revolutionary. Managers often find themselves dealing with issues only after they have become problems and problems after they have become crises. Future crisis are already taking shape, but they can be minimized and possibly avoided with wisdom and foresight, i.e. by managing knowledge, skills and talents of HR for achieving the desired goals.

A mega dimension of modern HRM is the multi-cultural environment of the 21st century enterprises. The present business organisations being largely global in their outlook, hire employees from the entire world. The teams comprise of people from different cultures & background, who share ideas and thoughts that are conflicting and contradictory. Yet, they would have to perform and show positive results in respect of targets and achievements. Managing such groups is a challenge before modern HR managers.

HRM should work on areas of cross-cultural diversities in the organisational setup; creating challenging opportunities and suitable work environments for the knowledge workers; designing jobs to meet employee needs of future growth; have succession management strategies in place; seek employee involvement in decision-making; undertake HR assessment, accounting and audit- so as to compare HR costs with HR productivity.

HRM has to deal with diversity of insights, experiences and research on a number of aspects like HRP, Human Resource Development (HRD), superior – subordinate relationships, effective communication, employee participation, career development techniques, attractive/flexible compensation plans, etc. HRM should stress on soft skills of people. The HRM philosophy should focus on providing a congenial work environment that would recognize employees as intelligent and trustworthy, provide the necessary growth options, encourage participation and input in decision making and create a sense of self esteem, self fulfillment and community. Quality of Work Life (QWL) has to be given top priority in the HRM policies. Managements should realize that they cannot work solely with concepts, ideas, money or technology. One must be able to blend appropriately the human dimensions in the work environment. Managing educated, skilled workforce is a great challenge as the HR will be responsive to psychological incentives and alternative work patterns.

HRM has become multifunctional in approach. It is no longer a specialised activity. Management development, training, retention, etc., are of paramount significance. HRM should become people centric rather than policy and procedure centric. Innovation and research in human aspects of managerial decisions is the key to successful HRM practices. Managements should plan out ways and means of deriving optimum effectiveness and productivity from their employees by encouraging creativity, enthusiasm, loyalty and integrity.

To effectively perform in an ever demanding competitive environment well coordinated practices and strategies must be developed by organisations. HRM success can be ensured only through proper foresight and planning, deploying right type of employee nurturing tactics to hire the best of best talents and ensuring that they are retained. Without the right skills and appropriate HR practices/policies, the best competitive strategies would fail in an organisation.

New Paradigms in HRM

1. HRM as a Strategic Function of Business

HR managers are considered as strategic contributors in managing business enterprises. In the earlier days of HRM, people management skills were not given significant weightage across countries and industries. However, one sees a transformation in the approach of corporate managements–as increasingly the HR function is being recognized as strategic to business success. The change has brought about a shift in the reportability of HR Directors/Vice Presidents/Managers directly to the CEO and some are also seen seated on the boards of companies. Mohandas Pai, Director, HR, Infosys is the best illustration to bring home the point. He was the most high profile CFO vouched in the IT industry. Yet he was moved to head the HR function, as this task is now being considered strategic to business success. According to Narayana Murthy, Chief Mentor, Infosys, HR is the most challenging task on hand for companies today and the profession needs strategic people such as Pai to help over 55,000 people strong organisation tide over the challenge.

2. HR function is considered as an Agent of Change

HR of the right fit is the top priority in companies today. Organisations are competing for grabbing the most talented, skillful and loyal professionals - skilled in various areas of business operations. Deepak Dhawan, V.P, HR and Training, EXL Services, says "HR has so far stood away from the supply chain of the organisation, but now is definitely part of its business success." HR has become a change agent, innovator and a strategic partner. The HR management has to change its focus on new areas like HR accountability and audit to ensure profitability to the organisation by evaluating the employee cost (recruitment, selection, training and compensation) and matching it with productivity and performance (the results/benefits that accrue to the organisation). The whole purpose is to optimise people resources for profit enhancement. This task is entrusted to Resource Management Groups who focus on recruitment function and relieve the HR managers for other more complex HR management tasks. The recruitment function is becoming increasingly important and continuous and is a parameter for evaluating business results. The HR personnel should concentrate on bringing about attitudinal change in its staff, through good training and development of soft skills. Bringing about attitudinal change in organisations human resources to suit its mission is very significant.

3. Key role in integrating the HR of companies in Mergers and Acquisitions

Mergers and Acquisitions (M and A) have been on the rise now than ever before. Our entrepreneurs have shown superb business acumen and proved Indian prowess in the field of business by making acquisitions a habit. The most recent acquisitions are cited below.

India Inc. Acquisitions:

TIME	COMPANY	ACUIRED BY	DEAL WORTH
Feb-07	Novelis	Hindalco	$ 6 billion
Jan-07	Corus group	Tata steel	$ 12.1 billion
Jan-07	Ritz-Carlton Boston	Indian Hotels	$ 170 million
Sep-06	Jeco Holding AG	M & M	$ 180 million
Jun-06	Eight o' Clock Coffee	Tata Tea	$ 220 million
Jun-06	Sabah Forest Industries	BILT	$ 261 million
Mar-06	Hansen	Suzlon Energy Ltd.	$ 565 million
Mar-06	Terapia	Ranbaxy	$ 324 million
Feb-06	Betapharm	Dr Reddy's	$ 570 million
Jul-05	Teleglobe	VSNL	$ 239 million

During mergers and acquisitions more focus needs to be centered on HRM practices, as apart from the financial, technological, production and marketing details, HR is the trickiest issue. Research indicates that people issues occur at all stages of the mergers and acquisitions process (Schuler and Jackson, 2001). People issues relate to the integration of cultures, organisation design and process, as well as retention of key talent. Other critical human capital related issues are concerning leadership, integration of organisations, employee communication, effective planning for integration, selection of leader to manage business combination and creation of policies and practices for learning and knowledge sharing as well as transfers.

Failure to address these soft HR issues would create problems like loss of key staff/personnel, reduced appeal as an employer of choice, deterioration of customer service, increased absenteeism, higher workers compensation costs, loss of market share, litigation problems, hurdles in restructuring, etc.

HR should play a major role in merger activities by identifying and retaining key personnel, planning rewards strategy, taking companies' employees in confidence and communicating the M and A strategies/ objectives, future plans and the big picture. Best practices if followed, they could ensure smoothest integration and more satisfied employees through retention of top executives and key HR personnel; shareholders and customers. Strategy teams should be used to spearhead the mergers and acquisition. The cultural fit between the companies has to be worked out to ensure smooth integration.

The number of M and A deals have significantly increased to 243 in 2005, a rise of more than 17 times over 1995-96. Mr Adi Godrej says, "according to estimates, only two out of every five M and A work. While deals worth around $25 billion were executed in India last year, the success rate was only 20 per cent HR is the white pawn in the acquisition game, there is need to address cultural sensitivities", he added. There has to be a plan to tackle the fears and aspirations of the workforce in the target entity.

4. Company's Image as an Employer

Nowadays, companies are conscious of their corporate image as good employers who care and nurture their employees and partner their success. This image facilitates attracting the best HR to the organisation. This also helps in working towards building commitment among employees along with rise in productivity, by getting people involved and excited about their roles in the company. HR plays a key role in the image building exercise at the stages of recruitment, the employee's stay, as well as exit. People are enthused to join by narrating the company's vision, mission and USPs. They are motivated to continue in the organisation through merit based promotions, quick rewards for good work done, bonus for high productivity, creativity and the like. They are given golden handshake at the time of exit and are not detained as they are leaving for better prospects. However, if the exit is on account of any other reason, HR thoroughly looks into the grievances and tries to resolve the matter in the best interest of both – company as well as the employee.

Earlier HR personnel operated in local, almost informal fashion. Temping was usually routed through small agencies, chartered accountancy firms and locals who were into small time placements. The HR function today has become extremely specialized. “The focus earlier was on campus selection”, says Balaji of Ma Foi, “but today HR professionals have to concentrate on talent acquisition and management”. Udai Upendra, VP, Global HR, Ranbaxy Laboratories opines “to effectively manage growing workforce, companies are looking for specialists in functions like organisational development, learning and leadership development”.

There is also growing emphasis on innovations in the quality of HR process and personnel. “LG and many other quality-conscious companies today require their HR managers to be Six Sigma trained”, says Yasho Vardhan Verma, Director, HR and MS (Management Support), LG Electronics India Ltd. (LGEIL).

According to Mandeep Maitra, Country Head, HR, HDFC Bank, “the bank’s HR functions are focused on activities like performance improvement, organisational productivity, organisational restructuring and culture building.” “It is our endeavour to hold and create an environment where employees can build on their individual competencies and take up challenging roles in the organisation,” says Maitra, who leads a team of 52 HR professionals.

Kris Lakshmikanth, CEO of Bangalore-based executive search firm, The Headhunters India, says “recruitment has, over the years, become a plain-vanilla function”. Though some companies, like Infosys, still list recruitment as one of the core HR functions, employers today are increasingly outsourcing this to external head hunting agencies. “Most big companies today are happy to have their HR people off recruitment”, says Kelly Services’ Khanna.

High attrition rates are the bane of most industries. “Companies cannot take employees’ loyalty for granted anymore”, points out Ronesh Puri, managing Director, Executive Access, an executive search firm. “To counter this,” says Sudhakar Balakrishnan, COO and Director, Adecco Peopleone, another placement firm, “employee engagement and retention training have become the primary focus of HR managers”.

“They are expected to support business leaders by aligning HR process with business requirements and take change initiative of the business forward; so HR personnel must have a conceptual understanding and experience of business functions,” says Balaji.

Futuristic Human Resource Strategies

The Success Mantras for effective HR practices would be such that add value to the business and be used to address the multitude of business challenges currently encountered. Traditional challenges of facilitating processes that help attract and develop people still continue to be the primary responsibilities of HR managers. The new focus would be on –

- **Empowerment**

An empowered employee is a responsible worker. He learns to take the onus of the job. It keeps him motivated to perform his best. Empowering creates a win-win situation for both the employee and the employer. It gives greater job satisfaction to an employee, along with an increased sense of worth, through the application of a wider spectrum of skills and abilities. Empowerment ensures democratic managerial practices, by involving employees in decisions made by the management. It simplifies and harmonises the boss - subordinate relationship in the organisation, making it healthier. Empowerment makes an employee more confident, courageous and competent through proper training, enabling independent decision making. Hence, HR practices must incorporate the strategy of empowering its employees as it would generate desirable performance, retention and motivation.

- **HR’s cooperation and coordination with other departments**

The changing role of HR in today’s world sees it lending a hand to every other department in the company. Rapid environmental changes are also reflected in changing workforce demographics and attitudes. This creates an additional challenge of monitoring the motivating factors of current and potential employees, adapting people management process to meet their expectations and building work cultures that appeal to them, while maintaining alignment with the core values of the organisation. This is important both for attracting talent and being able to retain and motivate them. Organisations health surveys, engagement surveys and other such feedback practices are becoming integral HR management practices. These goals can be achieved only through active HR's cooperation and coordination with other departments.

- **Retaining Talent**

Attracting, retaining and managing a high quality workforce are a great dilemma before enterprises today. Organisations can hire people by selecting top quality workforce to work for their companies, but they cannot ensure that they can retain them. Hence companies with high attrition rate like IT (Information Technology) and ITES (IT Enabled Services) work out ways and means of retaining talented workforce through emphasis on socialization, promotion of crucial human movement and interaction so as to transmit energy between people and develop bonding. IT companies are increasingly using Restricted Stock Units (RSUs) as an option to retain senior and middle level management employees. Satyam, Wipro, and iGate are among those who have shifted to RSU as their key employee retention and motivation tool. RSUs are preferred by employees as they are generally granted at face value or a highly discounted price. Hence, they are a better option compared to ESOPs. Another good option of retaining employees is cash-based incentives. Managers are also rewarding initiatives/ideas from employees and any behaviour that exhibits a high regard for productivity - that meets performance goals. Every organisation needs to identify what motivates their employees to perform well so as to reward and reinforce those very things in order to get the best out of them and retain them. Good training and sound succession planning policy would also help in retaining employees. Hiring local staff could also enforce retention.

- **Challenging Work Environment**

The current office environment encourages mixing business with pleasure. Futuristic HR Heads / Managers should encourage their staff to unwind and de-stress during office hours. Companies should invest in recreational and in-house gym facility for their employees as an unavoidable and necessary cost. Office interiors have undergone transformation–cabins have given way to open office structures. Changing rooms/rest rooms have transformed into Masti room/recreation room. 'Josh' and 'fun' crafter (Cadbury's) events are celebrated around the year. Competitions, festive days are observed to enhance socialization among the large number of employees. These extra curricular activities make working in organisation more lively and de-stressing. Organisations work today on balancing work-life and create a culture that reflects this belief. All this helps in offering a great working environment. They plan a break out area right in the middle of the office, with beanbags and reading materials; music is played constantly along with TV and radio satellite network, jam sessions are held on weekends, and so on. All these concepts help in building loyalty and have become acid tests of good leadership. HR personnel should understand the psyche of its younger, energetic employees and work on the commitment of its people. Employees need to prove to others what they are capable of and hence they must be offered the right chances and opportunities. This recognition and appreciation could help retain the workforce with a challenging work environment.

- **Need to match shortage of HR Professionals**

Currently organisations are facing acute shortage of HR professionals. According to industry estimates, for every 50 to 75 persons recruited, one HR job gets created. This roughly translates into a demand for 40,000 people skilled in HR area for the technical sector alone in the next three years. This excludes the need of other booming sectors such as retail; telecom; insurance; textiles; tourism; industries like small, medium, large; rural development; religion & spirituality; aviation; government employability as per11th plan; services like medical, food, advertising, media; professionals like chartered accountants, lawyers, doctors, educationalist and the recruitment industry itself, which would need as many people. A study by Elixir Web Solutions, New Delhi shows that the recruitment industry is going through a crunch of 200 professionals every day. Large organisations are often recruiting in excess of 1,000 people per year and one recruiter can effectively handle 5.20 placements a month. Generally, recruiting teams are often as large as 15 to 20 people, with some organisations having recruiting teams with over 150 people. This calls for motivating youth to take up careers in HR as the future is very bright, due to the challenging role of HR as it is becoming more strategic in nature. Organisations are tying up with management institutes to cater to their internal HR needs; for e.g., Accenture has tided up with XLRI, Jamshedpur.

Companies are developing their in-house training academies to develop management trainees by seeking fresh graduates with bright careers and a flare for managing people. This is because the management institutes in the country are not producing enough professionals with HR Specialisation. Management institutes and students should jointly gear up to fill up the shortage of qualified, experienced and trained HR in the near future. Students choosing Specialisation have to understand the bright prospects and chances of job options for HR, which would have typically three types of roles namely, the strategisers–who design the HR philosophy and drive HR agenda; the managers; and the executors–who deliver the promise.

The shortage is felt at all three levels, but it is at the execution and management levels that the crunch is really bad. Moreover, the HR personnel has to be qualitative–good communicators, planners, team builders and with leadership traits, because they can make or destroy the organisation. They must be trained in effective multi-tasking operations, managing expectations of both, employees and employers. "India is a breeding ground for future HR best practices and thought leaders" says Rahul Verma, Sr. Director, HR Accenture India.

- **Modify Employee Behaviour**

Currently internal data thefts are becoming a threat for companies in spite of employing the best technology in it like fire walls, encryption and anti-virus. Companies need to look at mitigating the impact of human errors, human frauds and human incompetence in business. The HR has to train the employees with an objective of modifying their behaviour to mitigate threats, make them understand the consequences of bad information security behaviour and reward them for good information security behaviour. The need of the hour is to put in place an information security behaviour management system because data protection can save the organisation a huge cost in the long run legal battles and loss in terms of erosion of trust, loss of goodwill, bad press reports and lowered employee morale.

- **HR Professionals are in Demand**

"They were traditionally people who recruited others. Now, they are the ones being chased" says, Kapil Bajaj and Aman Malik. The transformation is complete; the buyers have become the merchandise. Human resource (HR) professionals were the anonymous backroom boys who shot off appointment letters, drew up job contracts, worked out group insurance policies, maintained industrial relations; and even coaxed, cajoled, lured and enticed key personnel from rival and other firms into the fold of their employers. But ironically now, it is they who are being coaxed, cajoled, lured and enticed by almost every section of India Inc over the last 6 to 12 months. Not surprisingly, "this changing trend is the direct fallout of the jobs boom in the economy," explains Achal Khanna, Country Manager, Kelly Service, a staffing services firm. Companies normally employ one HR person for every 200 employees, so the hundreds and thousands of new jobs being created in the country are leading to a massive demand for HR professionals. HR is a value-enabling function; so every sector that is hiring in large numbers will need HR professionals. Not surprisingly, then, the IT and IT enabled services sectors, which are hiring big numbers in their core functions, are also recruiting large numbers of HR professionals. "We currently employ over 62,000 people and plan to add another 30,000 this year," says S. Padmanabhan,[14] Executive Vice President and Head, Global HR, TCS, the country's largest IT Company. This is expected to translate into a demand for about 150 HR professionals. "Infosys, too, has been recruiting big time," says Bikramjit Maitra Vice President HR, Infosys Technologies, adding "in the last year alone, we have recruited 150 HR professionals". The retail and real estate sectors, which are expected to create one million new jobs over the next three years, are also doing the same.

"There is an acute shortage of HR talent at most dynamic organisations," says Balaji. This puts a premium on people who do possess the relevant skills.

So what do recruiters look for while hiring HR personnel? "The first thing recruiters look at is education," says Khanna. According to Puri, the other aspects that recruiters look at while hiring personnel are:

- An overwhelming majority of companies still prefer the MBA tag, he says. But educational qualifications can only be the starting point of an elimination process.
- "In people-oriented sectors like retail, the most important qualification for an HR candidate is attitude", says Sanjay Jog.
- Communication skills,
- Leadership qualities,
- Companies require HR people to help their employees build careers,

The general consensus is that the demand for HR professionals will remain robust. The economy is expected to move at 8 per cent plus in the foreseeable future; millions of new jobs will be created over the next 3-5 years; and the industry thumb rule says at least 5,000 HR professionals will be required for every million jobs.

- **Employee Engagement**

Engaged employees are seen to be productive members of an organisation who are psychologically committed to a role in the organisation in which they use their talents. They are supposed to speak positively about the organisation to co-workers, potential employees and customers; demonstrate an intense desire to be part of the organisation; exert extra efforts and take on work that contributes to company's success. It is supposed to be a state of emotional and intellectual involvement that workers have in an organisation. Tenure with the organisation, display of emotional investment in what he does, doing more than what is expected., displaying pride in the place he works, are some of the tenets of employee engagement.

The first step to engagement is to do with organisation design, job design and a supportive environment to succeed. Organisations that get this right, certainly secure employee engagement.

The second step would be to re-establish "connect" with employees. This will call for efforts on the part of the CEO who would share this passion and beliefs in real connect.

The third area of focus would be on enhancing the maturity of young employees so that they are able to experience control over their destinies and take charge of the tasks. Mature employees are engaged employees. Hence organisations have to first enhance the engagement levels of their HR folk. If HR attrition in organisations is an indication, it is a cause for worry, of not being able to make an impact on the employees.

- **TEMPting Offer**

According to a survey conducted in October 2006, by Team Lease, a staffing solutions company, currently the temporary workers in India are three lakhs, as compared to 15,000 in 2003. While a permanent, full-time job is still the norm, labour markets worldwide are changing. The "job-for-life" maxim is being replaced with life-long learning, gaining multiple skills amid a working life with several career profiles and flexible hours.

Staff Service's General Manager, Corporate Development Asia, Pang-Su-Kong, says, "Temp Staffing is more like contract staffing, where we put someone in a company for three, six or nine months. The target clients are fresh graduates, mid - level managers looking for consultancy work and homemakers. We look at placements in retail, insurance and even some white-collar clerical job." Now the entire process has become completely organised, with companies like Net Technologies and Kenexa Technologies focusing on the area.

Employee perspective

A survey carried out by Delloitte and Touche gives an insight into the temporary job market:

35% of people choose a temporary job as they cannot find a permanent job.

26% to gain work experience,

13% get temporary placement to work between jobs; and the rest prefer temporary jobs for a multitude of reasons – flexible schedule, being able to work for different employers, to be able to quit or if they are looking to work for short periods

6% of employers use temporary staff to reduce wage costs

63% employers hire them to match the seasonal peaks in demand (for instance, retail and textile industry)

59% to cover for holidays / sick leave

39% to perform one-off tasks

21% to cover for maternity leave

38% to cover for medical leave

20% hire temp staff on a trial basis for permanent work.

Courtesy: HT Power jobs Nov.21, 2006, p.2

India's Temping Status

Number of Temp Staffers in 2003	15,000 – 20,000
Number of Temp Staffers Today	3 lakhs
Average Compensation in 2003	Rs 5,000 to Rs 8,000
Compensation Today	Rs 11,000 to Rs 18,000
Size of Total Workforce	40 crore(organised)
Potential Size of Temp Market	3.5 to 5 % of 40 crore

Courtesy: Team Lease, HT Power jobs Nov 21, 2006, p.1

Sometimes temps get 20 per cent higher salary than a regular employee, especially specific time bound projects. The average growth rate in compensation has been about 15 per cent. However, flexibility and good salary does have its price. The perks that come with full-time employment like health insurance, paid vacations and a pension plan are not applicable at all for such staff.

Temping trends are rampant in telecom, retail, banking and financial services. Even conventional brick and mortar companies are opening up to the idea.

- **Spot Rewards**

In the world of instant gratification**,** companies are conferring instant recognition on employees who do that extra bit. Spot rewarding is catching up. The instant reward is for contributing to the company, above and beyond the call of duty or for any exceptional performance. Training, knowledge harvesting, recruiting, participation in quality audits, assessments and external certifications qualify for reward points based on certain defined parameters.

Incentives for employees and reward programmes foster healthy competition and positive behaviour among employees and various teams. These practices help to reinforce positive behaviour and inculcate a sense of discipline and healthy competition.

- **The Talent Strategy**

The need of the hour is a creative "talent strategy". The IT industry is facing the current crisis because it could not forecast the astounding growth it has achieved. The fast booming auto industry has to learn from that experience. The industry is getting to be very good at selling its cars and bikes. It now has to expand similar energy and invest similar money in "selling itself" to a different stakeholders altogether i.e., the future employees. At the school and college level, while the manufacturers enjoy some brand visibility, the auto component industry does not. Studies shows that today's generation values "continuous learning" and "exciting work" as critical factors in choosing a job and staying in it. This has to be the focus of long term talent attraction strategy. Most companies in India still mandate retirement at 58 or 60. This is a legacy of the past. Given improved life expectancy, nothing stops companies from pushing this limit to 65 or abolishing this criterion altogether and going instead by merit and productivity. The 'seniors' will draw larger salaries but chosen well, and on merit, by way of sheer knowledge, maturity and marginal capability. Talent retention strategy would definitely contribute to quality and profitability. Exciting and youthful talent, blended with mature wisdom, is the magic formula for the industries today, and the time to act is now.

Corporates Strengthen Unified Human Resource Plan

HDFC Bank's 52 strong HR departments, for example, specialize in learning and development, employee relations, remuneration and benefits, resourcing, HR operations, performance management and reward planning, career and succession planning, and talent management. "Some of us may be taking care of more than one of these functional areas." Says HDFC bank's Maitra. LG Electronics too encourages specialisation. Its 34-strong HR team has experts in training, culture building, recruitment, organisation development intervention, talent management, and labour relations.

Tatas have a unified human resource framework. Group HR, headed by Satish Pradhan, has independent divisions such as Tatas Administrative Service (TAS), talent management, management development, programme management and learning and research under its umbrella. Senior professionals in the group are heading each of these divisions; and all of them are not hardcore HR professionals. For example, Rajesh H. Dahiya, who is in charge of TAS and sourcing, was heading a manufacturing operations for agrochemical major Rallies. Dahiya now scouts for talent even in international campuses and organizes entry level talent management programmes. K. Amuthan, who had spent long years in marketing, is now heading the management development function. Dr. B. Bowonder was roped to head the research and publication division from the Administrative Staff College of India; Hyderabad. Clearly there was an understanding within the group about a need to have a unified approach to HR rather than have a uniform approach.

In the past, Group HR restricted their activities to coordinating and sharing information across business units. The group companies had their won HR policies and practices. The move to create unified HR framework was started in 2002. The corporate HR function now sets overall directions by crafting a general HR value frame work by setting minimum standards, spearheading specific HR interventions in Tata Companies and linking their needs with the overall corporate vision.

	FUNCTIONS
TAS and sourcing	Internal internship, Entry level talent programmes
Talent management	Development planning, development action
Management development	Remuneration practice, new projects
Programme management	Work-level implementations
Learning	Training interventions
Research	Research

Courtesy: HT Business, July 24, 2006.p.16

Conclusion

Currently, managing people is gaining more attention than ever before. An ever new approach to HRM practices and philosophy is emerging in modern times. This is on account of the transformation of the world economies into service economies, changes on account of Globalisation, information explosion, advances in technology and intensely competitive global and domestic markets, which continuously require organisations to perform. Performance and productivity is directly related to efficient HRM practices and right philosophy. Corporations have to adapt themselves not only to the economic, technological and environmental changes but they have to device changes in HR policies as well, to get work done effectively at every level. People management poses the greatest challenge today on account of the changes in terms of - complexities in corporate cultures, values, new breed of workforce- knowledge workers (with education and skills) who are young and dynamic but not very committed, have high expectations and expect quick results (promotions). Employees look forward to an accelerating career and professional growth in companies. More efforts have to be made to train and retain personnel.

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Best Practices

Management Development – A new Direction.

Hierarchical Control	Empowerment.
Management Ownership of People Development.	Greater Individual Ownership.
Grade based Progression.	"Value" based Progression.
Careers	Personal Growth.
Training Plans	Learning Plans
Behavioral Emphasis	Marketable skills emphasis.

Reshaping Management Development.

From...	**To...**
Initial Career Education.	Lifelong Learning.
Generalized Concepts.	Individually and Organizationally tailored approaches.
Imparting Knowledge	Supporting Self-managed Development.
Functional Education	Integrative Learning.
Distanced Providers	Learning Partnerships.
Single Service	Range of Services.

Results Focused Management Development.

Managerial Pressures:

• Almost half of the respondents frequently work more than 60 hours per week.

• 61% frequently take work home.

Formal Management Development Programmes

Major focus on content	Major focus on process delivery.
Led and dominated by Teacher.	Ownership of learning by participant.
Expert hands-down knowledge.	Teacher as fellow learner/facilitator.
Emphasis upon "know what"	Emphasis upon "know how" and "know who".
Participants passively receiving knowledge.	Participants generating knowledge.
Sessions heavily programmed	Sessions flexible and responsive to needs.
Learning objectives imposed.	Learning objectives negotiated.
Mistakes looked down upon.	Mistakes to be learned from.
Emphasis upon theory.	Emphasis upon practice.
Subject/Functional Focus.	Problem/multidisciplinary focus.

Amrish Kulkarni,
Amruta Mathure

Human Resources Management

HR Department is identified as a change and champion agent, in the context of mergers and acquisitions. HR Department is also an employee champion and advocate, administrative expert and strategic decision-maker. Employee branding is viewed as one way of valuing the credit of the business in market place. As the authors say the purpose is to use internal brand as the seed bed for aligning their people, programme and processes to deliver significantly improved business results. In conclusion the authors say that " as people possess vast amount of potential, organization can reach the pinnacles of glory if the HR are nurtured effectively".

Shifts from	To.....
1. Support Function	Strategic Business Partner
2. Personally managed HR Departments	Outsourcing of HR activities
3. Change from Establishment Departments	Human Resource Department
4. Human Resources	Human Capital
5. Confidentiality	Transparent Business
6.Human Resource Management	Leadership and Talent Management
7. Women Participation in Business	Women Empowerment
8. Administrative Job Role	Strategic Decision Maker
9. Downsizing	Right-Sizing
10. Imparting Knowledge	Supporting Self-Managed Development
11. Functional Education	Integrative Learning
12. Emphasis on "Know What"	Emphasis upon "Know How" and "Know Who"

"Our Assets walk out of the doors of our Organization... We have to make sure that they come back.... the next morning !!!

Mr. Narayana Murthy-(Chief Mentor of Infosys.)

Paradigm Shifts in HR

Introduction

The history of business in India can be traced back to one of the earliest civilizations of human kind. Today, a major portion of Business focuses on the human element. Human Resources are considered as one of the key and vital resources that an organization needs for its growth and performance in any sphere of the business environment.

The turn of the century and this millennium has witnessed many a topsy-turvy change in the business scenario. Many developing economies had to reorient their development plans in order to develop. As a result, vast business opportunities and global practices became the oceans where to swim or sink has become the challenge for the corporate world, be it small or large.

There is a perceptible transformation of HR from mere support function to considering HR as a strategic business partner. The nineties were considered to be the commencement of the Liberalization process for the Indian Economy. The opening up of markets during 1991, bought in a new wave of competition for management of the Human Resources of any Organisation in any stream of Business.

The history of the Human Resource (HR) departments in India has always been reactive rather than pro-active. The HR department has always looked outside for recognition. This could be because of its statutory origins. All the initial thrusts in HR came from statutory requirements, whether it was welfare, industrial relations or compensation. As a result, the HR managers rarely spoke with conviction of what they did or wanted to do. There was a certain defensiveness in their approach. Their attitudes were more reactive than active. Due to this, the HR managers were generally implementers rather than originators of ideas. Naturally, their place in the organizational hierarchy was low, except in large corporations where, because of the sheer size and numbers running into several thousands, there was a need for a representation at the board level. But qualitatively speaking, it did not add to the function's refinement.

Somewhere, however, the function got expanded, and with the notion that the HR department should do its functions all by itself, the size got expanded. In larger organizations the number of people in the HR department multiplied without qualitative improvements in the services rendered. A question that can be asked is 'What is wrong with being a support function? The answer is nothing. What then was the issue? The issue was that the HR department, like the erstwhile accounts department, was privy to a lot of confidential information in organizations which gave it a certain importance, giving it the mistaken feeling of contributing when, in fact, it was only facilitating. Such a feeling, combined with defensiveness and a focus on industrial relations, gave the department, especially in the larger old-economy companies certain independence in their role and status. In this process they forgot the primary objective of the function to help the organisation maximize the potential of its people; which in today's jargon is called 'competency building'

Power is where it matters

Throughout the history of organisations the power has been vested only with those departments which contribute directly to business. The other departments, no matter how important, had their importance primarily because they contributed to the revenue earning or the organization's core competence. One has only to remember that only a few decades ago the EDP departments were exotic, cornering a lot of resources but today they are history. Similarly, computerisation gave the power of accounting directly to the line manager and, hence, the decline and fall of the accounts department. The HR department is going through the same pangs. It must, however, be said a few companies, such as Larsen and Tubro, and some thinkers like Dr T. V. Rao attempted to have an integrated HR system with proper focus as early as the 1980s. Barring such exceptions, the HR department oversaw such activities as recruitment help, training help, welfare administration, compensation administration and industrial relations. It must be said that if the HR department really specialized in anything at all it was in industrial relations. In all others it played a support function.

Current Scenario

The focus, today, is on HR policies, strategies, Performance Management, empowerment, concept of flat organization structure, fragmentation, capsule training interventions, self learning, pro-active environment building, competency building and competency mapping, cross-cultural interactions, casual corporate heads training (learning on fun locations), business ethics and values, assessment centre approach, I v/s WE management approach, KRAs, SBUs, etc, etc-the list is exhaustive.

Where are we headed?

The power of computing helps people to move towards leaner and meaner organizations. Many organizations are doing away with secretaries for middle mangers as a laptop can perform the same function. So, the organizations are moving more and more towards empowering their line managers with computing, consultancy and outsourcing support. If India is to compete with China and leverage it's IT and outsourcing strengths, business managers have to be HR savvy as they are the one who really manage the human resources.

The major shift from HR as Support Function to Strategic Business Partner.

Office dynamics at TATA...to sustain the Change.........!!!

Workplaces have begun to look very different from the way they used to in the past — pastel colors, soft furnishings, open plans, piped music, attractive cafeterias, play and relaxation areas. In some BPO organizations, calendared and hyped-up fun events run by a dedicated section of the HR department form part of the employee engagement and retention strategy. Work teams are beginning to become diverse in terms of age, academic training and experience — and, yes, most heartening, in terms of gender as well. There is much greater openness to having people in their thirties in senior positions. Increasingly, people in the same workplace have different relationships with the organisation they are working for; some are employees, others are consultants, and others are vendors' employees. Some of them are employed by a virtual organization, while some work from home or only part-time. Many can come and go at different times of the day — times of their own choosing.

Among employees, some get paid more than others in similar roles, based on how the organisation values their knowledge, skills, experience, networks, or potential.

Employees are increasingly opting for low retrials. Instead, they are taking charge of their financial planning, exploring avenues such as mutual funds and stock markets more aggressively. They are going for insurance policies with varied features that suit their risk mitigation needs. The workplace of the future will only accelerate these trends.

New Work Environment for the Employees/ Associates

IT infrastructure is high class and lot of buildings in hi-tech city, SEZs etc. are far more well eqipped and superior in ambience or aesthetics than most office buildings in the technologically advanced countries.It is indeed a matter of pride that Video-Conferencing, telephone systems, network, PCs, Laptops, Cell phones VPN and wireless connectivity are as good as any office infrastructure abroad.Office space/work area is also comparable to that in the U.S. Most personnel work in cubicles and there are only a few offices for senior level management. Conference rooms are equipped with state-of-the-art equipment. However, walk-ways, kitchen, common amenities are limited due to space constraints. Cafeteria/Canteen offers pretty affordable meals, like anywhere else you do get bored of eating the same old food everyday so people do complain about quality or taste of the food – this is no different in the U.S or anywhere else.

Holistic HR

In the last decade, two kinds of shifts have happened in HR. One is the kind of people coming into HR, the other is the kind of things they do. Earlier, all HR involved was being close to the top boss, and sort out problems, mostly related to labour or union or external environment management. The HR manager's knowledge about overall business was very limited. Today's HR professionals are far more business savvy. That gives them better visibility and credibility in the enterprise.

Earlier, HR work was mostly related to compliance or minimum requirements. Today much of the work is done with an employee point of view, including development, and the management of culture and environment. It's more high-end work. Earlier we did a lot of administrative work; today we continue to do that, but are slowly moving into change management and strategy.

New definitions: Employee Involvement and Engagement

Most companies, through different methods, are trying to create a sense of ownership and pride in the organization. The definition of loyalty has undergone a change. Earlier, loyalty meant that a person joined and retired in the same organization. Today I would say that a loyal employee is one who stays with me for four to five years, works diligently, gives results and contributes to the wealth creation of the company — till the last day that he is with the company. He must also leave in a non-acrimonious manner. Today the world has become so small you never know when you will bump into each other again. So, whatever the period a person is with the company, both employee and company would like it to be in a productive relationship.

Last but not least, HR will have to help employees arrive at the proper work-life balance. Surveys have shown that work-life balance is a major issue in a global economy. Rapid technology changes are forcing people to run harder to stay in the same place, and with husband and wife both working, the pressure on the social side mounts. Many organizations have already started looking at flextime as an option.

It would be great mentioning the example of Tata Consultancy Services (TCS), which has initiated with the Proactive Employee Engagement Program (PEEP). The objective of the program is to strengthen the upward communication process by facilitating face-to-face interaction between senior management and associates.

Engagement Levels	**Shareholder return (avg.)**
60 – 100 %	20.02
40 – 60 %	5.6
Below 40 %	-9.6%

Source: Hewitt Consultancy Study results, Times Ascent, December14, 2005

The above is the study of 1500 companies pooled over 4 years period correlates the engagement levels of employees and shareholder return (average)

" Nothing is permanent except change…"

—Heraclitus

Rapid change and global competition with ever-increasing standards of reliability, performance and quality, increasingly characterize today's business climate. The scenario has thrown up several changes and has also created several opportunities for Business organization. Success in such a competitive environment calls for continuous improvement in the way business is carried out. Organisations, must therefore, come to terms with change and become responsive to it. The challenges and opportunities can be utilized for the benefit of the organisation only by using the collective wisdom, complete participation, total involvement and effective engagement of employees.

Employee Involvement is about creating an environment in which people have an impact on decision and actions that affect their jobs, according to Susanne M. Field. It is a participative management whereby employees commit themselves to organizational goals and they can exploit their talent to the maximum. It is the reflection of work culture, leadership style and mutual trust that prevails in the organization. The companies strive to achieve a cutting edge over their competitors in the same domain in terms of product quality, competitive pricing or after sales service.

HR Outsourcing Trends

Human Resources outsourcing appears to be increasing more each passing year. Now this is truly a trend that is near and dear to our heart at Braun Consulting. According to sourcing advisory firm Technology Partners International human resources is the fastest-growing segment of the business process-outsourcing sector.

The number of companies outsourcing their HR functions has increased, so has the number of those who are actively shopping around.

Market consolidation is another developing trend in the industry. This consolidation of suppliers of HR outsourcing has been driven in part by the fact that suppliers often need to buy niche expertise that they lack and are unable to provide.

The shift from Personally managed HR Department i.e in-house HR Dept. to Outsourcing of HR Activities.

Examples of Companies who have opted for Outsourcing:

Pepsi co: Signed a 10 year deal with Hewitt Associates

Delta Airlines: Signed a deal with Affiliated Computer Services for 7 years, valued at $120 million. This will save them an estimated $50 million on updating human resources technology. As part of the deal a governance team will monitor 50 metrics in hope of ensuring that all expectations are met.

AT&T: Has a 7 year deal with Aon Human Capital Services to provide end-to-end human resources administration, signed in 2002. After aligning the deal's structure, expectations and its 45 metrics, they have seen "double digit" savings.

Recent Technology Trends

There are two major themes for HR technology: cost control and talent management.

Cost control

This will emphasize lowering HR administrative costs, company labor costs and employee- related third party vendor costs. HR organizations will continue to be asked to work with smaller budgets and to do more with less. So, they will focus on technology and services that reduce the cost of HR service delivery.

Talent management

This will leverage emerging services-oriented architectures (SOAs) to deliver composite applications that integrate business process and data across disparate systems to support deeper workforce planning, sourcing and acquisition, employee development and separation.

These themes will be heavily influenced by environmental factors, including the economic environment, globalization and increased regulation. Significant changes in the environment may impact the relative importance of the themes.

Talent management has started to become the umbrella term used to describe strategic workforce management applications. As a result, we expect to see increased interest in niche solutions in each area below as well as newer suite solutions that encompass multiple aspects of talent management, but do not include the more administrative HR applications.

This can be achieved by implementing the following methods:

(a) Workforce Planning

(b) Workforce Sourcing / Acquisition

(c) Workforce Development

(d) Workforce Separation

The Shift from mere Human Resources Management to Leadership and Talent Management.in the Workplace

Women in the Workplace

The fact that India is one of just a handful of countries to have had a female head of state within the last 30 years is not indicative of the overall progress that India's women have made. Social indicators reveal massive divides between the sexes; males are almost twice as likely to be literate as females; boys likely to be better nourished than girls; and boys are less likely than girls to die during early childhood. Within the professional world, which often reflects India's small but growing middle class more than the country as a whole, these differences are perhaps more muted. There are many women in very senior management positions, especially in finance, HR, and marketing. Nevertheless, women rarely make it to the top (CEO level) of the corporate hierarchy, and those that do often arrive there through kinship ties to family businesses. India's laws are ahead of social realities in this respect. The Equal Remuneration act of 1976 requires equal payment for equal work, regardless of gender, and prohibits gender discrimination in hiring practices. A separate act also provides for maternity benefits. Despite these laws, the "glass ceiling" is still very prevalent within companies operating in India.

The shift from women in mere Business to Women Empowerment.

Foreign investment and economic growth have had some effect in this area.

Example: IBM India,won the Friends of Women 2000 Award for its women-friendly HR policies, which include flexible scheduling and location, post-maternity benefits (including leave), child-care facilities and transport facilities for women employees working late. In addition, IBM India has committed itself to increasing the intake of women employees into the company and increasing their training and development in order to help them rise higher within the organization. Software and IT- enabled services(ITES) has broadened the job prospects for women, as a result,women in Asian and Latin American countries hold more than 20 per cent of professional jobs in software services according to an E-commerce and development report 2002 of UNCTAD. The major ICT (Information Communication Technology) markets have serious shortage of IT skills at present and the gap between demand and supply is likely to reach 28 per cent by 2004. The implications are promising for women, whose labour force participation rates have been rising in developing countries. This means the Internet has the potential to ensure a level playing field for women and men.

Shifts in Role of HR as of today

Shift in the Role of Human Resources is explained with respect to Dave Ulrich's 'HR Role Model'.

Dave Ulrich is a professor of organisational development at the University of Michigan, who is recognized for his human resource management expertise and comprehensive research. Also has scripted many articles and wrote many books on various HR related topics. Some of his contributions include 'HR – Value Preposition', 'The HR – Scorecard', 'Road map to Strategic HR', etc.

Future/Strategic Focus

Strategic Partner	Change Agent
Processes	People
Administrative Expert	Employee Champion

Day-to-day/Operational focus

HR as Strategic Business Partner

HRM is now as a part of "Total Business Strategy"

"To leverage its "People" the corporation must integrate HRM into business strategy aligning individual action to organizational objectives is the new mandate."

—Peter Drucker

HR must ensure that its practices, processes, and policies complement the overall organizational strategy. It needs to develop a capacity to execute that strategy. HR must minimize the time it takes to implement the strategy. Less than a decade-and-a-half ago, it was highly unlikely that an HR manager would be considered a 'strategic contributor' to run a business. Now, 15 years later, when people skills are at a premium across countries and industries, the most challenging task for any company would be to hire right and hold talent tight. Therefore, in this world of billable hours, it's not surprising that the HR function can impact bottom lines. In fact, many HR managers now report directly to CEOs and some even sit on boards of companies.

Take the case of Mohandas Pai, Director, HR, Infosys, who was definitely among the most high-profile CFOs the IT industry has seen. Why was he moved to head the HR function, a job that until now was not considered strategic to business success?

In order for HR to become a Business Partner, HR must recognize their role in the business and the HR Department should be responsible for the overall business strategy and the goals of the organization. HR has thus evolved to add new skills to its quiver: finance, marketing, sales, procurement, psychology and change management. In fact, HR has now been fixed with the responsibility of creating strategic competitive advantage with the company's human resources, perhaps the most-scarce resource today.

HR Business Partners must inform the internal clients about news from Human Resources regularly. When the internal clients are not informed about new things, they will believe Human Resources does nothing for the improvement of provided services and their quality.

"At the end of the day, you bet on people……………

Not on Strategies..!!! "

—Larry Bossidy (CEO, AlliedSignal)

HR as a Change Champion

Human Resources as a function has to function as an "agent of change" in the business of today. The world of making business is rapidly and constantly changing and the organisation must adapt the process of continuous change in their business plans. The HR role is to facilitate that change in organisations. This includes modeling change to other departments, advocating change across the entire organisation, resolving issues that arise from change, and institutionalising change by implementing efficient and flexible processes.

The Human Resources as a change agent is responsible for:

Making anchors for employees

Navigating employees through changes

Minimizing the negative impact on employees in the period of change

Transformation of ONGC-HR as facilitator and Change Agent for Pilot Implementation at WRBC is the recent example to mention.

HR – Acting as ‘Change Agent’ during Mergers & Acquisitions process

As a change agent, HR can play a key role in linking the strategies for managing change, people and communication to create buy-in at all levels of the organization. One of the critical factors in successful merger and acquisition efforts is the role of human resources. Applying HR analyses, activities and methodologies in the planning, implementation and consolidation of mergers and acquisitions increases the likelihood that the initial objectives of the project will be achieved. Including HR factors in Pre-deal contracts, allowing HR to access employee records and people can help identify potential problems, as well as highlight key personnel to be retained in the deal. One of the biggest success factors in M&A is the cultural compatibility of the two merging entities. HR professionals are well placed to help define the desired culture for the new organization, identify barriers and align the corresponding processes and systems to support the longer-term shift to the new culture.

Focus HR’s due diligence on cultural issues. Beyond policies and practices, the acquirer must understand the culture of the target organization. Culture clashes have highlighted some of the great deal failures of the past.

There are top five “most-needed” capabilities if HR is to leverage its fullest ability to contribute to M&A success. They are:

1. Ability to evaluate other company quickly
2. M&A(and general businesses) literacy and integration know-how
3. Providing advice to employee sensitiveness and attitudes
4. Motivating and retaining critically needed talent
5. Planning & leading complex integration projects.

HR as an Administrative Expert

This is the role to which HR dedicates most of its time, and rightfully so. This role involves HR infrastructure, such as recruiting, hiring, compensating, rewarding and disciplining, training, record keeping, and terminating, and any other process that involves people. HR must ensure that these processes are efficient and optimized, which requires tracking, monitoring, and continuously improving. The internal clients evaluate the performance of Human Resources also based on the ability of HR to process all the necessary administration through the funnel. The role of Admin Stars means the following:

- To process as many requests with the lowest possible costs
- To maintain the quality of provided services
- Constantly look for the potential to reduce the overload
- Keeping the knowledge needed to run operational Human Resources

The main place for the HR Admin Star is HR Back Office and HR Payroll. And Payroll is the most visible and most important part of Human Resources Function. When there is no working Performance Management it is bad, but you can survive it. But, when there is any kind of issue with HR Payroll - you are in really deep trouble.

The shift from mere Administrative Job Role to Strategic Decision maker.

HR as an Employee Champion / Advocate

This too is a traditional HR role, similar to ‘employee advocate.’ To be employee champions, HR must know the employees well and spend time meeting with and listening to employees. HR must promote communication, which can include employee surveys; employee suggestion programs, all-employee meetings, on-going communication of business status, and any other program that can make employees feel part of the team and dedicated to customer service. This role also includes ensuring that employees who are having problems get a fair hearing.

To act as the HR Employee Advocate is a job about asking the equivalent outputs for employees for their inputs. All the organisation are pressed to increase the productivity and performance, to innovate their products and services. And just employees of the organization can do this. And it is a job of Human Resources to act as the Employee Advocate to get them recognized in the process and provide them with the right compensation. Human Resources must involve itself in all the significant organisation initiatives and always must be the part of the process of initial cost/

benefit analysis for such an initiative to include the costs of the successful implementation and to include the benefits for employees.

The new shift is to consider an employee as a Brand rather than mere employee or Associates, this gave birth to new concept known as "Employee Branding".

Employee Branding

Employer branding is all about the company's value in the market, a timeless process that in today's scenario has gained even more significance. It is essentially a combination of the reputation of the organization, the career offer and the corporate culture existing in the company. A survey conducted by Hewitt Associates reveals that more companies are now focusing on employer branding to "attract employees" and keep them engaged. There is a direct correlation between an effective employer brand and achieving business success. It helps in retaining current employees, increasing employee satisfaction, attracting job candidates, and motivating employees in their work, which leads to excellent business gains. The purpose is to use the internal brand as the seedbed for aligning their people programmes to deliver significantly improved business results.

Employer branding key to attract talent'

It can be called as extreme specialization of HR. Or in today's talent-hit situation, an extreme necessity. Recruiters in IT/ITES sectors are increasingly advising companies to hire expert help for employer branding. "If you are not a first-mover like Infosys or Wipro, then where is your USP?" asks Gautam Sinha, CEO, TVA Infotech, one of the largest IT recruitment firms in the country. Though few and far in between, there have been instances of Indian companies branding themselves to prospective and current employees. Some of course, have done it inadvertently.

Infosys did it with its 'middle-class turning into millionaires', Wipro, known as a 'take-off point for entrepreneurs' and TCS as a 'training ground for freshers'. Though none of them attempted employer branding as a well-thought plan, employees began to associate these takeaways with the respective companies, says Sinha.

Methods of recruitment through Employee Branding:

1. Internship Joint projects with universities*
2. Workshops
3. Career fairs
4. Campus recruitments
5. Corporate scholarships
6. Print media campaigns

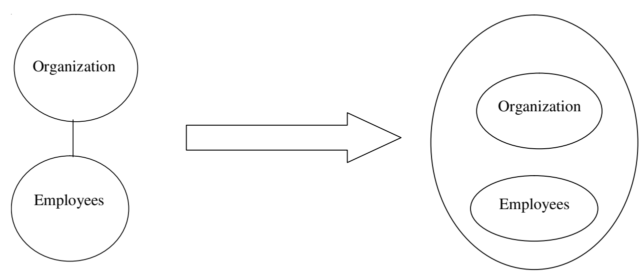
* The intensity of communication is the highest for the first ranked method and lowest for the last.

Source: The McKinsey Quarterlydissatisfied.

Conclusion

"The dominant competitive weapon of the 21st century will be the education and the skills of the workforce." - Lester Thurow.

The employees who come on the Board, need to be valued, respected and developed to utilise their full potential and to bring the best among them and help them grow with the Organisation. Employees if not developed, their talent would remain dormant and in fast changing Biz World they are the ones who get quickly dissatisfied.



Before After

As, people possess vast amount of potential which if nurtured and taken care of can help Organisation to reach the Pinnacles of glory.

"The war of talent has shifted, now it's the war for the right talent. It is not enough to say that people are most important assets; but to believe that people are the customer's most important assets"

—— Dave Ulrich.

With the globalization and more and more opportunities available there is passion to win the war for talent and make organizations equipped with innovative sourcing strategies.

We have thus tried to present in this paper, all those aspects of HR where there have been substantial changes in the strategy and approach in the new millennium, and how it has made its impact in business as a hole. Today's business environment is extremely fast-moving and prone to change, hence the need for a strong HR policy to ensure that the organization can cope up with these changes and make progress in this highly competitive arena of business today.

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Women Empowerment

The article has presented Women Empowerment (WE) and its need, the salient features of Women Empowerment, reservation for WE and India's World rank in Women Empowerment. The author says that India is ranked 24th in terms of Women Empowerment in politics, both at the parliamentary as well as grass root levels. The role of United Nations and its contribution to Women Empowerment has also been discussed. A detailed analysis of women in management is presented. The author concludes by saying that "unless women are empowered females will be un poised."
It is not without reason that the Finance Minister in his budget speech (para 39 -28th February, 2007) has made special mention about Women Empowerment. "There is growing awareness of gender sensitivities of budgetary allocations. 50 ministries/ departments have set up gender budgeting cells. For 2007- 08....... The outlay for 100 percent women specific programmes is Rs.8,795 crore and for schemes where at least 30 per cent is for women specific programmes is Rs.22,382 crore".

What is women empowerment ?

Women Empowerment has assumed serious proportions and poses, a great challenges to India the World's largest democracy.

Women Empowerment refers to the power acquired by females to think and act freely. Such freedom helps to unleash the potential of individuals and fulfill the goals and also feel as equal members of society. The freedom includes amongst other things:

- acquisition of knowledge and understanding of gender relations.
- the way gender relations may undergo changes
- developing essence of self work, self esteem, self confidence.
- developing a sense of capability to deliver for oneself and societal needs.
- understanding the right to control one' s life.
- developing the skill and right to control one's life.
- understanding the role of women and their empowerment in a pluralistic society like ours with the entire paraphernalia of rights and duties enshrined in the constitution.

Thus, empowerment helps women to be a part of social change and provide a sense of security, social and economic to the fair sex. It assures the female fraternity, dignity of the individual and aims to provide equality of life in all its varieties at par with males.

Women Empowerment - Multi – pronged Approach

Women Empowerment is a necessary condition to bring about proactive change in society. However it got an impetus through the fifth five year plan (1974-78). The shift of emphasis from welfare to development then took place. In this context, it should be noted, that women empowerment has to be a multi-pronged approach. Economic Empowerment is only one part of the story. Unsupported by social, political and family level empowerment, women continue to be under the yoke of men. In a male driven society it is necessary that women empowerment has to emerge in more than one direction. Social, economic and political dimensions of women empowerment are complimentary and mutually supportive. If women empowerment is emerging only from one facet be it social, economic or political, the empowerment process is skewed. Women emancipation would leave much to be desired. In fact the remedy may be worse than the disease. Even after 57 years of independence, women in our country are still the under privileged, powerless, marginalized and harassed sections of Indian society. According to the census of 2001 the sex ratio for India is 933 which is the lowest in the World. Percentage of female literacy is 54.16 (2001 census) against male literacy of 75.85 percent. In India, women's representation in parliament and in the state assemblies has never, gone beyond 8 to 10% respectively.

Why Women Empowerment ?

- Equality in gender and gender relations.
- Preference for the fair sex as a vulnerable gender – hence favorable discrimination
- Bridging the gaps created by history and the weak positions of female in our society.
- Tapping the reservoir of rich talent that otherwise was and continues to be a perennial hidden treasure. The performance of women in all walks of life in recent times bears eloquent testimony to this point.

Salient Features of Women

- Women Empowerment is top on the agenda of development efforts all over the World particularly developing and underdeveloped countries. This is a challenge to be faced squarely and addressed as assertively and as soon as possible in a male driven society. Hence development agencies all over the World have provoked grass root level administrative units to initiate action in the matter.
- In the rural hinterland of developing countries, women empowerment is used as an instrument of social and economic policy. It aids in uplifting the poor and enlightening the illiterate.
- In India the constitution is the corner stone of the rights and duties of citizens. The principle of gender equality is enshrined in the Indian constitution in its preamble and also the fundamental rights, duties and directive principles. In fact, the constitution of India goes one step ahead to empower the state to adopt measures of positive, proactive and pragmatic discrimination in favour of women.

Reservation for Women

Discrimination in favour of women has assumed a multi-pronged approach. Within the framework of our democracy, our laws, development policies and five year plans and other amelioration programmes, reservation of seats for women is assuming importance. This was initiated in 1974 through the fifth five year plan. Even in the provisions of Indian Penal Code discrimination in favour of women is permitted, when opposite genders, are involved in a common delinquency. Women are pardoned by law and Supreme Court judgements have upheld the provisions in this behalf. Further the 73rd and 74th Amendments (1993) to the Constitution of India have specifically provided for reservation of seats in local bodies viz.

Panchayats, municipalities and even in state assemblies and Lok Sabha. This is one way of laying the foundation for proactive participation of women in decision making processes at different levels of governance in the country. In fact, non- government organisations are also very active trying to promote and project, through their network, the cause of women. Several contributions from NGO's can be said as inspiring initiatives launched for the empowerment of women.

In fact one of the milestones achieved in this direction by working women has resulted in celebrating March 8th as a Red Letter Day. Women who were struggling hard to gain better working conditions and fair wages succeeded with their "united, powerful and persistent struggle" won them decent working atmosphere and better salary. The anniversary of this momentous achievement began to be celebrated every year, initially by the working women alone. Gradually the day began to mean a day of celebration and felicitation for all women throughout the World.

India's World Rank

In the first ever gender gap study covering 58 nations across the globe, India was ranked as low as 53rd. The measurement of gender gap was identified through critical areas like economic participation, economic opportunity, political empowerment, access to education and access to reproductive health care.

However the report also mentions that political empowerment of women in India is a key to the welfare of the nation in time to come. India is ranked 24th in terms of women empowerment in politics, both at the parliamentary as well as grass root levels.

The report says “large populous nations such as India, Pakistan, Turkey and Egypt hold some of the lowest positions in the rankings. Their rankings reflect large disparities between men and women in all five areas of the index”.

The study puts Sweden, Norway, Iceland, Denmark and Finland at the top of the list as countries with the smallest gender gap.

UN and Women Empowerment

Women can be empowered by learning, volunteering, speaking out and donating. This is the slogan of a NGO called ‘CARE’

Women in the agricultural sector are one of the most underprivileged. An international institution known as ‘Rural Development Institution’ (RDI) addresses the issue of land, law and policy. The purpose of this legislation would be to ensure women’s secure access to land and its associated impact on gains in agricultural productivity and family welfare, particularly population management and child nutrition. In fact Israel’s experience in agriculture and its manifold increase in productivity is a shining example, women are empowered with access to agricultural activity.

However, statutes prove ineffective because of custom and gender related cultural norms.

RDI has tried to promote this concept across the global network viz. India., China, Indonesia, Kyrgyzstan, Bulgaria and Uganda.

Women empowerment is of global importance. In fact the 59th General Assembly had this item on the global agenda as part of the global issues to be addressed. Education and that too mass education is supposed to contribute towards poverty, eradication, sustainable human development and human security”. Inspite of this 20% of children in the development World do not enroll even for primary school education. Further 20% of the adult in the World are illiterate.

Illiteracy is highly skewed inasmuchas adult illiteracy is concentrated in north Africa, Arab countries, sub–Saharan Africa and Southern and Western Asia. Women Empowerment cannot take place unless young girls and adult females receive attention. It is disheartening to note that 60% of children not receiving primary education are girls and 66% of illiterate adults are women. Women Empowerment through education is a key factor to sustainable human development all over the World. Thus, gender equality is key factor to provide the right kind of synergies for ‘Women Empowerment’ in terms of improved health, increased productivity, reduce fertility rates and general access to other developmental activities. Acknowledging this, governments and international funding agencies have pledged increased assistance for basic education.

The UNICEF has called on governments to undertake seven initiatives viz.

- girls education is an essential part of economic policy,
- civic education campaigns to promote awareness of the importance of girl’s education,
- primary education free, mandatory and universal
- education policy with poverty abolition programmes,
- schools the focal point for social development.
- education strategies should be integrated with investment, decisions, policies and institutions,
- delivery mechanisms and economic and human rights approaches should also be a part of such integration, and
- increased interest assistance.

Women Empowerment will become a myth and the United Nations would not serve its purpose if action is not taken because one of the UN’s purpose is “to achieve international co-operation in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language or religion”.

Women in Management

The management World has a culture and style of its own. Like all other walks of life, management World, both industry and academics, was and continues to be driven by males. In a male dominated environment there are females who as head of large institutions and in positions of power are rated as influential personalities in the World or in their respective areas of operation.

In fact women of substance, strength and success have found an enviable position in business. The fortune magazine for 2006 published a list of 50 most powerful women managers in business. (In 2005, there were only two ladies). This time there are three. Naina Lal Kidwai, CEO, HSBC, India (41 years) Chanda Kochher of ICICI bank (37 years) and Kiran Mazumdar Shaw (48 years). Moreover, Indira Nooyi has become the first women to ge t the top job at the US based pepsi company.

Thus a new era in women empowerment has begun for India. Women power is slowly being recognized while some of the successful females have found a place of pride in the list mentioned. There are many other heroines like Anu Aga of Thermax, Lalita Gupte of ICICI bank, Sullaja Firodia Motwani (Kinetic Engineering), and so on.

In a survey conducted by business standard there was a co-relation between the intensity of female gender population in the work force and productivity i.e financial productivity. It is said that women are able to balance the requirements of their roles - multiple roles, much better than men.

It is found that in affluent nations that the girls from rich families are doing better at school than the boys. Even in colleges because of the dedicated work put in by girl students, there are large number of females figuring in the top merit list.

In the United States the rate of entry of females was not very high. While females accounted for 33% of the workforce in the late fifties, today their proportions have near by doubled to 66%. In other countries like Japan, Italy, Thailand, Manila and even Latin American countries, this proportion is relatively low. However, the booming service sector has offered new opportunities for women to display their energy, enthusiasm and enterprise.

Again the export sector in Asia, has provided new opportunities and horizons for female employment.

ICICI bank is a role model where three of the five members of the Board are women and thirteen of the forty managerial positions are females.

Of course ICICI is an exception.

Male preference is still dominant.

Annual Ranking of World's Leading Businesswomen - 2006

Rank	Name	Company
1	Patricia Russo	Alcatel Lucent
2	Anne Lauvergeon	Areva
3	Anne-Marie Idrac	SNCF
4	Linda Cook	Royal DutchShell
5	Marjorie Scardino	Pearson
6	Xie Qihua	Baosteel Group
7	Marina Berlusconi	Fininvest
37	Chanda Kochhar	ICICI Bank
41	Niana Lal Kidwai	HSBC India
48	Kiran Mazumdar-Shaw	Biocon

In a recent survey of different contributors to the field of management it was found that from the times of Frederic W. Taylor (1903) to date which includes 51 authors there were only two women. Mary Parker Follett and Rasabeth Moss Kanter found a place in the list. There were a few more but restricted to three viz Jane Mouton, Lilian Gibreth and Rosemary Stewart. As the authors Crainer and Dearlove say'

"The most obvious feature is that there are only two women as mentioned above. In truth, there are few other credible candidates but only three others who come to mind again as listed above There are now a lot of women in business schools and consulting firms and women are increasingly accepted as leaders in the business and political worlds. But, when it comes to authorities on subjects there are fewer women. If people want an authoritative voice, women tend still to be overlooked', laments Rosabeth Moss Kanter". (Stuart Crainer and Des Dearlove. The Ultimate Business Guru Book pp xxiii, 2006).

The only male Indian author who could find a place in the global list of contributors was the late Dr. Sumantra Ghosal. Management female authors in India are rather limited. The one and perhaps only one which comes to our mind is Ms.Gita Piramal (co-author of Dr. Sumantra Ghosal). Much more initiative and effort has to be taken by womenfolk to make forays in to this arena.

Why women leaders are required ?

1. women have much better social skills than men and are very competent negotiators and communicators.
2. women have excellent networking skills and today's business and profession is all about net working. Women are more creative and creativity and economic progress are closely co-related.
3. women are extremely competent emotionally to maintain relationships with different stakeholders, hence their skills can help an organization to raise the emotional quotient of people in the work place.
4. women's flexibility and adaptability is superior in the dynamic nature of things today. Flexibility and adaptability are key factors to attain and maintain the competitive edge of business.

Harvard University has recently named a historian Ms.Drew Gilpin Faust, 59 as its first female president.

In fact the appointment comes in the wake of an uproar created by her predecessor who thought that the sex difference between males and females is the cause of the dearth of women in top science jobs. As Ms.Faust says ' I hope my appointment can be a symbol of an opening, of opportunities that would have been inconceivable even a generation ago.

Conclusion

India's transformation - a paradigm shift cannot take place unless women are adequately empowered at the household level and all other levels, social, economic and political leading to the top echelons of society. Otherwise in a male driven society, the females will be unpoised.

Ms.Ajita Atre Gupta

Ms. Ajita Atre Gupta is a graduate in Commerce and has worked with industry and is presently working with Dr. VN BRIMS since Septemeber 2005. Presently she is with Dr.VNBRIMS (Research Wing)

This article addresses various aspects of which is understood as "the power acquired by females to think and act freely".

Prof. Anil Chaubal

Operations and General Management

Paradigm shift in Operations Management addresses a very important aspect of management. It explores paradigm shifts in research and development activities, technology management, super agile manufacturing, concurrent engineering, supply chain management, vendor development and other related areas. The author has also referred to new business models which are more workable for Indian conditions presented by Indian Management Gurus like Shri.C K Prahlad, Shri. Arindam Chaudhari and Shri. Ram Charan. The author concludes by saying that "the end result of all industrial activity is improvement of productivity and thereby fostering more competitive positioning of India in global market".

Introduction

There had been wide paradigm shift in a number of areas of Operations Management in India in last about 5 years.

Whereas the developing countries were being regarded as dumping grounds for "Dirty Technology" areas by developed countries, in India this resulted into companies developing own technologies.

Some typical paradigm shifts in Operations Management are presented here.

Paradigm Shift in R and D Activity

The realization that there is scope for working at higher end of manufacturing line and that India need not be working on lower end, making use of so called cheapness of labor and relevant competitive advantages was in itself was a great paradigm shift in Operations Management.

This was backed up by enhanced focused R&D activity and through that Indianization of Design and Development related research work. Typical examples that can be sited are:

1. Hero Honda and Bajaj Auto developed two-wheelers through their own R & D which are more fuel efficient and cost effective than anywhere else.
2. Pharmaceutical majors like Dr. Reddy's Labs and Ranbaxi developed drugs considered as breakthrough technologies for treating global health hazards like Aids and certain types of cancer.
3. Tata steel developed technology making more intensive use of ore, and using cheaper fuel, thereby reducing cost per tonne manufactured and making steel in a more competitive way.

In the new paradigm, R & D is a key investment, creating knowledge and knowledge-based assets.

Paradigm Shift in Technology Management

Just a few years back “Technology Import” was considered as prime access to New Technology, in manufactured products. The global competition has resulted in paradigm shift to Managing Technology to minimize cost, enhancing quality levels.

The net impact of this paradigm shift is reflected in augmented volumes of output, and corresponding reduced cost per unit, thereby resulting in overall productivity improvement.

Development of Focused Factories through mergers and splits

We have been accustomed to have business groups having diversified interests. But the increase of industrial activity, with a large number of entities in fray in global competition, has resulted in elevation in the quality and productivity perspective.

In the new paradigm there is a realization that one must concentrate on one’s core competencies. So we now are witnessing a spate of mergers and de-mergers, and strategic acquisitions to enhance the R & D, logistic and/or marketing strengths of the business house.

Developing Global Strategic fits through mergers and acquisitions

The latest example this paradigm shift is the Tata-Corus deal which clearly shows how both merging entities have created a win-win situation.

Paradigm Shift in Super-agile Manufacturing

Concept of agile manufacturing is fairly recent. It focuses on fast changing consumer preferences, fast advances in technologies and fast development of technology oriented products. The agility refers to ability to adapt oneself to the fast changing scenario. This is achieved by poising oneself by keeping low inventories, having multifunctional machinery devices and matching R & D set-up.

However, being simply agile is also not competitively sustainable as all are moving towards higher agility. The super-agile manufacturing, is a paradigm shift that goes one step further, by keeping oneself informed about what competitors are poised to bring in, developing one’s own intelligence sources. This is seen in all the fields.

For example, when Daily News and Analysis (DNA) announced about introduction of their tabloid in Mumbai, TOI group rushed in with introducing and free distribution of a new tabloid of their group viz. Mumbai Mirror, even before DNA came in the market, with forceful marketing, almost killing the product DNA.

Concurrent Engineering

This concept is not really new but it has been brought in forcefully in the new manufacturing paradigm, for reducing the time required for introducing newer technologies and newer products. So now the time overruns and cost overruns are controlled by global standards and are getting replaced by completion of project before the scheduled time and completion of the projects with budget surplus.

Use of customized software to tackle specific problem areas

Software development has always been moving hand-in-hand with the development of new products and new manufacturing capabilities. The paradigm shift could be noticed in making use of customized software to develop and to advance the technology content of new products.

Trying out new business models more workable for Indian conditions

The phenomenal growth of research and development in the field of management of businesses have created a new generation of management Gurus. As example, the names of C. K. Pralahad, Arindam Chardhari and Ram Charan can be cited as the new Indian gurus contributing to the global management thought and practices

The new business models taking into use the current paradigm shifts in setting up goals, developing strategies and execution theories are part of the total paradigm shift operating in Business Management in India.

Integration of activities

In the new paradigm backward and forward integration is carried out on a global level with development of global focused units and integrated supply chains. Outsourcing still is a part of the new paradigm. It is used for getting separate segregated outcomes that are assembled and integrated.

Explorations in Supply Chain Management

Developing new locations for manufacturing units and warehousing of goods are also part of the new paradigm. This is applicable not only to manufacturing but specialized services like consultancy fields and specialized areas like market research. For example, Indian market research teams take up market research assignments in a US based market research firm, to carry out market research of Chinese market. Similarly multinationals have factories in far-off countries, away from the country of origin.

Vendor Development

For India manufacturing processes outsourcing from developed nations has already become a reality. For example, Bharat Forge supplies world class steel forgings as original equipment for globally recognized Auto manufacturers.

Strong focus on Quality

The new paradigm in Indian business one can identify strong focus on quality of goods and services. The new paradigm identifies quality and productivity as two sides of the same coin, creating value in the competitive world.

International Certifications and Recognition

In every sphere of industrial activity, meeting international standards is taken as an essential pre-condition. ISO 9000, ISO 14000 and ISO 18000 certifications are part of the new paradigm.

Concluding Remarks

In every field of operations management, one can identify paradigm shift giving a totally new stance of India as a developing global economic giant. The end result of all industrial activity is improvement of productivity and thereby fostering more competitive positioning of India in Global Market.

Prof. Anil Chaubal

Prof. Anil Chaubal is a metallurgical and mechanical engineer and a post graduate diploma holder in industrial management from JBIMS. He is also a fellow member of the ICWA. He has several years of teaching and industry experience. An erstwhile Professor at NMIMS University, he is presently Director, VPM's Dr.VNBRIMS, Thane, since July, 2006.

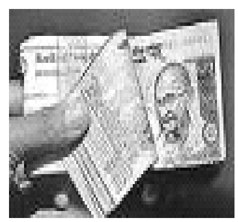
India’s Foreign Exchange Reserves

Sukhada Waknis

The year 1991 has been a watershed in the history of Indian economy. The country faced a severe economic crisis and balance of payments deficit. The foreign exchange reserves had started depleting and were barely sufficient to support 15 days imports. In response to the economic crisis, Shri.P. V. Narsimha Rao and Dr. Manmohan Singh initiated a series of reforms. The notable among them were the ones related to India's foreign trade policy. In the span of past one and a half decade, India's foreign exchange reserves have undergone a paradigm shift. Indian economy, once starved of foreign exchange, today boasts of having foreign exchange reserves worth US$ 188 billion (Feb, 2007). Now the question is how to utilize such a huge sum of foreign exchange reserves? The article studies the journey of the Indian economy from foreign exchange reserve deficit (May 1991) to the present surfeit and measures to insure its productive utilisation.

Foreign exchange reserves

Foreign exchange reserves are the foreign currency deposits held by national banks of different nations. These are assets of Governments which are held in different hard currencies such as Dollar, Sterling, Euro and Yen. This category includes not only foreign currency and gold, but also a country’s holdings of Special Drawing Rights in the International Monetary Fund, and its reserve position in the Fund.



Reserve management is a process that ensures that adequate official public sector foreign assets are readily available to and controlled by the authorities for meeting a defined range of objectives for a country. Typically, official foreign exchange reserves are held in support of a range of objectives including to:

- support and maintain confidence in the policies for monetary and exchange rate management, including the capacity to intervene in support of the national or union currency;
- limit external vulnerability by maintaining foreign currency liquidity to absorb shocks during times of crisis or when access to borrowing is curtailed, and in doing so;
- provide a level of confidence to markets that a country can meet its external obligations;
- demonstrate the backing of domestic currency by external assets;
- assist the government in meeting its foreign exchange needs and external debt obligations; and

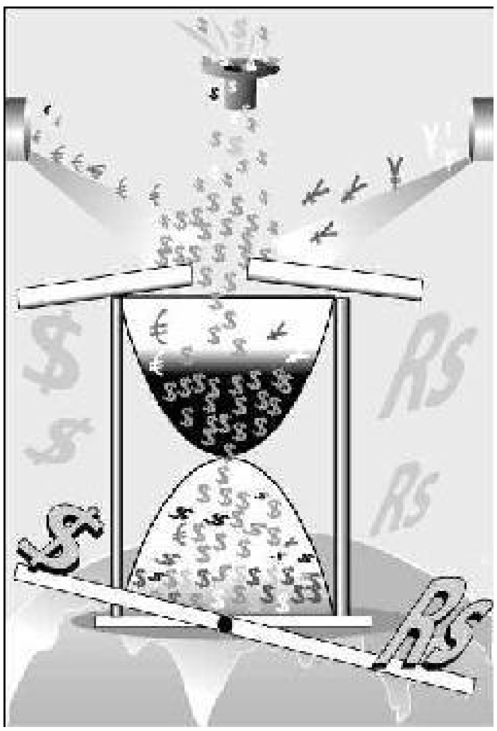
- maintain a reserve for national disasters or emergencies

In any emerging economy, the desirable size of reserves can be explained mainly by four factors:

1. the size of the economy
2. its vulnerability to the current and capital accounts
3. exchange rate flexibility
4. opportunity cost

Traditionally, the adequacy of reserves is determined by months of import cover (stock of reserves to volume of imports), with 3-4 months regarded as adequate.

The 1991 Crisis



At end-March 1991, India's foreign exchange reserves stood at US $ 5.83 billion. There was a crisis condition on the economic front. This reserve was barely sufficient to support 15 days imports. At that point of time, the topmost priority was to increase the foreign exchange reserves. One way of raising the reserves was to raise short term loans in foreign currency. RBI had to mortgage gold abroad. Since June 1991, P.V. Narsimha Rao and Dr. Manmohan Singh started a series of economic reforms. Rupee was devalued by 20 %.

India adopted LPG ie. Liberalization, Privatization and Globalization since 1991. Whatever economic reforms were brought about in the last one and the half decade, most of them were in international finance.

Causes for 1991 crisis

1. Since 1990, there was decline in exports and increase in imports.
2. In 1989 with the demolition of the Berlin wall and disintegration of the Soviet Union, India's trade in Europe received a setback. This was major market for India, for a very long period. Import of goods from Soviet Union was paid in rupees and not in dollars. Now these goods had to be imported from other nations, where the payments had to be made in dollars. Dollar was already in short supply.
3. Oil prices in the international market hiked. As a result of the Gulf crisis, the oil prices rose very sharply, resulting in an equally steep rise in the value of imports of oil. From an average of US$287 million per month in June-August 1990, the value of oil imports rose massively to US$ 671 million per month in the following six months.
4. Indian workers employed in Kuwait had to be airlifted back to India. As a result their remittances ceased to flow.
5. On one hand, Indian labour from Europe and Gulf countries returned back to India. And on the other India's exports declined.
6. NRIs withdrew their investments and at the same time, foreigners insisted on prior payment for imports or some guarantee from a foreign bank with regard to payment. This led to a liquidity crunch.

Combating the Crisis

The following measures were undertaken by the government to deal with the crisis situation on the economic front:

1. Twenty tonnes of gold out of the confiscated gold lying under the ownership of the Government was sold to a bank in Switzerland in May 1991, with the condition that it would be repurchased after six months.

Another about forty seven tonnes of gold, out of the assets of the RBI was shipped to the Bank of England in July 1991. Against the security of this gold, foreign currency was raised from England and Japan. These two transactions

2. There was a downward adjustment of the exchange rate of the Rupee, in order to boost exports and to discourage imports. Rupee was devalued to a sizeable extent of around 18 to 20% in terms of major currencies like the US$, UK Pound Sterling, German Deutsche Mark, Japanese Yen and French Franc. This was done in two stages on July1 and July 3, 1991.

3. The need was felt to compress imports, to reduce the need for foreign exchange. In October 1990, RBI imposed a cash margin of 50% on imports other than those of capital goods. The cash margin was subsequently raised to 133.3% in March 1991 and 200% in April 1991. The anxilliary customs duties were also raised. In May 1991, the RBI imposed a 25% surcharge on interest on bank credit for imports.

India's Balance of Payments: Key Indicators (As percentage of GDP)

Item	*Sixth Plan (1980-85) average*	*Seventh Plan (1985-90) average*	*1990-91*	*1999-2000*	*2000-01*	*2002-03*	*2003-04*	*2004-05*
Exports	5	5.1	5.8	8.3	9.9	10.6	11	11.8
Imports	8.4	8.2	8.8	12.3	12.6	12.7	13.3	17.1
Trade Balance	-3.4	-3.1	-3	-3.9	-2.7	-2.1	-2.3	-5.3
Invisibles Balance	2.1	1	-0.1	2.9	2.1	3.4	4.6	4.5
Current Account Balance	-1.3	-2.1	-3.1	-1	-0.6	1.3	2.3	-0.8
External Debt	--	--	28.7	21.9	22.4	20.4	17.8	17.3

Gradual improvements in India's FOREIGN EXCHANGE RESERVES (US$ Million)

Year	*Gold*	*SDRs*	*Foreign Currency Assets*	*Total*
1950-51	247	--	1914	2161
1960-61	247	--	390	637
1970-71	243	148	584	975
1980-81	370	603	5850	6823
1990-91	3496	102	2236	5834
1991-92	3499	90	5631	9220
1992-93	3380	18	6434	9832
1993-94	4078	108	15068	19254
1994-95	4370	7	20809	25186
1995-96	4561	82	17044	21687
1996-97	4054	2	22367	26423
1997-98	3391	1	25975	29367
1998-99	2960	8	29522	32490
1999-00	2974	4	35058	38036
2000-01	2725	2	39554	42281
2001-02	3047	10	51049	54106

According to RBI Report on Foreign Exchange Reserves, forex reserves have grown form US $ 5.83 billion at end-March 1991 to US$ 25.2 billion by end-March 1995. The growth continued in the second half of the 1990s, with the reserves touching the level of US$ 38.0 billion by end-March 2000. Subsequently, the reserves rose to US $54.1 billion by end-March 2002, and crossed a record high level of US $70 billion in the week ended 27th December 2002. It further increased to US $76.1 billion by end-March 2003.

During 2003-04, India's foreign exchange reserves including gold, SDRs and reserve amounted to US $113.0 billion. India experienced an all time high reserve accumulation, with the annual accretion of US $36.9 billion, including valuation changes, gold, SDR and the reserve position at the IMF.

At the end of April 2004, India's total foreign exchange reserves stood at US $118.5 billion and further to US $141.5 billion by end-March 2005. It stood at US $143.1 billion at end September 2005.

As of 3rd November 2006, total foreign exchange reserves with the RBI stood at US $168.3 billion. Of this, foreign currency assets accounted for 96% (US $161.16 billion) while the share of gold was 3.6% (worth US $6.1 billion). India's reserve position in IMF was US $652 million.

The country's foreign exchange reserves rose by US $1.018 billion to touch $177.251 billion for the week ended December 29, 2006 mainly on foreign currency revaluation. In the previous week, forex reserves had increased by $714 million to touch $176.233 billion. The euro gained from $1.3109 to $1.3181 in the week under review while the dollar was weak against most global currencies. The rupee too touched a 10-month high against the dollar that week. On Friday, 5th January 2007, the rupee closed at 44.31.

Foreign currency assets: As per the Reserve Bank of India's weekly statistical supplement, foreign currency assets rose by US $996 million to touch by US $170.187 billion as on 06th January, 2007. Foreign currency assets expressed in dollars include the effect of appreciation or depreciation in non-US currencies (such as euro, sterling and yen) held in reserves.

Foreign Investments in India

Cumulative amount of FDI inflows (from August 1991 to March 2006) - US$ 38,902 million

Approved FDI rose from about Rs.500 crore in 1992 to about Rs.55 thousand crore in 1997 (Economic Survey, 2001-02). Cumulative approved foreign investment during 1991 and 2000, was about US$67 billion.

In 2004, foreign institutional investors pumped to India a record US $8.5 billion, a figure that made India the third largest recipient of FII money in the world in 2004. In contrast, FDI flows have remained stuck in the US $3-4 billion groove for the past many years. India attracts about one-fourth of the world's portfolio flows and barely 3 per cent of the world's FDI. FDI inflows have grown from US $78 million in 2003-04 to US $126 million in 2004-05 and US $208 million in 2005-06.

FDI inflows have registered a consistent growth in the last three years. During the current financial year 2006-07(April-September 2006) equity component of FDI inflows was US$ 4.4 billion as compared to US $2.2 billion received during the corresponding period of the previous year viz. 100% growth. For the month of September 2006, the FDI inflows have been US$ 916 million as compared to US $282 million received during September 2005 showing a rise of 225%.

Foreign Institutional Investors (FIIs) have a relatively small (compared to their global portfolios) but growing presence in India with net inflows for India totaling around US $11 billion for the year ending 31st March, 2004.

Capital flows to India have remained large during 2006-07 so far. Foreign direct investment (FDI) inflows at US$ 4.0 billion during April -August 2006 were 62 percent higher than in the corresponding period of the previous year. The pick up in FDI inflows reflects growing investor interest in the Indian economy on the back of strong fundamentals as well as the impact of policy initiatives aimed at rationalizing and liberalizing the FDI policy and simplifying the procedures. FDI was channeled into the manufacturing, banking, and financial services. Mauritius, the US and Singapore remain the dominant sources of FDI to India.

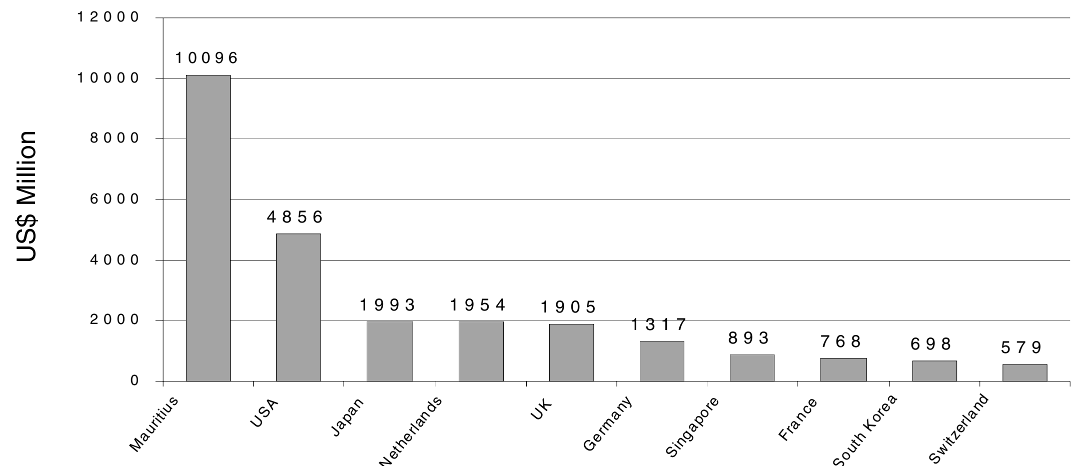
Inflows of foreign direct investment (FDI) into India (equity capital components only) during the first four months of the current financial year 2006-07 (April-July), was US $ 2.9 billion compared to US$ 1.5 billion in the same period of 2005-06, showing a record increase of nearly 92%. FDI inflows (equity capital components only) during the month of July 2006 surged by a record 259%, having increased to US $ 1163 million from US $ 324 million in July 2005.

The FDI policy rationalization and liberalization measures have resulted in increased inflows of FDI. FDI inflows into the manufacturing sector and sectors impacting the manufacturing sector continue to show a record growth. FDI equity inflow into manufacturing alone in April-July 2006-07 is estimated at US $ 668.41 million.

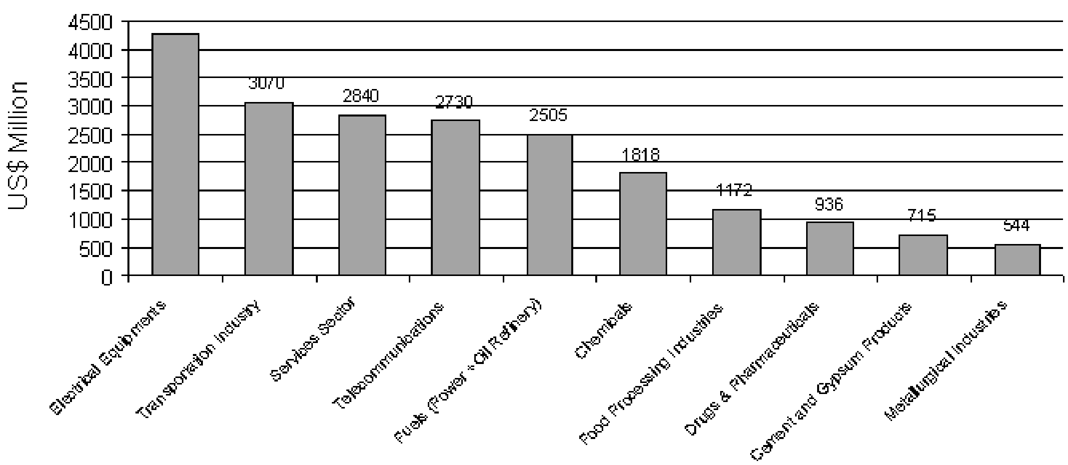
Foreign institutional investors (FIIs) registered outflows during May-July 2006 against the backdrop of weakness in domestic equity markets in consonance with the trends in international markets. However, since August 2006, FIIs have made large purchases in the Indian stock markets. Up to October 13, 2006, FIIs have registered marginal net outflows of US$ 29 million during 2006-07. The number of FIIs registered with SEBI has increased from 882 end-March 2006 to 973 by 20th October,2006.

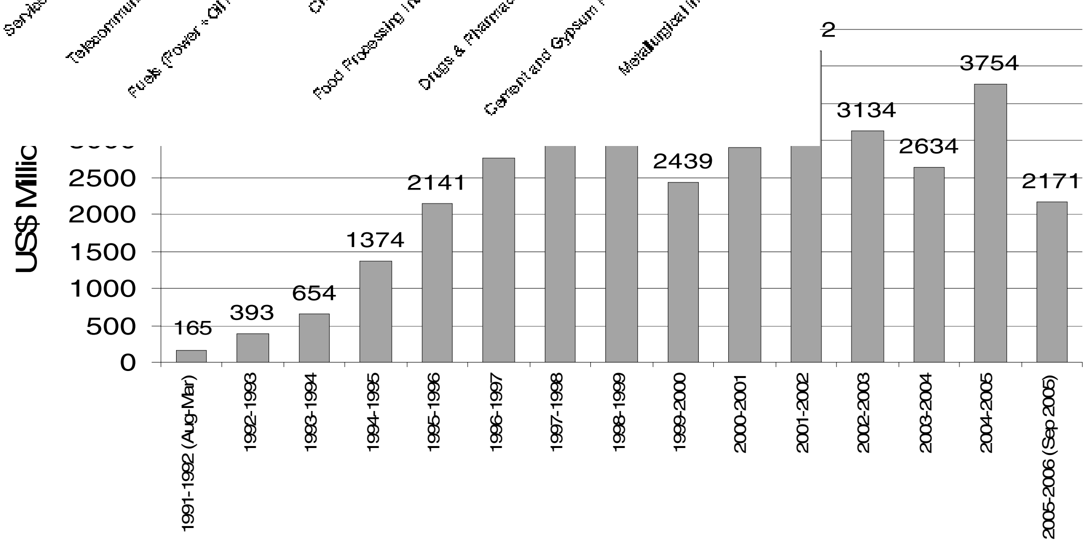
FIIs pumped in US $ 2.03 billion into Indian Equity Markets in Nov'06. This is the highest monthly inflow by FIIs in this calender 2006. Hence the SENSEX hit new highs on account of this FII liquidity. In Oct'06 FIIs pumped in US $ 1.78 billion into Indian equities. Total FII investment into Indian equities till

INDIA: SHARE OF TOP INVESTING COUNTRIES FDI INFLOWS
(Aug. 1991 to Sept. 2005)



INDIA: SECTORS ATTRACTING HIGHEST FDI INFLOWS
(Aug. 1991 to Sept. 2005)





1st Dec'06 calendar is US $ 8.70 billion. In calendar 2006 – FIIs pumped in record US $ 10.70 billion. In calendar 2005, new FIIs registrations with SEBI are 170. Total number of FIIs registered with SEBI as of date is 993. Domestic MFs only invested only US $ 72.0 million in Indian Equities in Nov'06.

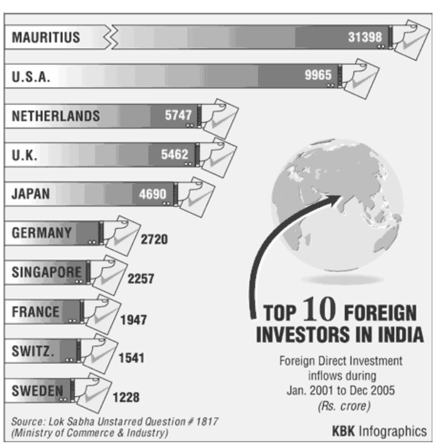
According to the details available upto July 2006, the 10 sectors attracting highest FDI into India since 1991 are

- electrical equipments (including computer software & electronics);
- services sector (financial & non-financial);
- telecommunications (radio paging, cellular mobile, basic telephone services);
- transportation industry;
- fuels (power + oil refinery); chemicals (other than fertilisers);
- food processing industries;
- drugs & pharmaceuticals;
- cement and gypsum products;
- metallurgical industries.

The 10 top investing countries are: Mauritius, USA, Japan, Netherlands, UK, Germany, Singapore, France, South Korea and Switzerland.

According to the Prime Minister's Economic Advisory Council (EAC), net FDI for 2006-07 would be around US$ 9 billion, up from US$ 4.7 billion last year, while FII or portfolio inflows are likely to be US $ 7 billio

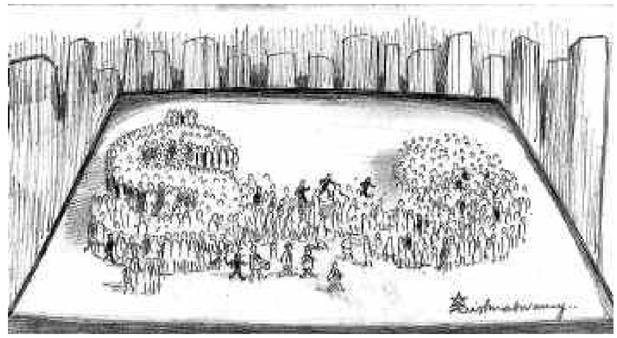
Top 10 foreign investors in India April 21, 2006



(1 crore = 10 million)

Source: http://ia.rediff.com/money/2006/apr/21kbk.htm?q=bp&file=.htm

What to do with Foreign Exchange Reserves worth US$ 188 billion???



Source: http://www.thehindubusinessline.com/2003/12/27/images/2003122701980801.jpg

This is indeed a billion dollar question. There is a growing debate about the need to hold so many reserves. Some critics point out that holding a lot of reserves is costly. Reserves held in the US Treasuries, for example, earn a modest return, far below these countries' own cost of borrowing either in local currency or in dollars. Why hold cash in the bank and pay high interest on outstanding liabilities? Critics also note that the yield on reserves is much lower than the potential return they could earn by using those reserves to make real investments in the economy, such as building roads, bridges and schools.

Late L.K. Jha during one of his lectures on 'What to do with excess forex reserves' at Delhi School of Economics, talked of importing luxury cars with the forex reserves and selling them for rupees, mobilising a lot of money and using that money for developmental purpose.

Those who support holding large reserve balances argue that the cost of doing so is small compared to the economic consequences of a sharp depreciation in the value of the currency that is often associated with financial crises in emerging markets. With a large stockpile of foreign exchange reserves, a country's monetary authority can buy up its currency in the foreign capital markets, which helps to uphold its value. By having its own ammunition to defend its currency in crisis, a country with large holdings of reserves also avoids being shut out of international capital markets due to concerns that the government or the private sector will default on foreign debt payments. Therefore, these proponents argue, holding large reserves stockpiles is prudent policy for those occasions when defending the value of the currency.

When India's forex reserves crossed the $100-billion mark, towards the end of 2003, there were several suggestions on how best to manage them, including the setting up of an Asian Bond Fund. Jayanthi Iyengar, business news veteran &, a weekly commentator with Business Line, was of the opinion that such a Fund would help create an alternative safety mechanism when the existing institutional framework fails.

The Reserve Bank of India (RBI) is currently responsible for managing the country's foreign exchange reserves. As of mid November 2006, India's foreign exchange reserves amounted to about US $ 170 billion. One option is for the RBI to manage a highly liquid, low- return portfolio of US$ 70 billion as insurance against capital flight caused by unexpected market developments. The remaining US $ 100 billion could also be managed by RBI in separate portfolios with associated benchmarks which carry greater market risk and hence commensurately higher returns.

It is preferable not to hold such assets in the public sector. The citizens of the country can hold globally diversified portfolios rather than placing these in the hands of a government agency.

The swelling of forex reserves has become a macroeconomic issue. Policymakers, independent analysts and politicians have expressed some worry regarding the deluge of dollars into our economy over the past two years. Nearly 50% of our current forex reserves have been built up in the past 2 years. The question being asked is how have the reserves been built up, and whether they would start dwindling. Analysis of components forming the inflows suggest that the upswing is mainly attributable to the resurgence in exports, increase in capital inflows (including foreign investment), stronger rupee and the reduction in the current account deficit.

With high reserves, high exports, and increasing foreign direct investment inflows, the economy is all set to ride the trajectory of higher growth. Thus, instead of worrying about the cost of holding such high reserves, the government would be better off capitalizing on them to improve the country's image.

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Foreign Exchange Market in India

Shankar D Kanhere

Foreign Exchange Markets in India have been traditionally very restricted and controlled. Regulation and a stiff framework have given way to management and liberalization. This is reflected in the replacement of FERA (Foreign Exchange Regulation Act) by FEMA (Foreign Exchange Management Act), liberalization, current account convertibility and progress towards full convertibility, satisfactory position of reserves and greater freedom with lesser intervention by RBI. With the Government committed to bringing in full convertibility and with a better managed growing Foreign Exchange market the outlook is very promising.

Key Words

Foreign Exchange, Forex Markets, Liberalization, RBI Intervention, Cross Border Currency Flows, Convertibility, Forex Reserves, Fiscal discipline and risk management.

Introduction

Foreign Exchange markets in India have been traditionally highly controlled and subjected to stiff rules and regulations. Foreign Exchange transactions have all along been "regulated" in India. The first paradigm shift came with the movement from "regulation" to "management." Today the markets as well as exchange rates are more managed than regulated. Liberalization and convertibility marks the new phase in the management of foreign exchange in India.

The second major departure is the situation of plenty as far as foreign exchange reserves are concerned.

The third significant change is the size and importance of the Forex Market in India and the significant growth rate which is close to 30%.

There are a few other changes though less striking as, the hardening rupee and the weakening dollar, and a better country rating for India with lowering risk perception by international agencies.

Background

During 2003-04 the average monthly turnover in the Indian foreign exchange market touched about 175 billion US dollars. Compare this with the monthly trading volume of about 120 billion US dollars for all cash, derivatives and debt instruments put together in the country, and the sheer size of the foreign exchange market becomes evident. Since then, the foreign exchange market activity has more than doubled with the average monthly turnover reaching 359 billion USD in 2005-2006, over ten times the daily turnover of the Bombay Stock Exchange. As in the rest of the world, in India too, foreign exchange constitutes the largest financial market by far.

Liberalization

Liberalization has radically changed India's foreign exchange sector. Indeed the liberalization process itself was sparked by a severe Balance of Payments and foreign exchange crisis. The initiation of economic reforms in July 1991 saw significant two-step downward adjustment in the exchange rate of the rupee on July 1 and 3, 1991 with a view to placing it at an appropriate level in line with the inflation differential to maintain the competitiveness of exports. Subsequently, following the recommendations of the Rangarajan Committee (High Level Committee on Balance of Payments) the Liberalized Exchange Rate Management System (LERMS) involving dual exchange rate mechanism was instituted in March 1992 which was followed by the ultimate convergence of the dual rates effective from March 1, 1993 (modified LERMS). The unification of the exchange rate of the rupee marks the beginning of the era of market determined exchange rate regime of rupee, based on demand and supply in the Forex market. It is also an important step in the progress towards current account convertibility, which was finally achieved in August 1994 by accepting Article VIII of the Articles of Agreement of the International Monetary Fund.

The Sodhani Committee (1995) made further recommendations to develop, deepen and widen the forex market. It suggested introduction of various products and removal of restrictions to improve efficiency. Among the recommendations implemented by RBI are:

For Banks freedom to

- Fix overnight position or gap limit
- Initiate trading position in overseas markets
- Borrow or invest funds in the overseas markets (within limits)
- Determine interest rates and maturity period of FCNR deposits
- Use derivative products for asset liability management
- Exemption of inter-bank borrowings from statutory requirements

For corporates.

- Permission to hedge anticipated exposures
- Freedom to cancel and rebook forward contracts
- Some freedom in managing exposures and access to lower cost option strategies

For improvements in internal controls

- Framing risk management guidelines for banks
- Adopting Basle committee norms or computing foreign exchange position limits

While the rupee is still far from being "fully floating", the nature of intervention and range of independence tolerated have both undergone significant changes. With an overabundance of foreign exchange reserves, imports are no longer viewed with fear and skepticism. The Reserve Bank of India and its allies now intervene occasionally in the foreign exchange markets not always to support the rupee but often to avoid an appreciation in its value.

Foreign Exchange Markets in India

The foreign exchange market in India started in earnest less than three decades ago, when in 1978 the government allowed banks to undertake intra-day trading in foreign exchange. As a consequence, the stipulation of maintaining "square" or "near square" position was to be complied with only at the close of business each day.

The Indian forex market is predominantly a transaction-based market with the existence of underlying forex exposure generally being an essential requirement for market users. The forex market is made up of Authorized Dealers (generally banks), some intermediaries with limited authorization and end users viz., individuals, corporates, institutional investors and others. Over 70% of the trading in foreign exchange continues to take place in the inter-bank market. The growth of the foreign exchange market in the last few years has been momentous. Trading volume in the foreign exchange market including swaps, forwards and forward cancellations has more than trebled since 2000-01, growing at a compounded annual rate exceeding 25%.

RBI Intervention

The two main functions of the foreign exchange market are to determine the price of the different currencies in terms of one another and to transfer currency risk from more risk-averse participants to those more willing to bear it. As in any market essentially the demand and supply for a particular currency at any specific point in time determines its price (exchange rate) at that point. However, since the value of a country's currency has significant bearing on its economy, foreign exchange markets frequently witness Government intervention in one form or another, to maintain the value of a currency at or near its "desired" level.

Interventions can take the form of quantitative restrictions on trade and cross-border transfer of capital. Similarly, the central bank of the country or its allies and agents may undertake periodic trades in the market to move the exchange rate in the desired direction. In recent years India has witnessed both kinds of intervention, though there has been a long-term policy push to reduce and ultimately remove the former more restrictive intervention. The overt objective of India's exchange rate policy, according to various policy pronouncements, has been to manage volatility in exchange rates without targeting any specific levels. The Reserve Bank of India has used a varied mix of techniques in intervening in the foreign exchange market – indirect measures such as press statements (sometimes called "open mouth operations" in central bank speak) and, in more extreme situations, monetary measures to affect the value of the rupee as well as direct purchase and sale in the foreign exchange market using spot, forward and swap transactions. Till around 2002, the measures were mostly in the nature of crisis management.

Regulation of cross-border currency flows

Close on the heels of the adoption of market determined exchange rate (within limits) in 1993, came current account convertibility in 1994. In 1997, the Tarapore Committee, on Capital Account Convertibility, defined the concept as "the freedom to convert local financial assets into foreign financial assets and vice versa at market determined rates of exchange" and laid down fiscal consolidation, a mandated inflation target and strengthening of the financial system as its three main preconditions.

Capital Account Convertibility

Capital flows have been gradually liberalised in India, interalia, by

- allowing foreign direct and portfolio investments,
- tapping foreign capital markets by Indian companies
- considerably better remittance privileges for individuals;
- international expansion of domestic companies.

The ultimate goal of capital account convertibility now seems to be within sights with the current Prime Minister Dr. Manmohan Singh reiterating that there was merit in India moving towards fuller capital account convertibility. Expectedly, the wisdom of the move has been hotly debated. Advocates of convertibility cite the "consumption smoothing" benefits of global funds flow and point out that it actually improves macroeconomic discipline because of external monitoring by the global financial markets. Convertibility can spur domestic investment and growth because of easier and cheaper financing. It can also contribute to greater efficiency in the banking and financial systems. On the other hand, skeptics point out that India is yet to fulfill at least one of the three major preconditions to Capital Account Convertibility set out by the Tarapore Committee, viz. fiscal discipline. The benefits of convertibility do not necessarily outweigh the risks and cross-border short-term bank loans are the most volatile. There is a strong international consensus that emerging markets should keep such borrowings relatively small in relation to their total external debt or reserves. It is generally held that it was, in fact, the lack of convertibility that protected India from contamination during the Asian crisis in 1997-98.

Foreign Exchange Reserves

An important corollary of India's foreign exchange policy has been the quick and significant accumulation of foreign currency reserves in the past few years. Starting from a situation in 1990-91 with foreign exchange reserves level barely enough to cover two weeks of imports, and about \$32 billion at the beginning of 2000, India's foreign exchange position rocketed to one of the largest in the world with over \$185 billion in Feb 2007. Since 2000, this implies a compounded annual growth rate of close to 30% with the years 2003 and 2004 having the most stunning rises at 48% and 45% respectively. During these two years the US dollar fell against the Euro by 19% and against the rupee by 9%. Without RBI intervention, the latter figure is likely to have been larger and the reserves accumulation less spectacular.

A sizable foreign exchange reserve acts as liquidity cover and protects against a run on the country's currency, and reduces the rate of interest on Indian debt in the world market by lowering the country risk perception by international rating agencies. However, beyond a point, it begins to affect the money supply in the country, and interest rates. There are significant costs to avoid this and the RBI loses money by earning very low returns on the safe assets used to park the reserves. One factor that needs to be noted is that a large component of additions to reserves is on account of non-debt creating inflows. India's total external debt, including NRI (Non-Resident Indian) deposits, has increased relatively slowly as compared with the increase in reserves, particularly in the last couple of years and we have seen pre-payments of high cost external debts in 2006. In this context, it has also been proposed to use part of the reserves to fund infrastructure projects.

Outlook

Liberalisation has transformed India's external sector and a direct beneficiary of this has been the foreign exchange market in India. From a foreign exchange-starved, control-ridden economy, India has moved on to a position of $185 billion in Foreign Exchange reserves with a confident rupee and drastically reduced foreign exchange control. As foreign trade and cross-border capital flows continue to grow, and the country moves towards capital account convertibility, the foreign exchange market is poised to play an even greater role in the economy.

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Financial Reporting

Financial reporting and fiscal discipline go hand in hand. From the few page compilation of profit and loss account and balance sheet to today's comprehensive annual reports, reporting by corporates has indeed come a long way. So have MIS reports undergone considerable change over the years. This article looks at the change that has come about in financial reporting both internal and external and its effects and role in transforming Corporate India.

Key Words

Financial Reporting, MIS Reports, Internal and External Reporting, Annual Report, Disclosures, Corporate Governance, Directors Responsibility, Changing World order, XBRL, Risk based approach, The way forward.

The Context

In the words of Prime Minister Manmohan Singh "These are good times for Indian business… The Indian economy has experienced unprecedented change and growth…Economic reforms have created a new world…If we have to realise our full potential…. we have to create a more open and efficient financial system, a system capable of generating the necessary financial resources needed for the rapid growth of our economy".

Creating an open and efficient financial system requires an efficient and effective financial reporting system. Financial reporting that is based on transparency, integrity, speed and efficiency is the corner stone of true corporate governance, which will in turn make the financial system open and efficient.

In the last decade with the adoption of newer accounting standards, changes in auditing standards and emergence of corporate governance, corporate communication and financial reporting have undergone a sea change.

Financial reporting is of two types. Internal reporting primarily to internal stakeholders in the form of MIS reports for management decision making and External reporting to all the stakeholders both external and internal for communication, compliance and investment decisions. Internal financial reporting was traditionally based on MIS reports that relied heavily on cost sheets, cost per unit calculations, standard costing, variance analysis and marginal costing for decision making. These reports were mostly manual and in later years computer assisted. Today's MIS is totally transformed being based more on Strategic Cost Management that encompasses activity based costing, value chain analysis, zero base budgeting, BPR, Balanced Score card, Unit cost analysis, Kaizen and so on…

Financial reporting is generally achieved though the medium of the annual report by listed companies, although other periodic reporting in the form of quarterly reports, disclosure statements, press notes, advertisements and public announcements do exist. The article is aimed primarily at tracing the changes, the quantum shift, the radical transformation that has come about in the annual report and financial reporting by corporates therein. These changes, it is felt will help improve fiscal discipline, transparency and reliability leading to an efficient financial system that will help in transforming India.

The Annual Report

Financial reporting and fiscal discipline go hand in hand. From the few page compilation of profit and loss account and balance sheet, to today's comprehensive annual reports reporting by corporates has indeed come a long way. This article looks at the change that has come about its effects and role in transforming corporate India.

The bulk and size of annual reports is reflective of the growing disclosure and details that annual reports convey e.g. the Infosys annual report of 1995-1996 contained 96 pages. The Annual report for the 2004-2005 contains 170 pages. But even now the degree and extent of disclosure continues to vary as can be seen from a look at the Annual Report of Indusind Bank for 2005-2006, which has 55 pages.

Looked at on a Company to Company basis, by and large in physical / quantum terms the disclosure has probably on an average doubled over the last ten years. The annual reports generally contained a small directors report, the auditors report, the financial statements – Balance sheet, profit and loss account and schedules alongwith certain additional information required by the companies Act like statement of particulars of employees, quantitative data regarding production turnover and studio, statement regarding energy conservation measures, and so on.

Compare that with today's disclosures both statutory and voluntary and we find a major shift – a change for the better.

The primary reasons for this change are

i) the growing number of stakeholders that are now interested in using the annual report (see Fig 1.)

ii) the changing / growing expectations of users – stakeholders, and

iii) the requirements of newer legislation that is being put in place by government and regulatory bodies (see fig 2.)

(A) Past

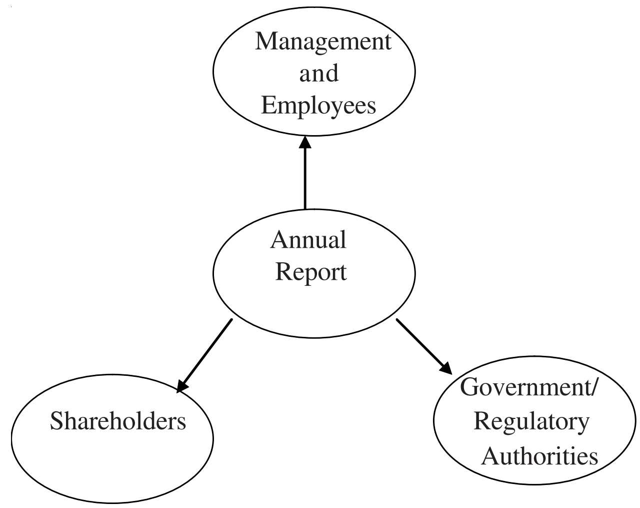


Fig 1: Growing Stakeholders Interest in the Annual Report

(B) Present

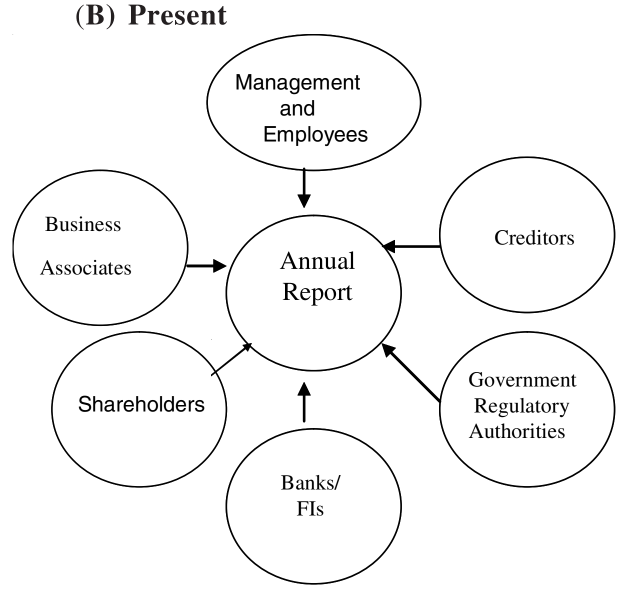


Fig 2

Pull Factors

Apart from this, Companies now want to communicate their vision, mission and goals and how the year has gone by in meeting them. It communicates to the stakeholders the ethos, the mindset of the organizations and its team.

It tries to give insight into its people, its brand,

PULL FACTORS

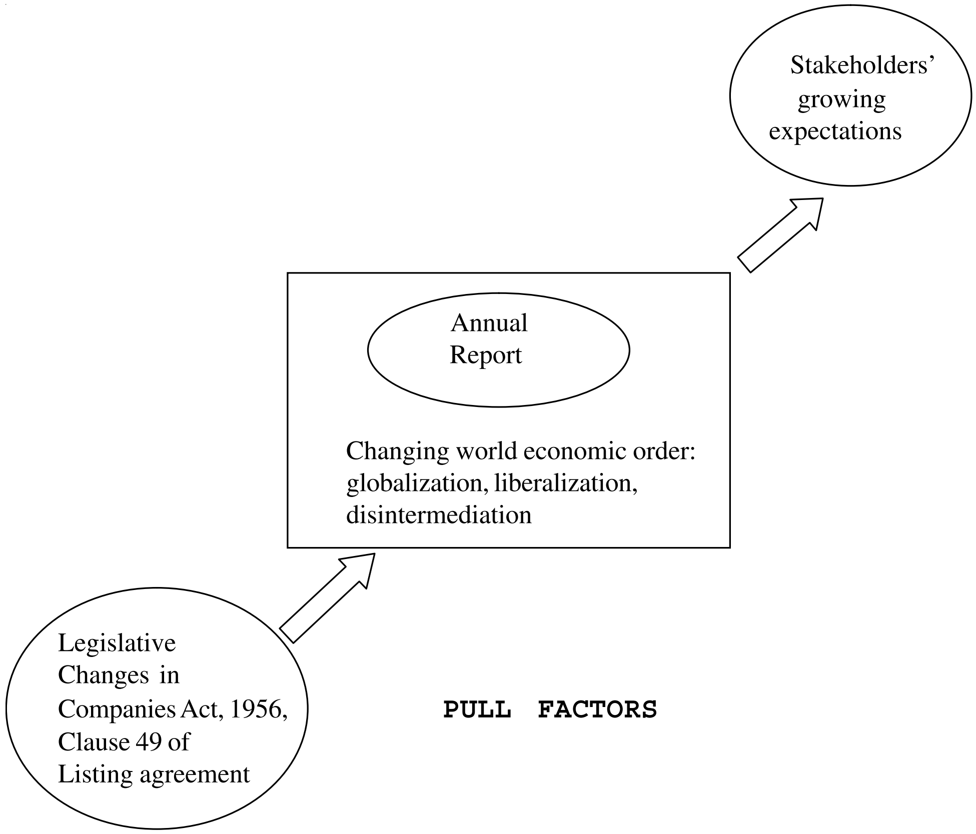


Fig2: Factors that have changed corporate reporting.

it strategy, its linkages, its strength and weaknesses, the opportunities that exist and the threats it needs to ward off, the environment in which it works. It also conveys to the stakeholders the environment in which it operates, offers an insight into its team – its employees and business associates, gives them an idea of its working and processes, its organization structure, how it manages its risk and how it governs itself.

It thus communicates to the stakeholders a lot of what cannot be precisely measured, reflected, quantified or captured, but needs to be conveyed, appreciated understood by them in order to get the true import of the financial results. It has made financial reporting more meaningful, relevant and useful to the stakeholders, and has come of age and become an art today.

The details of disclosure and contents of a standard annual report of a progressive company are given in the box below. (See fig. 3).

Contents of an Annual Report

Theme – This part covers a new idea which communicates the ethos, vision and setting of the company, its team and its associates and shares this in text and pictures bringing the company and its image live in the minds of the readers.

The year at a glance

Letter to the shareholder

Awards for Excellence

CEO and CFO certification

Directors' report – **D**irectors responsibility statement

Particulars and Information pursuant to Companies Act, 1956 – on conservation of energy, R & D,

Foreign Exchange, particulars of employees, etc.

Auditors' certificate on corporate governance

Financial statements – Indian **G**enerally **A**ccepted **A**ccounting **P**rinciples (Indian GAAP)

Management's discussion and analysis of financial condition and results of operations

Auditors' reports

Balance sheet

Profit and loss account

Cash flow statement

Schedules

Balance sheet abstract and company's general business profile

Section 212 of Companies Act (report on the same.)

Consolidated financial statements- Indian GAAP

Risk management report

Corporate governance report

Additional information

Shareholder information

Share price chart

Frequently asked questions

Selective data

Ratio analysis

Statutory obligations

Human resources accounting

Brand valuation

Balance sheet (including intangible assets)

Current- cost-adjusted financial statements

Intangible assets score sheet

Economic Value-Added (EVA) statement

Value Reporting™

Management structure

Charitable initiatives

Reports on environment, health and safety

Financial statements (unedited) prepared in substantial compliance with GAAP requirements of Foreign Countries and reports of compliance with respective corporate governance standards

Annual General Meeting (AGM) notice

Explanatory statement u/s 173(2) of the Companies Act, 1956

Ballot Form for the AGM

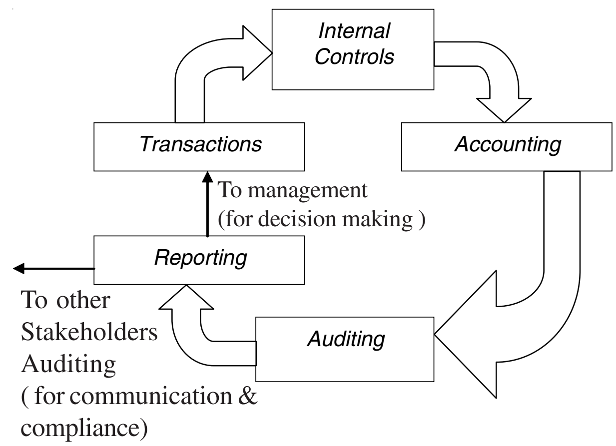
Proxy Form for the AGM

Attendance Slip for the AGM

Fig 3: Contents of a standard annual report of a progressive company.

Financial Reporting Cycle

The financial reporting cycle covers all the steps from incurring of the transaction which could be an income or expense or acquisition or disposal of an asset or the incurring or repayment of a liability, to the control over such transactions, its measurement and recording, its accounting, its audit – internal and external, and finally communicating it to stakeholders, the internal stakeholder for decision making the external stakeholders for compliance and governance. A perusal of the diagram below shows that, accounting and auditing are two of the key components of the financial reporting cycle and are very crucial to maintain its quality and timeliness. (See Fig 4).



Let us now look at the changes in accounting and auditing which are major components of the reporting cycle and have been instrumental and have substantially influenced financial reporting and determine its quality to a great extent.

Accounting Standards

Accountants by their very nature and training are known for their conservatism and are averse to change. These qualities are important because they ensure that transactions and accounts remain comparable over different time periods. But given the changing economic scenario and increasing complexity of transactions in the modern commercial world, accounting standards need to evolve and cannot remain static and rooted to the past.

A quick look at the Accounting Standards in India shows that right upto 1994 there were only a handful of standards, less that ten in number. The years 1993, 1994 and 1995 saw a spurt in standards which reached upto 15 in number. Thereafter from 2000 – 2001 onwards came another slew of standards which saw them going past 30 by 2005-2006. For a profession which has seen hardly any changes, this was a quantum change – a paradigm shift. They still fall short of the 41 International Standards and 25 Interpretations issued and followed internationally, but the gap has narrowed considerably. The shift is truly remarkable because the newer standards, covering - Accounting for investments, Amalgamations, Retirement benefits, Governments grants, Borrowing costs, Segment reporting, Related party disclosures, Leases, Earnings per share, Consolidated financial statements, Accounting for taxes on income, Interim financial reporting, Intangible assets, Joint ventures, Impairments of assets, Contingent liabilities and provisions and so on, all make for a more balanced, transparent, uniform and meaningful reporting that helps investors and stakeholders get a better insight into the financials of the organizations and enable a better comparison of performance across board.

Over the past few years there has been a sea change in the accounting profession. The factors that have caused it are many. The movement that begun due to the external forces of globalization and disintermediation became stronger when the need for better and more meaningful accounting and the reporting role of accountants was internalized and understood by the accountants in the after math of the huge scams and financial irregularities of the recent past, when their very integrity, need and existence was questioned the world over. This happened due to two primary drivers. The first was the realisation that the post mortem accounts at historical costs seldom reflect the true picture for any sort of decision making, be it strategic or operational decisions by the management, or investment decisions by the shareholders, investors and the stock market.

The other was the realization that theexiting standards and formats were not able to cope with the complexities of commercial transactions involving mergers and acquisitions, joint ventures and emergence of the importance of intangible assets. Business became more complex with transactions and activities covering multiple segments and multiple currencies across the seven continents. Accounting standards therefore had to keep pace with global investors and stockholders demanding international standards in India.

Having seen the drivers on the accounting side for the changes in financial reporting, let us now look at the auditing aspect.

Auditing

Auditing too has changed from the post mortem, check box, tick box, check list–based approach to a proactive discipline that encompasses such emerging disciplines / areas like forensic audit and auditing in a digital environment. Auditing today is not only a continuous process but also a proactive one where it has become predictive and preventive in dealing with financial irregularities and frauds by focusing on auditing and improving controls.

Auditing today also needs to be fast and quick enough to provide comfort to financial reports that are now issued every quarter and even at the end of the year in a matter of days and not weeks and months after the year end. These changes in auditing have had a substantial impact on financial reporting today. There was a time when auditors restricted themselves to the books of accounts and financial statements drawn out therefrom. The emphasis was on "true and correct" which later shifted to "true and fair". Today the accounting process itself is more transparent with the auditor clearly stating in his report the scope, role and nature of audit activities and what management's responsibility is and what the auditors does.

Today apart from financial statements, which now cover cash flows and other statements too, auditors also audit quarterly accounts, conduct a limited review of reports, even audit projections containing prospective statements, and audit compliance to corporate governance

The role of the auditors which according to them (the auditors) was perceived as that of a watch dog, has also changed with stakeholders expecting them to be more proactive in actively looking for frauds, irregularities and errors at least like a more aggressive and alert watch dog, if not an outright bloodhound..

Another very important change that has come over the profession and has a direct impact on financial reporting is the quality of the audit profession. Mechanisms have been put in place to ensure that independence norms are followed and the quality of audits is maintained through capacity building measures like continuing professional education (CPE) and peer review of audit firms. With standards improving, auditing, getting e-enabled and the quality of auditors getting better financial reporting is bound to improve.

Risk based approach

Risk management is becoming a way of life in today's world. Risk is ever present– you have business risk, commercial risk, financial risk, exchange risk, inherent risk, risk of disaster, political risk, the list is endless. The financial reporting process and all its components are no exception to this. You have risks in accounting by way of incorrect capturing of financial information pertaining to transactions, audit risk being control risk (risk of failure of controls) and detection risk (risk of failure to detect errors and misstatements) risks in communication of financial results – reporting risk and eventually the ever present risk of fraud, errors and misrepresentation / mistakes inherent in the business itself. Risk based approach is being adopted in internal accounting of business operations, in auditing the results and in financial reporting so as to make reporting efficient and effective.

Emergence of "XBRL" Financial Reporting Standard

Reporting in the present day is not limited to the financial statements alone but carries a lot of other information which has numerous details. The normal reporting formats and presentation techniques used in the annual report differ from company to company and Country to Country making it non–comparable. Despite the advances in computing and information technology this information is not always searchable. The use of hypermedia, especially XBRL that is fast emerging as the global standard makes this information more meaningful and searchable.

XBRL: (Extended Business Reporting Language)

Extensible Business Language is based on XML (Extendable markup language)–based format. It was developed to cover electronic communication and analysis of data. XBRL tags each data cell and each line of content and therefore enables fast query and analysis. XBRL if introduced and accepted world over as the reporting standard will enable more than good governance, as standards based analysis will let corporate strategists quickly review internal results and performance comparison of likes with likes Vis – a – vis competitors. Corporate reporting will also improve as more and more countries are preparing to adopt it as the reporting standard of choice.

Scams and Reporting

Corporate reporting in the wake of mega scams across the world–be it WorldCom and Enron in the US, or our very own GTB, the message was clear and the writing was up on the wall. Reporting had to improve if the financial system was to survive and flourish. Quickly sensing this the stakeholders, the government and the key players have moved to rectify the situation.

Frauds and scams are of two types. one financial the other accounting. Financial frauds involve swindling, defalcation and misappropriation of funds. Accounting frauds entail window dressing and are almost always management frauds. A look at the frauds that have happened the world over show that the frauds in India are more the financial type (CRB, Corporative banks ….) as against the US & Abroad …(World Com & Enron), though now accounting frauds seem to be coming up in India too (GTB).

The Indian Accounting profession has moved with alacrity to adopt new standards, to stem the tide of frauds and scams. A lot has been accomplished in the area of harmonising accounting standards. The accounting standards in India are aligned more closely to international accounting standards providing a base for comparable, prudential assessment of results.

They are aimed at providing a "true and fair" view of the financial condition keeping sight of prudence, transparency, relevant information and comparability. Scams have thus had a salutary effect on financial reporting, bringing about a change for the better.

Responsibility for Financial Reporting

With the emergence of corporate governance as the key word in the business world and in the wake of legislation in the US like SOX and in India, the Naresh Chandra Committee Report and clause 49 of the listing agreement, we have greater responsibility placed on the Board of Directors, the CEOs and CFOs for maintaining fiscal discipline, financial accuracy and transparency. Top management is charged with protection, preservation and oversight of assets, income and expenses and need to ensure that proper accounting standards are followed, organizations remain relatively free from fraud and if frauds happen they are reported to stakeholders. Timely and adequate financial information has to be provided to the stakeholders. In fact till a few years back the annual report and the financial statements were almost exclusively signed by the directors and countersigned by the auditors. If a company desired that its CEO or CFO sign such statements an opinion had to be obtained whether such statements would be legally acceptable and valid if signed by these employees. Today the picture is the opposite. Law requires that the CFO and CEO who actually operate the business of the company and are in charge of the finance and the accounting function also sign and authenticate these statements apart from the Board of Directors and the auditors.

Financial Accounting, Management and Reporting in Government, Semi Government and Public Bodies

The Government system of accounting has all along been based on a single entry system with its drawbacks, such as lack of information on income due for collection, outstanding liabilities in respect of expenses, and the value of assets created and held.

Over the last two to three years, a number of municipal and public bodies havestarted the process for adopting the double entry system used by corporates, which is widely used by government bodies in the developed world as a measure of self – sustenance of institutions/ organizations. This is a sea change and reflects a quantum jump over the past.

Paradigram shifts

Year	From	To
	1994	2007
1. Accounting standards	10	40
2. Auditing	Mechanical, check list & tick box approach	Proactive, continuous risk based audit approach
3. Reporting medium Standard	Hard copy	excel, word, pdf, XBRL,
	MAOCARO	CARO,
Requirements	-	Clause 49 compliance
Signatories	Directors & Auditors	CEO, CFO, directors, auditors
Accounting system	Single entry in public accounting.	Double entry in public accounting municipal, govt & Public bodies
Contents of annual report	Annual report contains director report, auditors report & financial statement	Comprehensive, transparent annual report containg adequate disclosures.

The way forward

Thus, over the last ten years we have seen a total change in the way accounts are kept, the way financial position is compiled audited and reported.

This change has been brought about by changes in accounting, changes in auditing, changes in the legal framework, changes in technology, changes in management responsibility, changes in the expectation of the stakeholders and above all a complete change of outlook on the part of all concerned.

In the US the Sarbannes Oxley Act and related changes in accounting and auditing standards have been introduced to combat fraud and financial misreporting. In India the Naresh Chandra committee report ushered in clause 49 of the listing agreement and other ongoing changes in accounting and accounting standards. These have led to better corporate governance and more transparent reporting which will ensure better Compliance and good governance.

The accounting and reporting world including financial analysts and stock market pundits the world over have now recognized the importance of green accounting and ecologically sustainable ROI.

In the long run companies that are socio-ecologically progressive do better than those that are solely motivated by profits. Goldman Sachs has been reported to say – "we believe that Companies' management of environmental and related social risks and opportunities may affect corporate performance." This trend is bound to bring about a quantum change in financial reporting as ecological parameters are incorporated in accounts.

It is indeed a beginning of a new era in accounting and financial reporting that will make annual reports more meaningful in the years to come.

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R.S.Verma

Cost Management Techniques

With the advent of globalisation, information technology and hyper competition, cost management techniques have evolved to have a more pragmatic and broader perspective. 'Customer centric cost management' has become strategic focus of organizations. Cost management has transversed a long way from management accounting to strategic cost management for survival and growth. How to sustain competition and attain sustainable competitive advantage in today's highly competitive business environment, has become a big issue now. This article on cost management has tried to address this crucial issue through evolvement of various tools and techniques. Consequently, there is perceptible change in the entire approach towards managing the costs. Various cost management technique have evolved during this transition phase. This article attempts to capture the significant shifts in the philosophy of cost management and their relevance in the present day business scenario.

Introduction

Management accounting is the process of identifying, measuring, analyzing, interpreting and communicating information in pursuit of an organization's goals. Management accounting is an integral part of the management process and management accountants are important strategic partners in an organization's management team.

The role of management accounting is very different now that it was even a decade ago. In the past, managerial accountants operated in a strictly staff capacity, usually physically separated from the managers for whom they provided reports and information. Now a days, managerial accountants serve as internal business consultants, working side by side in cross functional teams with managers of all areas of the organization. Rather than isolating management accountants in a separate accounting department, companies now tend to locate them in the operating departments where they are working with other managers to make decisions and resolve operational problems.

Management accountants take on leadership roles on their teams and are sought out for the valuable information they provide. The role of the accountant in leading edge companies" has been transformed from number cruncher and financial historian to being business partner and trusted adviser". Cost accounting has emerged out of its cocoon and transformed itself into the broader perspective of cost management.

The changing perception of cost

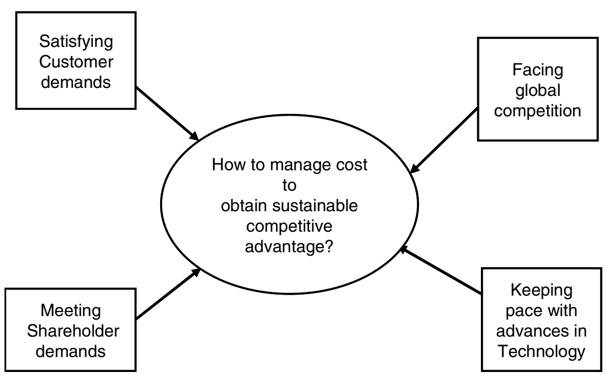
So far organizations were forced to cut costs in order to simply survive. Triggered off essentially by competition and deregulation, the response was tactical. But to day even marketing leaders are pursuing cost reduction as a strategic imperative. The objectives are two fold: staying ahead of the market by regularly widening the gap between them and the nearest competitors and redirect resources to invest in profitable growth.

Developments in Cost Management

Traditional cost management has proven to be of little use to organizations in managing unit cost, because it does not provide timely and accurate information on what changes are necessary to reduce cost. It has always been obsessed with the cost estimate-defining, improving and using it. Finding ever better ways to match resources to their uses the accountants have faced formidable task of proving reliable, timely cost estimates in a world of shared resources and change- never an easy task. But the opportunity remains, though the focus has shifted onto accurate and relevant cost information.

Moreover, traditional cost management has not been able to adopt the trends and change in business environment such as: increase in global competition, demanding customers, and shareholders, and manufacturing technology. The impact of such factors is increasingly being felt now by the business as presented in the chart below:

Trends and changes in business environment



Over the last few years there has been a significant shift in the management accounting concepts. The shift is the result of an increasing competitive environment due to the introduction of new manufacturing technologies, the focus on the customer, the growth of worldwide markets and the introduction of new forms of management organization.

Importance of cost management

With increased global competition, effective cost management has become critical to firms operating in today's business environment. Whatever the business, a firm has to manage costs effectively in view of changes in technology and customer's preferences. Rapid flow of cost information is crucial to effective and timely decision making. A firm will find it very difficult to survive in case its decision making process is not supported by appropriate cost management techniques. The firm is required to know the cost of new products or services, the cost of making improvements in existing products or services and the cost of finding a new way to procure the products or provide the services. Cost management information is vital to determine prices, to change product or service offerings to improve profitability to update manufacturing facilities in a timely fashion and to determine new marketing methods or distribution channles.

Both large and small firms, in all types of industries use cost management information. A firm's degree of reliance on cost management depends on the nature of its competitive strategy. Many firms compete on the basis of being the low cost provider of the industry's goods or services: for these firms, cost management is critical. The role of cost management is to support the firms' strategy by providing the information managers need to succeed in their product development and marketing efforts,such as the expected cost of adding a new product feature, the defect rate of a new part or the reliability of a new manufacturing process.

Cost Management Techniques

A broad list of contemporary cost management techniques is given as under:

- Bench marking-a process by which a firm identifies its critical success factors, studies the best practices of other firms for achieving these critical success factors and then implements in the firm's processes to match or beat the performance of those competitors.
- Total quality management – a technique by which management develops policies and practices to ensure that the firm's products and services exceed customer's expectations.
- Kaizen- an approach that demands continuous improvements.
- Activity based costing - a costing approach that assigns resource costs to a cost object based on activities performed for the cost object.
- Zero base budgeting- a budgeting process that requires managers to prepare budgets from a zero base.

- Business process re-engineering - a process for creating competitive advantage in which a firm reorganizes its operating and management functions.
- Theory of constraints-a strategic technique to help firms effectively improve the rate at which raw materials are converted into finished products.
- Just in time–a comprehensive production and inventory system that purchases or produces materials and parts only as needed and just in time to be used at each stage of the production process.
- Target costing- a concept used to determine the desired cost for a product on the basis of a given competitive price so that the product will earn a desired profit.
- Life cycle costing-a management technique used to identify and monitor the costs of a product throughout its life cycle.
- Value chain analysis- a tool used to identify the specific steps required to provide a product or service to the customer.
- Value engineering- a concept used in target costing to reduce product cost by analyzing the trade-offs between different types of product functionality and total product cost.
- Balanced scorecard- an accounting report that includes the firm's critical success factor in four areas viz. Financial performance, customer satisfaction, internal business processes and innovation and learning.

Source: Cost Management, A Strategic Emphasis by Blocher et al.- 2005

Shift in cost management strategies

Over the last few years, cost management has undergone significant modifications in various fields as detailed below:

a) Focus

Traditional cost management has been concerned with internal issues, including: emphasizing the current cost of production, allocation of the pool of resources to various products and services and summarizing results. These have been dominant activities that defined traditional cost management practice. Traditional cost management efforts are restricted to firm's boundaries and not across the value chain.

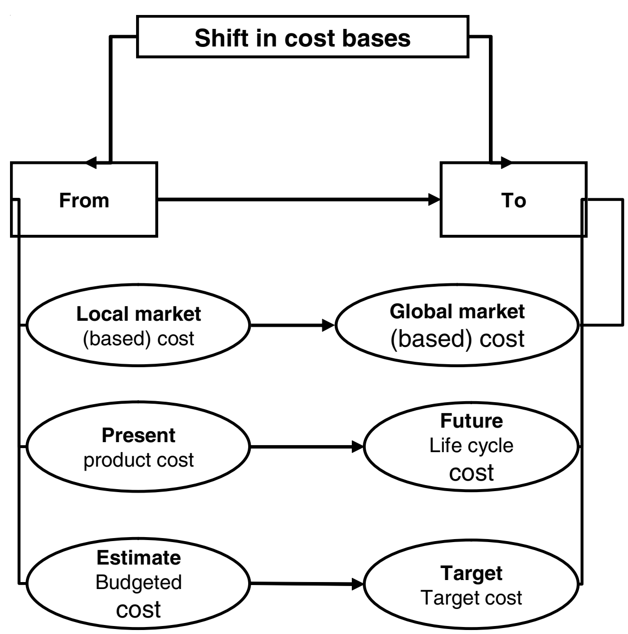
In the emerging world of 21st century the shift from seller's market to buyer's market has change the entire perception about cost management. Recognition is increasing that external events and relationships define and constitute the costs and potential profits of a firm.

b) Perspective

Whereas the traditional cost management has focused on the notion of value added, the modern cost management perspective is based on value chain analysis. Further, the traditional cost management hovers around controlling cost internally while ignoring the external factors altogether. The changes in business environment have necessitated the fundamental change in this perspective and now cost management tries to find out as to how to manage costs strategically. This perspective of costs includes both internal as well as external factors. It tries to position the costs strategically to obtain sustainable competitive advantage for a firm.

c) Cost base

There is perceptible shift in cost base in broader sense. The range of cost bases has broadened from local to global, from present to future and from estimated to target. This is shown in the diagram below:



d) Cost perceptions and approach

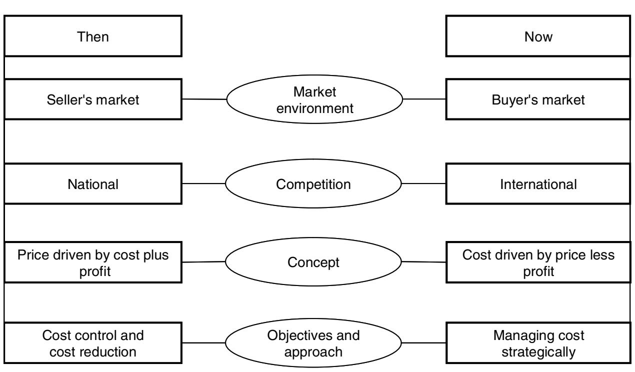
Earlier the price acted as a catalyst for cost and profit. Now, there is shift in this perception. The cost is the catalyst for price and profit. It means when under traditional costing approach cost plus profit formed the basis for deciding the price of a product, now the cost is driven by the price minus profit. Thus price acts as a driving force for management of costs.

Earlier costing techniques and tools were directed towards controlling cost of a product internally, now the shift is towards the management of costs strategically. The emphasis has shifted from internal cost control to external cost management. Thus the cost management is more focused to the external forces of business environment than internal elements of costs.

The significant shift in cost management perception is that whereas earlier techniques concentrated more on the meeting out industry specific internal requirements, modern techniques focus on strategic business requirements. They try to look at business from various internal as well as external angles.

The developments in information technology has ushered in the era of speed and convenience. This is equally true in the field of the application of cost management techniques. There are various softwares specifically developed to cater to the requirement of cost management. The chart below reflects the shifts in management perceptions as relevant to cost management:

Shift in management perceptions, A myopic view

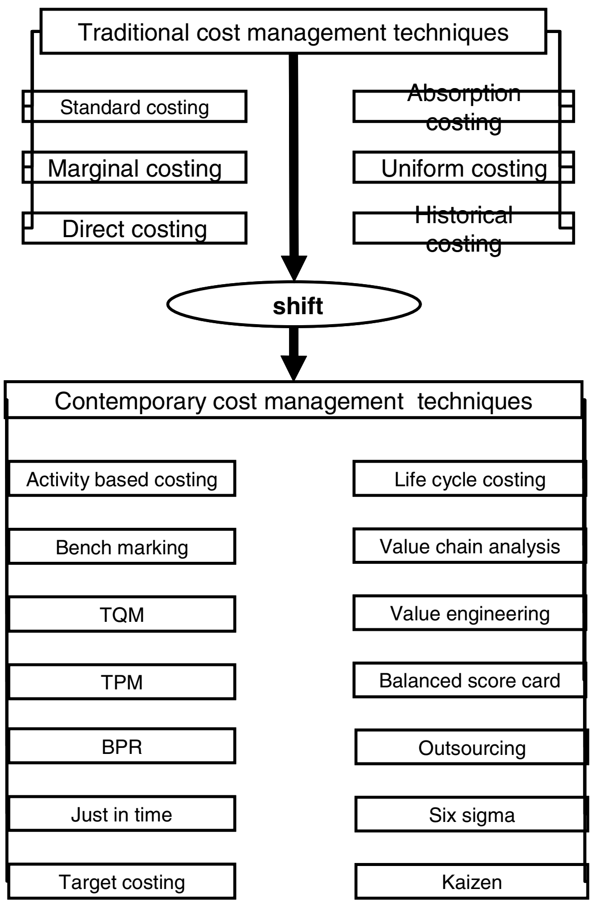


As discussed earlier, the entire psychology underlying the traditional cost management has undergone paradigm shift under the compelling forces of fast changes in the whole business environment. There is no denying the fact the cost management practices are much more demanding now than earlier,because these are supportive to the decision making process at the higher level of the management in an organization.

Shift in cost management techniques.

Significant shits in cost management paradigms have necessitated modifications in the techniques of the cost management. Whereas traditional cost management techniques were confined and focused to internal aspects of the business, new techniques take a broader perspective of the environment. A typical comparative shift in various cost management techniques is presented in the chart below:

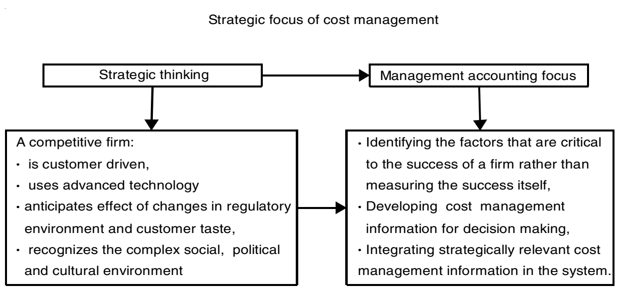
Comparative shift in cost management techniques



There is perceptible shift from traditional cost management to contemporary cost management. But at the same time it is also to be understood that the emerging new cost management techniques are not the substitute of traditional techniques but are supportive in nature so as to provide a new dimension to the philosophy of cost management. Though some of the traditional techniques like direct costing, absorption costing, uniform costing etc. may have become less relevant in the present fast changing business environment, yet the identity of the same can not be ignored altogether. Rather, the new techniques have tried to look at the business in much more pragmatic and broader perspective i.e. from cost control to cost management.

Strategic focus of cost management techniques

Cost management is not limited to cost but is inclusive to all resources used and deployed across the value chain. Therefore, strategic focus of cost management should not only confine its concerns and objectives only to cost, but also consider revenue, productivity, customer value and competitive position of a firm.



Thus, there is shift in the basic thinking itself as to what the cost management should focus on. Instead of planning, strategy is at the core of cost management and contemporary techniques of cost management are quite focused in this regard.

Conclusion

Later part of 20th century witnessed paradigm shift in the entire business environment in terms of customer demand, owners' expectations, fast changing manufacturing technologies, dismantling of market boundaries, global linkages entailing fierce competition. Shift in business from sellers' market to buyers' market redefined the customer's choice and the customer became the king. All these essentially affected the way a business should be done. Management accounting profession could not afford to remain aloof to all these down to earth changes. Therefore the role of management accounting seemed to be under pressure to prove or perish. Hence, the growing recognition of the importance of effective cost management will lead to increasing use of cost management tools. The main drivers of this change are the competition that comes with globalization and the evolution of technology that has led to the emergence of these cost management tools.

Cost management has traversed a long from cost accounting to management accounting and now to strategic cost management.

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Shivani Takalkar

Dynamics of a Stronger Rupee

Different companies have adopted different strategies to minimise the impact of a rising rupee on their profits and profitability. The immediate strategy is hedging. The software sector has been scrutinised in detail. Due to the uncertainties in the rupee-dollar exchange rate, the appreciation of INR has to be managed on a quarter by quarter basis. The enigmatic situation in India is that exports are growing despite the INR on ascent. The loss on account of export realisations, due to appreciation of the INR, is made up by hedging, reduced cost of funding and other input costs. The author concludes "exporters will have to understand the dynamics of living with a stronger rupee".

R Nigel Lawson, the former Chancellor of UK Exchequer, discussing the intricacies of exchange rate policy, has a pithy quote from Oscar Wilde's play The Importance of Being Earnest.

A character in the play, the Governess Ms Prism, tells her ward "The chapter on the fall of the rupee you may omit. It is somewhat too sensational". We have been so used to the fall of the rupee that we have to turn Ms Prism's advice in its head. It is now the rise and rise of the rupee which is sensational.

The rise of the rupee has come as a bolt from the blue. We have all habitually assumed that the rupee would slip every year. But now that it has clawed its way up against the dollar and will, perhaps, continue to do so in the months ahead, it is time to go back to the drawing board. Here we look at a few key questions that companies and investors have to mull over in this new era of the strong rupee.

Profit Woes.....

Will corporate earnings be devastated ????

India's IT companies have a lot to worry about. Billing rates are dropping and profit margins are thinning. And now this - the appreciating rupee. Infosys has already said that every 1% appreciation in the rupee could reduce its revenues by around 0.5%. Wipro's treasurer Lakshmi Narayana says that of the 4% drop in operating margins between Q3 and Q4 of the previous financial year, a full percentage point was accounted for by a rising rupee. And the story repeats itself across the industry.

But it's not just the IT companies that are getting walloped. Last December, JM Morgan Stanley's Ridham Desai took a close look at how the earnings of India's Top 35 listed companies would react to an appreciating rupee. The conclusions make for sombre reading. The study showed that overall corporate earnings growth would fall by 10% in FY 2004 if the rupee appreciated by 5% (instead of depreciating) against the dollar. The investment bank said that base materials, energy and healthcare companies (besides those in IT) would be the biggest losers.

"Most companies have tended to assume a 5% depreciation in the rupee while making their projections for the year," points out Ajay Bhatia, head of research at Enam Financial. "A 5% appreciation straightaway means a hit of 10% on the topline you budgeted for." Says another analyst: "As a thumb rule, when the dollar loses 1%, the EBITDA takes a 1.5% hit." (as on 26th may'03).

Companies have tried out various strategies in their attempt to minimize the impact of a rising rupee on their numbers. The immediate strategy is, of course, to hedge any future dollar revenues. This is done by selling those dollars in the forward market so that any further appreciation in the rupee leaves revenues and profits unaffected. "We've got a very small amount of uncovered dollar receivables," says Mohandas Pai, CFO, Infosys. Pai says the aim is to sell all dollars which are receivable in the next quarter in the forward market.

Some companies have gone a step further. i-flex, for example, has started billing its European clients in euros rather than in dollars. Given the fact that, that the euro has appreciated by almost 25% (Rs 12) against the Indian currency since last February, this can be a lucrative decision. i-flex's Ghaisas says that almost 20% of the company's contracts are now billed in euros. (There is even talk that some software companies are thinking of quoting their hourly rates in rupees.)

However, analysts say that hedging future dollar revenues is a short-term measure. The forward dollar eventually tracks the spot rate. If the latter falls, so will the former. Says an equity analyst: "The realisation per dollar will continue to decline. Also, the companies enter into forward contracts only for a quarter or two at best. And gains made from forward covers are taxed." He adds: "I believe there could be a significant downside to the numbers across companies if the rupee appreciates further."

Will the appreciation of the rupee actually make software companies uncompetitive in key markets like North America? Unlikely, says Ajit Ranade, chief economist at ABN AMRO. "The value of the rupee is not a major factor when it comes to the competitiveness of software companies."

It's not just software which could get affected. Textile exporters, for instance, who work on far lower net margins than the software companies, could also be seriously affected. Says Anoop Dhingra, Executive Director (Finance) at Orientcraft, India's largest readymade garment exporter: "Just selling dollars forward will not do as forward premiums are at an all-time low. Fortunately, the rupee has been weak against the euro and the yen. So we have taken proactive positions in the euro to synthetically cover our dollar risks."

According to Infosys CFO, Mohandas Pai, " The key issue is the impact of the appreciating rupee. Loss of revenue due to the rupee's appreciation this quarter (10th December' 03) and loss of revenue for the half year is about 90 Crore, assuming the same kind of average as you had the previous year." It boiled down to a negative impact of 5.1% on the top line and a negative impact of 0.75% on the operating margin.

Table 1:The First Half Report Card - April 2003 to September 2003

	Wipro	*Infosys*	*Satyam*	*HCL Insys*	*HCL Tech*	*Moser Baer*	*I-Flex*	*CMC*	*Polaris*	*GTL*	*Total*
Sales	2551	2247	1169	1161	1032	668	370	359	311	303	12,968
Operating Profit	445	732	322	58	185	-	109	23	67	98	2,783
PBT	444	623	263	48	135	137	102	17	50	43	2,118

Table 2:April 2002 to September 2002

Sales	1957	1645	1086	875	419	419	228	149	298	10,370
Operating Profit	406	595	258	212	223	139	20	31	89	2,509
PBT	405	508	152	174	144	123	16	25	37	1,876

** Includes Total of listed IT companies*

For Bangalore based Digital Globalsoft, the issue is of top priority because for every 1% appreciation in the value of the rupee, it is a 0.5% hit on the bottomline. "One of the uncertainties is the rupee-dollar rate; so while everything else is under our control, at the moment, we have some quarter-to-quarter drive to manage the effect of the appreciation. Some of it is done by hedging and since some of the hedging happens against our expenses that are incurred in overseas currencies, the impact is significant.... The biggest uncertainty remains there," said Som Mittal, President and CEO of Digital Globalsoft, during the company's results conference call.

The exports enigma

Why are exports growing despite a rising rupee?

It seems to be a paradox: Even as the rupee began appreciating against the dollar since the middle of last year, export growth has barely been affected -

in February this year, it rose by around 13% in year on year terms compared with a fall of 4% for the same period last year.

First off, the strong export growth is partially the result of a low base last year. Secondly, though, it's not really a paradox. The indicator of how competitive Indian exports are as compared to the rest of the world is something called the real effective exchange rate (REER) - it reflects changes in the value of the rupee in relation to the currencies of all of India's major trading partners after accounting for the effects of inflation. The REER has actually depreciated over the past year by 4% -since the early 1990s it has depreciated on the whole by around 2.2% a year. In real terms, Indian exports have actually become more competitive since last year, not less.

However, the strong export growth also tells a deeper story. Historically, India has relied on a depreciating exchange rate to boost exports. Remember the times when even small episodes of appreciation of the rupee would bring howls of dismay from exporters worried about losing customers to other low-cost producers? This time around, there's been barely a whimper. The RBI, too, seems to have moved away from its perceived role of gently depreciating the exchange rate to help exporters.

Experts feel that today exports are competitive on real factors like cost or quality of products. "It's a reflection of the robustness of exports. It shows that exporters are finding other ways of pruning costs," says a corporate treasurer. "If you are unable to increase prices because of the depreciation of the US dollar, you have to take a hit on your margins or try to find that extra dollar through cost reduction," says a pharmaceutical industry expert.

Indian industry seems to have managed that feat to some extent. The strong export growth has come from a revival in manufacturing exports across the board: pharmaceuticals, engineering, auto components and speciality chemicals. Companies like Bharat Forge, Telco or Moser Baer have posted strong export performance. They have done so by remaining competitive and managing costs rather than riding on a low rupee.

"Export realisations would come down, but we are making up for it by reducing our cost of funding and continuously working on other costs," says Piramal Enterprises' Jijina. "Unlike earlier, when exports were seen as just a necessary evil in order to get import licences, today exports can be actually quite profitable in themselves," says S. Sridhar, executive director, Exim Bank of India.

Adani Exports, which is one of the biggest exporters in the country, is trying to partly offset the impact of a weak dollar by switching to other currencies like the euro or pound. "Ìf these currencies are appreciating, then invoicing in them makes sense," says R.K. Das, head of treasury at Adani Exports. The company was invoicing only 5-10% of its billing in other currencies, which it plans to increase now.

Smart moves. That's what separates the men from the boys. The way Indian exporters are reacting to the strong rupee - be it by cutting costs or invoicing in the euro - shows that they are becoming more mature. They no longer want to be tied solely to a weak rupee.

Eventually, it is a question of how sensitive our exports are to price changes. "By and large, exports are price-inelastic," says Tata Services economic advisor Jiban Mukhopadhyay. What he means is that exports needs not fall if the rupee appreciates. Of course, the picture varies from item to item. Thus, exporters will have to understand the dynamics of living with a stronger rupee.

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Project Management

Paradigm Shift in PM starts by defining a project as a task which has a start and an end and normally it is carried out on an one off basis According to the author, P M came into the limelight primarily in the context of huge projects with mega - investments like a monumental opera house, canal development to join two seas, building power plant and related time consuming capital intensive projects. P M adopts the scope change management processes approach. There are various techniques of project management and today these techniques are applicable to managing projects as well as operations. The key to P M lies in managing time and cost over-runs to protect the ROI. Further risk management is key to project management.
The author identifies paradigm shifts in P M processes in India and dwells on capital investment decisions, decisions relating to total value addition, resources creation and utilization, management control efficiency evaluation, change over mechanisms and planning activities.
As the author concludes "paradigm shifts encompass all aspects of business and social structures. They affect global economics, politics and socio-cultural alignments."

Introduction

Project, by definition, is a task which has a start and an end and normally it is carried out on one-off basis. It is differentiated from operations which are activities continuously being repeated. The basic management systems of operations and of projects are therefore quite different.

The discipline of project management was developed over the years mainly to cater to huge projects like building a monumental opera house, developing a canal to join two seas, or building a nuclear power plant or a dam. All the wonders of the world have been projects.

The modern world projects have to be completed within a number of constraints. There is a budget for everything and there are also time deadlines to be met. The project normally has one or more specific objectives to be achieved. The project management body of knowledge (PMBOK) as developed by Project Management Institute (PMI), the Global representative Body of Project Management Professionals, defines this as Project Scope Management.

Since the Project Management essentially deals with huge tasks, that require sometimes years to complete, the scope is liable to change with time and then one has to incorporate Scope Change Management Processes.

This has been the traditional pattern of functional project management. Now let us look into the new paradigms, in project management.

For one thing, Project Management Methodology is no longer confined to large projects. Even an operations activity can be treated as a project and one can carry out the planning and execution of the activity as a project. For example a firm has strategic objective of increasing the market share of product X from 20% to 30 % in the next financial year. Now this can be treated as a project.

Similarly though traditionally a project takes a long time to complete, even a comparatively smaller activity could be treated as project. The process of carrying out Operations functions as projects is called "Projectization". On continent this also is addressed as "Management by Project".

We find that the product life cycles are shrinking, the technology development in the current context is so fast that a new product developed can become obsolete within less the a year, as new technologically superior product take over the fancy of the consumer. You can find, for example, that the mobile and computer technologies, which are merging into one, and that probably the next mobile you buy would be able to do almost all the functions of a desktop or a laptop including downloading and sending emails and conducting data transfers.

Critical path of an arrow diagram is important but today the project manager thinks of Buffer Management and decides how the project can be delivered before the due date. The use of principles of concurrent engineering is taken for granted and what is more important is developing a seamless interface between modules undertaken by different work groups.

Competition, the driving force behind all change processes is so intense, with multiple-player environment, that the traditional 2-player game theory is no longer realistic. Business no longer works for Profit Management, but for Margin Management, thereby acknowledging the fact that margin is an entity dependent on market as external factor and cost structure as an internal factor. The firm has no control on either and market environment acts on both simultaneously, so entirely new models have to be developed for margin management.

For the uncertainties that are an integral part of business activities, Project Risk Management is developed. This discipline used in Modern Project Management has developed a systematic and rational analysis as to what could possibly go wrong, and accordingly develop an action plan that would have built-in processes to eliminate, circumvent or mitigate the malefic effects of a risk which is evaluated both in term of its impact and its value. This analysis then leads to creation of buffers margins so that the time-cost dimensions are not affected in the final achievement of the objective within time and cost constraints.

This challenge of developing new workable business models is a gauntlet thrown at IT and software professionals, who have to develop new techniques, new simulation, modeling and data-base management software that would meet the complexities of carrying out business under new paradigm.

We find that never before “Bigger – the better” principle was exploited as it is being exploited in the new paradigm. So you have in place of small retail shop owners, giant business-groups with global operations, ready to invest 10,000 crores of rupees to start with. We have Ambanis building a new city on the outskirts of Mumbai, with 10000 acres of land, within next less than 10 years. Every mega project is mega-capital intensive and is also mega-wealth creator.

Paradigm Shifts in Project Management Processes in India

So the stage is set now for many paradigm shifts in the strategic business management processes related to Project Management in India. A few representative areas of paradigm shifts are given below.

Paradigm Shift in Capital Investment Decisions

Earlier the main guiding factor in capital investment decisions was the quantum jump in wealth creation and profit maximization. Now the decision makers are more concerned with incremental analysis providing insight into what is the incremental gain to the firm or business house as a whole. This study is based essentially on cost-benefit analysis leading to total value addition to the firm’s portfolio of projects and activities.

The current spate of mergers and acquisitions is a unique pointer to this paradigm shift.

Paradigm Shift in Decisions Related to Total Value Addition

Earlier the project decisions were based on financial analysis. Under the new paradigm, the business house takes project initiation decisions on overall implications to the management in a far more comprehensive way, including the implications for OB. For example Reliance is keen to penetrate deep in rural sector and they are developing their projects portfolio to cover diverse fields like construction, developing SEZs, retail marketing and creating cooking gas pipelines network. It can be seen that there is a pattern of overall value creation for the consumer in this kind of projects activity and not just financial analysis

Paradigm Shift in Resources Creation and Utilization

Under traditional management, the processes were essentially manually driven and IT and computerization were mere tools which help the management processes. However a glaring paradigm shift has occurred in last seven-eight years, as the total management processes are now IT driven. Decision making is integrated with IT driven processes which make use of analytical tools like software based simulation, fuzzy-logic concepts, constraints analysis, providing buffers in time and cost and managing the buffers to outperform the initial estimations of project performance.

Paradigm Shift in Management Control

Under older paradigm, the controls were based on systems approach, with periodic reviews and periodic exercise of control mechanism. But in the IT driven era there is a distinct paradigm shift where the control operates in real time and there is continuous monitoring and controlling activity. All data-base management and planning systems like ERP, DRP and KRP, whether based on SAP or ORACLE or the like, are operating in real time.

Paradigm Shift in Efficiency Evaluation

The traditional norm of measuring the success of a projects portfolio had been capacity to provide a strong financial ROI. Under the new paradigm, the business house is bound with Corporate Social Responsibility (CSR) norms and therefore the ROI is dictated by what is considered as socially desirable and ecologically sustainable ROI.

Paradigm Shift in Change-over Mechanisms

The nineties of last decade, were distinct with focus on globalization and with need to change fast. The management operations in nineties were characterized by Business Process Reengineering (BPR). But the new paradigms for transformation processes are not revolutionary but they are evolutionary. There is a realization that process of revolutionary change must be replaced by continuous improvement, involving all elements participating in the wealth creation process. The changes are more of the nature of kaizen activity, small but discrete changes creating a continuous upgrading of technology, value and welfare of all sections of the society. Project Management of today envisages and incorporates such change management processes.

Paradigm Shift in Planning Activities

Project planning, under traditional approach was more related to creating time-bound and cost optimizing project plan with resources utilization constraints dictating the scheduling of activities. The new paradigm in project planning is related to more stress on creating value through earned value analysis, using more realistic physical norms of measurement of value. The mass welfare is certainly becoming a part of the new paradigm of creating social value.

Manifestations of Paradigm Shifts in Project Management

1. Saradar Sarovar Project as it was conceived earlier was entangled with numerous controversies. But under the new paradigm, it is seen as a social project bringing not just prosperity to the region, but a project which would enhance quality if life of the people affected by the project execution and implementation.
2. In terms of length in kilometers of tarred and concreted road created in last 10 years is more in length of roads built in previous 100 years. In fact there is a strong accent on projects involving infrastructure creation
3. The fact that paradigm shift is a global phenomenon is supported by the fact that US-India Nuclear Cooperation Pact recognizes the need of India to tap nuclear sources to meet its need for energy. This was unconceivable just 10 years back.

Concluding Remarks

The paradigm shifts in project management have global implications. The paradigm shifts encompass all aspects of business and social structures. They affect global economics, global politics and global socio-cultural alignments. They are multi-disciplinary, in the sense that they affect businesses, societies and organizational behavior patterns of all types. They are likely to change our vision for future in a big way. We can say that one has only to envision what the future would be like and within a planned predetermined period of time, we would have our vision realized.

Prof Anil Chaubal

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Ashish P Thatte

Export Promotion Schemes and Performance of Special Economics Zones

SEZ has become a buzzword in the country. Presently there are few SEZs in our country but new SEZ policy is likely to give a complete revamp to the current scenario of SEZ. It is very interesting to find the origins of SEZ in the world and identify its comparison with other export promotion schemes in our country. Whenever SEZ's are discussed the Chinese angle is taken into consideration, because China is a role model. This article also covers the distinguished features of new SEZ policy of government. When we look back it was found that origins of our new SEZ policy come from various export promotion schemes. Irrespective of all controversies on social and political fronts it is hoped that our new SEZ policy will change the scenario of Indian Business and eonomy.

"A policy was introduced on 1st April, 2000 for setting up of Special Economic Zones in the country with a view to provide an internationally competitive and hassle free environment for exports. Units may be set up in SEZ for manufacture of goods and rendering of services. All the import/ export operations of the SEZ units will be on self-certification basis. The units in the Zone have to be a net foreign exchange earner but they shall not be subjected to any pre-determined value addition or minimum export performance requirements. Further Offshore banking units may be set up in the SEZs."(www.sezindia.nic.in)

Further details for geographic location of Export Processing Zones converted into Special Economic Zones, Present SEZs and newly approved SEZs can be found from the official website for SEZ (www.sezindia.nic.in)

Before we go into details for performance of SEZ lets see some Export Promotion schemes which are the actual origins of SEZs. May be these schemes failed to get importance but gave birth to the concept called Special Economic Zones resulted in a complete change, a paradigm shift.

Export Promotion Schemes

Export Processing Zones (EPZs)

Although SEZ has became a mantra now a days, it has its origin from Export Processing Zones (EPZs) established in 1965. The first EPZ was established in Kandla it was followed by Santacruz which came into existence in 1973. Then till late 80s five more were established. There were Noida (UP), Falta (WB), Coachin (Kerala), Chennai (T.N.) and Vishakhapattam (A.P.). The Surat (Gujrat) EPZ became operational in 1998. Under the policy all these EPZs will be converted into SEZs.

First EPZ was established in Ireland in 1959. Eventually this concept was taken over by Asian and South East Asian countries such as Malaysia, Taiwan, Singapore and Hong Kong. This concept then gained good momentum, 10 such zones in 1960s crossed mark of 3000 in 2003 across the globe.

The Basic idea behind starting EPZ was to allow employers to import materials to be worked on and then re-exported without paying taxes.

This idea was having its own drawbacks such as when goods are manufactured it has to be exported. Government has to keep keen eye on selling of such goods in Domestic Traffic Area (DTA).

EPZ exports increased in India from less than Rs.1 million in 1966 to over Rs. 97727 million in 2002. Over the same period, total employment increased from 70 to around 89,000, net foreign exchange earnings increased from Rs. 0.16 million to Rs. 43195 million and value addition increased from 21% to 44%.

While these big figures seem impressive a closer look at the details reveals several serious problems. First of all the average annual growth rate of value addition in the EPZs was as low as 2.9% which means that the companies operating in these zones were basically exporting out almost as much as they imported without significant addition to the value of goods produced. The EPZs thus contributed little to improvement of skills or transfer of technical know-how in the domestic market.

Again despite the overall growth of exports from EPZs in absolute terms their actual share in total national exports and manufactured exports increased from.07% and.14% respectively in 1973 to just 4.3% and 5.6% respectively in 2001. This is in contrast to countries like Bangladesh and Sri Lanka, where EPZs contributed to over 20 percent of overall exports by the year 2000 or to Mexico where they make up 40 percent of national export figures. The Indian EPZs clearly failed to induce dynamism in the overall export performance of the national economy.

On the employment front too after an initial spurt in numbers of people getting jobs in the EPZs there has been a general decline and even stagnation. So for example while employment in the EPZs grew at the rate of over 50.2 percent between 1966 and 1970 it declined to a mere 5.2 percent between 2000 and 2002.

Even assuming that the EPZ/SEZs do result in an increase in exports and even hard currency earnings their real performance can be measured only by taking into account the amount of revenues foregone by the government in the form of various incentives. According to an internal assessment of the Union Finance Ministry in 2005, the government had to forgo about Rs. 90,000 Crore in direct and indirect taxes over a period of four years on account of the SEZs.

If one takes into account the money spent by the government on actual construction and maintenance of these EPZ/SEZs the situation is even worse. The 1998 Comptroller and Auditor-General Report on EPZs, stated that "customs duty amounting to Rs.7, 500 Crore was forgone for achieving net foreign exchange earnings of Rs. 4,700 Crore and the government does not seem to have made any cost benefit analysis." Also one of the major reason of failure of EPZ is world class infrastructure

2. Duty Drawback Scheme

This is the yet another scheme of Government which was introduced in 1997 for the benefit of exporters. Duty drawback was specially introduced to cover up the lacking of Duty Entitlement Pass Book (DEPB) scheme. DEPB was not a WTO-compatible scheme and hence has to be replaced by the better one and since then it has became darling of exporters. Let's see how the scheme actually work and what are the pitfalls which lead to the requirement of a paradigm shift.

Section 74 and 75 of customs act covers the Duty Drawback Scheme and Customs and Central Excise Duties Drawback Rules 1995 covers procedures for drawback. The term drawback is applied to a certain amount of duties of Customs/central excise, some times the whole, some times only a part remitted or paid by Government on the exportation of the commodities on which they were levied. Duty Drawback works under two tire Fixation of rates by the Directorate of Drawback in the Central Board of Excise customs and Disbursement of drawback amount by the Customs Houses and/ Central Excise Commissionerate.

Exporters enjoy two types of drawbacks: All Industry Rate (AIR) of duty drawback and Brand Rate in cases where the export product does not have any AIR of Duty Drawback, or where the AIR duty drawback notified is considered insufficient by the exporter to compensate for the customs/central excise duties on inputs used for manufacturing the export product. Drawback is open for merchant exporters as well and also for repairs and jobbing also subject to 10% value addition.

Except where specifically authorized, the all industry rates (AIR) of drawback are not applicable where an export product has been-

a. Exported in discharge of export obligation against an Advance License issued under Duty Exemption Scheme vide the relevant Import and

Export Policy.

b. Manufactured partly or wholly in bond under Section 65 of the Customs Act, 1962,-Goods in customs warehouse are processed further then duty draw back is not available- (Please refer Note 1 for Section 25 of Customs Act 1962)

c. Exported by a unit licensed under any 100% Export Oriented Schemes

d. Exported by a Unit situated in a Free trade zone/ Export processing Zones

e. Manufactured and exported in terms of Rule 12(1) (a) of the Central Excise Rules 1944; - If Rebate of duty is granted on a product by way of notification then duty drawback claim is not acceptable-(Please refer Note 2 for Rule 12(1)(a) of Central Excise Rules 1944)

f. Manufactured and exported in terms of Rule 13(1) (a) of the Central Excises Rules, 1944 – If export is approved for as Bond Export then no duty draw back claim is approved - (Please refer Note 3 for Rule 13(1)(a) of Central Excise Rules 1944)

g. manufactured and exported availing the facility under the Import and Export Pass Book schemes of he relevant EXIM policy.

Let's see now despite of all why this scheme is not so popular among the exporters

A. First and foremost, the inordinate delay in fixation of brand rate of drawback needs to be addressed. The delays have traditionally occurred because the central authorities have fixed the rate. Things would improve dramatically if the All Industry Drawback rates are given automatically for all cases of brand rate of drawback wherever all industry rates exist, and the difference, if any, subsequently paid on fixation of brand drawback.

B. Second, the non-availability of drawback facility at the gateway port on the basis of 'Let Export Order' has been a major bottleneck for the exporters. Things could improve if the present practice of linking it to the filing of Export General Manifest (EGM) is changed

C. Exporters also complain that there are considerable time-lags in the reimbursement of drawback, often resulting in the blocking of their funds. The problem has been accentuated by the government's enthusiasm to meet revenue targets and, therefore, postponing payment of drawback amounts. Fourth, the scheme has suffered from limited coverage. Fixing drawback rates for more products and revamping the input-output norms would enhance its popularity.

D. Finally, and most importantly, the All Industry Drawback Rates permit rebate of only the central duties levied on inputs. There are several more taxes like sales tax, service tax, octroi, and electricity duty levied on inputs used in the export products. Remission of such levies is perfectly WTO compatible and a proper mechanism should be devised.

3. Advance License, Duty Entitlement Pass Book, Duty Free Replenishment Scheme, Export Promotion Capital Goods

These are various schemes covered under the customs act for export promotion. Let's see salient features of each scheme and then compare them with each other.

a. Advanced License- This is a license is issued on the imports of good for the purpose of further processing and final goods to be exported. Importer does not pay any taxes but has to export the manufactured goods. Advance License can be issued for Physical Exports, intermediate supplies or deemed exports. Advance license is not transferable. Advance license is valid for 12 months for import. Annual advance license can also be issued on the experience in the past.

b. Duty Entitlement Pass Book (DEPB) - This scheme is similar to Cenvat Credit. Exporter gets credit on the basis of goods exported. Credit on DEPB is available only after final product is actually exported. Duty entitlement rates are notified by Director General of Foreign Trade (DGFT). These rates are based on % of Free on Board (FOB). The entitlement rates are fixed on Standard Input Output Norms (SION).

Credit can be used for payment of basic customs duty as well as Countervailing Duty (CVD). The credit can be used to import any freely importable item i.e. any item which is not on negative list of imports. The credit can be transferred to another person provided that he imports from same port. This scheme is available to merchant exporter as well as for manufacturer.

c. Export Promotion Capital Goods (EPCG) - Under EPCG, a license holder can import capital goods (i.e. plant, machinery, equipment, components and spare parts) at concessional rate of customs duty @ 5%Computer software can also be imported under the scheme. Merchant Exporter can also import for his supporting manufacturer.

Importer has to fulfill the obligation of exporting value of goods up to 8 times of duty waived within 8 years of such import. Where as validity of this license is restricted to 24 months.

d. Duty Free Replenishment Scheme (DFRS) – DFRS allows import of exports without payment of duty after goods are actually exported. Under the scheme, after the completion of exports the exporter will be able to obtain transferable duty free replenishment certificate for importing inputs used in the export product as per SION. DFRC is extended to deemed exports also. DFRC can be issued in respect of supplies made to the SEZ units also.

Despite of all such good features these schemes are not working as per expectations due to many reasons. These schemes are prone to misuse by over invoicing also these schemes are not approved by WTO. For refund of duties includes excise and customs related duties only but not octroi and other charges so schemes has failed to get popularity.

4. 100 % EOUs

As SEZs STPs and EHTPs are suppose to be in specific area but EOUs can be setup as a separate unit. There are around 300 such Export Oriented Units or popularly known as 100% EOUs. Existing Domestic Tariff Area (DTA) units can also be converted into EOUs provided they have Rs.100 Lakhs investment in plant and machinery including land and building.

All the facilities are same to that of given to SEZs but nexus of goods imported and exported final product has to be there which is not a condition for SEZs. Where as EOUs need to follow import export norms also. EOUs failed to give much attention mainly due to Income tax exemption u/s 10B is applicable only till 31.03.2009. Also, service tax paid by these units is not refundable unless it is paid in foreign currency.

5. EHTP / STP

Software Technology Parks (STPs) are export oriented projects catering to the needs of software development for exports. STPs can be set up by the Central Government, State Government, Public or Private Sector Undertakings or any combination thereof. An STP may be an individual unit by itself or it may be one of such units located in an area designated as STP Complex by the Ministry of Information Technology. The Government has already set up Software Technology Parks at Pune, Bangalore, Bhubaneshwar, Hyderabad, Thiruvananthapuram, Gandhinagar and Noida. In these Parks all the required facilities are made available. The STP Scheme is administered by the Ministry of Information Technology.

For encouraging exports of electronic hardware items including hard disk drives, computers, television, etc., such parks have been developed by the Ministry of Information Technology. An Electronic Hardware Technology Park (EHTP) may be an individual unit by itself or a unit located in a area designated as EHTP Complex. As in the case of STP Scheme, the EHTP Scheme is also administered by the Ministry of Information Technology.

Under STP Scheme, a software development unit can be set up for the purpose of development of software, data entry and conversion, data processing, data analysis and control data management or call centre services for exports. Under EHTP Scheme, a unit can be set up for the purpose of manufacture and development of electronics hardware, or electronics hardware and software in an integrated manner for exports. The policy provisions for STP and EHTP Schemes are substantially the same as those applicable to the general EOU Scheme. Thus, the provisions of EXIM Policy regarding importability of goods, DTA sale, clearance of samples, sub-contracting, inter-unit transfer, repairs, re-conditioning and re-engineering, sale of unutilized material, debonding etc. are more or less same for STP/EHTP units as well as general EOUs. However, considering the special requirements of the software/hardware development sector, some specific provisions have been made for the STP/EHTP units in the EXIM Policy as well as in the Customs notifications governing the Scheme, which may be referred to.

Other than the export promotion schemes we need to compare the performance of SEZs with SEZs in China.

SEZs in China and India

There are five SEZs in China. Of these, four — Shenzhen, Xiamen, Shantou and Zhuhai — were founded 20 years back and the fifth, Hainan, was set up in 1988.

There are eight distinguishing features which have contributed to the success of SEZs in China: Unique location, large size, investment friendly attitudes towards non-resident Chinese, attractive incentive packages, liberal Custom procedures, flexible labor laws, a strong domestic market and decentralization of power in favor of provinces and local authorities for administering the zones. Of the five SEZs, Shenzhen, Shantou and Zhuhai are in the Guangdong province, adjacent to Hong Kong — the gateway to China. The other SEZ, Xiamen, in the Fujian province, is nearer Taiwan. Setting up these zones close to internationally reputed commercial destinations was basically for easier access to foreign investments, modern technology and managerial expertise.

Picture 1 Location of Chinese SEZs (Closer to Hong Kong)

This move paid off. FDI spurted in China — with Hong Kong accounting for about 60 per cent of the total inflows — with foreign investors making a beeline for the SEZs. Initially, the majority of foreign investors were non-resident Chinese from Hong Kong who were engaged in trading. Later, MNCs started investing in technology-oriented sectors even as China liberalized its foreign investment policy further to attract modern technology.

The Guangdong province, which has the largest number of SEZs, became the most attractive foreign investment destination. In 2001, over 25 per cent of China's FDI flowed into Guangdong.

Size is another important factor for SEZ success in China. Each SEZ is well over 1,000 hectares, the minimum recommended area. In India, the EPZs converted into SEZs are not even a third of this. Among the converted SEZs, the one in Noida is the largest but extends only 310 hectares. The SEEPZ, the first SEZ in India, is only 93 hectares. In such small areas, the requisite infrastructure and services required of an SEZ cannot be created nor multiple economic activities undertaken.

Strong domestic market is another important aspect for SEZ success. In China, about 50 per cent of SEZ sales are to the domestic market. Though India has a large domestic market, it has failed to project this to lure SEZ investors. The reason: Policy impediments to sales in the domestic market. While in China the thrust of SEZs has been to attract foreign investments and modern technology, in India the emphasis has been on exports. The policymakers seem to think that export success in the zones is difficult unless accompanied by a liberal FDI regime.

In China, the contribution of SEZs to the total exports is not substantial even after 20 years of their existence. In 2001, the share of the five SEZs in the country's total exports was 10.4 per cent. In contrast, the contribution of Indian SEZs in 2001-02 was a little over 4 per cent of the total exports.

Decentralization of power was also a major reason for SEZ success in China. Provincial and local authorities were made partners and stakeholders, by delegating to them powers to approve foreign investment.

The SEZ authorities in China can approve foreign investment proposals up to $30 million. In India, only State governments are allowed to set up SEZs and the powers for foreign investment approvals are vested with the Development Commissioners, who are the representatives of the Central Government.

The hire-and-fire policy in SEZs has been one of the biggest attractions for foreign investors in China. The new labor law consists of 107 articles, but none of these is more than one paragraph.

All jobs are on labor contract basis, which stand terminated upon the expiry of the terms, which can be fixed/flexible or for a specific job. In contrast, the labour policy in India is worker, rather than investment, oriented.

Merely declaring SEZs as public utilities under the Industrial Disputes Act may not suffice to quell the image of labor unrest in the country.

In sum, the fundamental objectives for setting up SEZs and their role in the national economy are different in the two countries. In such a situation, multiple doses of incentives and unraveling the procedural hassles in India may not in themselves aid SEZs.

The impending need is in foreign investments, which would automatically catapult exports.

For this, the primary need is to foster SEZs as investment-friendly areas. This job is not of the Commerce Ministry alone, which is empowered to tinker with the EXIM Policy only.

The Foreign Investment Promotion Board (FIPB) and the Foreign Investment Implementation Authority (FIIA) also have an equally important role to make SEZs a success. Let's see the performance of SEZs in both the countries

Export Performance of SEZs in China and India			
Xiamen	5,058.50	Cochin	54.4
Shenzhen	17,813.20	Falta	194.3
Zhuhai	3,197.90	Kandala	100.1
Shantou	1,054.70	Chennai	160.4
Hainan	7,98.0	Noida	206.3
		SEEPZ	1,099.40
		Surat	65.6
		Vishakhapattnam	52.8
Share of SEZ in total Export	10.50%	Share of SEZ in total Export	4.40%

Table 1 Performance Comparison between China and India

Performance of SEZ in India

Before we go to new policy of SEZ let's throw some light on performance of SEZ in India till 2004-05

In comparison with China we are lagging behind but we are on improving state of affairs. We can judge the performance by figures from CII.

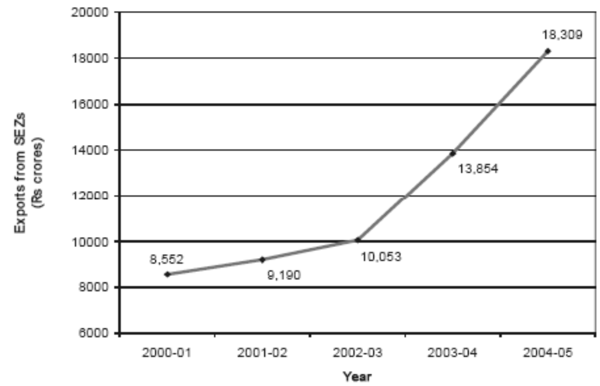

Fig 1.Trend in Export Performance of SEZ (Courtesy CII)

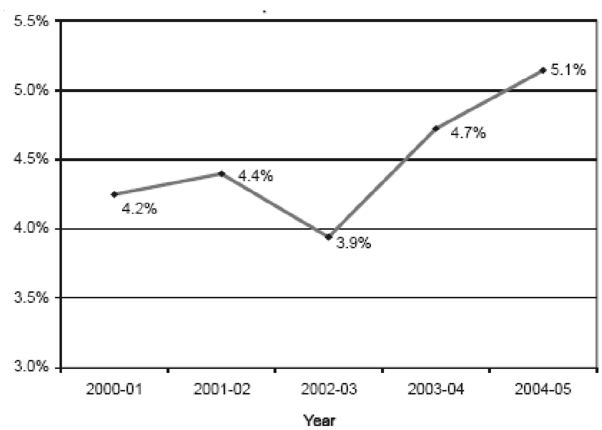

Fig 2 SEZ Export as % of share of total export in India (Courtesy CII)

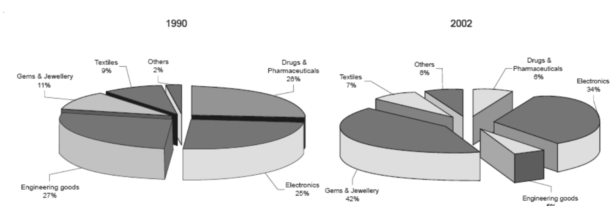

Fig 3 Sector wise performance of SEZ in India (Courtesy CII)

Fig 4 Investment and Employment in SEZs (1998 & 2003) (Courtesy CII)

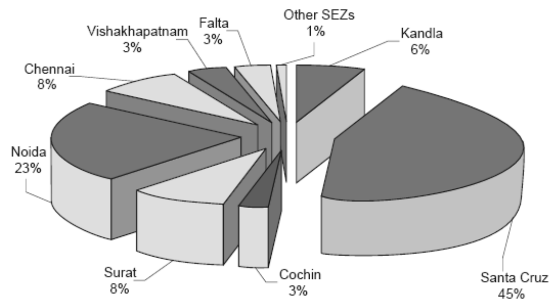

Fig 5 Zone wise composition of Exports from SEZs in 2004-05 (Courtesy CII)

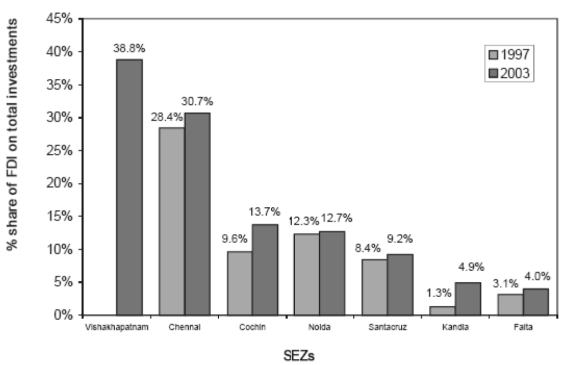

Fig 6 Share of FDI in Total Investment (Courtesy CII)

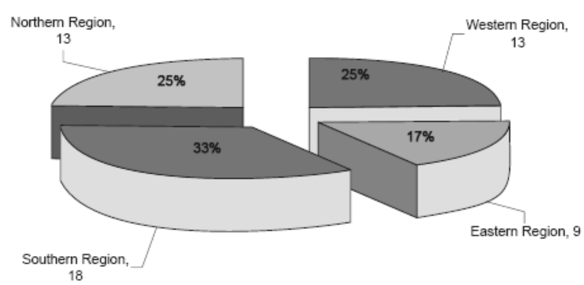

Fig7 Region wise location of SEZs (Total Approved SEZ are 52) (Courtesy CII)

Although performance of SEZs in last decade is not that impressive specially compared with China but defiantly showing the trends of improvement. GOI has introduced a SEZ Act 2005 for more liberal policy to SEZs. Following are distinguished features of NEW SEZ policy which is expected to give a complete change from earlier schemes rather a Paradigm Shift.

Salient Features of New SEZ Policy

Provisions regarding the set up of SEZs

1. The zones are proposed to setup by private sector or by state Govt. in association with Private sector. Private sector is also invited to develop infrastructure facilities in the existing SEZs.
2. State Government has a lead role in the setting up of SEZ.
3. A framework is being developed by creating special windows under existing rules and regulations of the Central Govt. and State Govt. for SEZ.

Under chapter VI of this act following special fiscal provisions are provided

1. Any duty on imports and exports under the customs act 1962 or Customs Tariff Act 1975 or any other similar duty in force is exempted
2. Any duty of Central Excise Act 1944 or the Central Excise Tariff Act 1985 or any other law for the time being in force, on the goods brought from DTA to SEZ or unit is exempted
3. Exemption from Service Tax
4. from the securities transaction tax leviable in case the taxable securities transactions are entered into by a nonresident through the International Financial Services Centre
5. Exemption from the levy of taxes on the sale or purchase of goods other than newspapers under the Central Sales Tax Act, 1956.
6. the Act provides that the provisions of the Income Tax Act, 1961 as amended till date, shall apply to the Developer and the units for carrying on the authorized operations in the SEZ or the unit, as the case may be

Chapter V of the act provides one of the important provisions of the act to reduce hassle in approvals of various clearances i.e. 'Single Window Clearance'. The procedure of setting up a Unit in SEZ is provided in section 15 of the act

1. Any person intending to set up a unit in a SEZ has to apply to the Development Commissioner concerned in such form and manner containing such particulars as may be prescribed

2. On receipt of the application, the Development Commissioner shall submit the same to the Approval Committee

3. The Approval Committee may approve or modify or reject the application. In case the application is modified or rejected, the Approval Committee shall give the applicant a reasonable opportunity of being heard and after recording the reasons, may either modify or reject the application.

4. The aggrieved person may prefer an appeal to the Board of Approvals within such time as may be prescribed.

5. A fee may be prescribed by the Central Government for an appeal.

6. The procedure for disposing of an appeal may also be prescribed.

7. The letter of approval issued by the Development Commissioner shall specify the nature of operations to be undertaken by the unit.

Some of the other benefits given to the units set up under this Act are as under:

1. SEZ units are required to be positive net foreign exchange earners cumulatively over 5 years;

2. There is no limit on DTA sales.

3. Any unit commencing operations commencing during a previous year relevant to an assessment year commencing on or after 1-4-2006, will enjoy a 100% deduction of profits and gains derived from its exports for five consecutive assessment years. For the next consecutive 5 years, the unit will be entitled to enjoy 50% of the profits and gains. For the next 5 consecutive years, up to and not exceeding 50% of the profits, which are credited to a reserve account known as "Special Export Zone Re-investment Reserve Account" and ploughed back for investment. (Refer The Second Schedule)

4. Developers/Units are exempted from the dividend distribution tax.

The Act does not provide any exemptions to the Developer or the units from any labor law legislations as was desired by the industry. The fact that the Act aims at consolidating and rationalizing various legislation covering regulatory issues, direct and indirect taxes and other related aspects, the Government should continuously act on the feedback it receives from industry, for improving the operational facilities for the Developers and units, by extending exemptions from other legislations which could, if not granted, hamper the growth of exports.

Let's hope that such a good scheme will remain untouched from political hands and minds and will take the country to a new economy with large share of exports and ultimately lead to a shift in mind set of people. May be called as Paradigm Shift!

Notes:

i. Section 65: Manufacture and other operations in relation to goods in a warehouse

(1) With the sanction of the 23 [Assistant Commissioner of Customs or Deputy Commissioner of Customs] and subject to such conditions and on payment of such as may be prescribed, the owner of any warehoused goods may carry on any manufacturing process or other operations in the warehouse in relation to such goods.

(2) Where in the course of any operations permissible in relation to any warehoused goods under sub-section (1) there is any waste or refuse, the following provisions shall apply:

(a) if the whole or any part of the goods resulting from such operations are exported, import duty shall be remitted on the quantity of the warehoused goods contained in so much of the waste or refuse as has arisen from the operation carried on in relation to the goods exported:

PROVIDED that such waste or refuse is either destroyed or duty is paid on such waste or refuse as if it has been imported into India in that form;

(b) if the whole or any part of the goods resulting from such operation are cleared from the warehouse for home consumption, import duty shall be charged on the quantity of the warehoused goods contained in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods cleared for home consumption.

ii. Rule 12 (1) Rebate of Duty is reproduced as under

The Central Government may, from time to time, by notification in the official Gazette, grant rebate of -

2. Duty paid on excisable goods
3. Duty paid on materials used in manufacture of goods

If such goods are exported outside India or shipped as provision or stores for use on board a ship proceeding to a foreign port, or supplied to a foreign going aircraft to such extent and subject to such a safeguards, conditions and limitations as regards the class or description of goods, class or description of materials used for manufacture thereof destination, mode of transport and other allied matters as may be specified in notification.

Provided that if the commissioner of Central Excise or as the case may be Maritime Commissioner of Central Excise is satisfied that goods have in fact been exported, he may, for reasons to be recorded in writing, allow, the whole or any part of the claim for such a rebate, even if all or any of the conditions laid down in any notification issued under this rule have not been complied with

Rule 13 (1) Export in bond of goods on which duty has not been paid

The Central Government may, from time to time, by notification in Official Gazette-

4. permit export of specified excisable goods in bond without payment of duty, in the like manner, as the goods regarding which rebate is granted under Sub Rule 1 of Rule 12, from a factory of manufacturer or warehouse or any other premises as may be approved by the commissioner of Central Excise

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E-governance

Democracies in the world share a vision of the day when electronic governance (e-governance) will become reality and result in a paradigm shift in governance. *E*-governance is about the use of information technology to raise the quality of the services governments delivered to citizens and businesses. It is hoped that it will also reinforce the connection between public officials and communities thereby leading to a stronger, vibrant, more accountable and inclusive democracy which will transform governance in modern India.

Key words
e-governance, Information Technology (IT), Information and Communication Technology (ICT), SMART, Empowerment, Ethics, Excellence, transformation quality of governance, integrity, confidentiality, Information Technology Act.

Introduction

E-governance or electronic governance may be defined as delivery of government services and information to the public using electronic means. Such means of delivering information is often referred to as information technology or 'IT' in short form. Use of IT in government facilitates an efficient, speedy and transparent process for disseminating information to the public and other agencies, and for performing government administration activities.

E-governance has become the mantra in most developing countries and India is no exception to it. The Information & Communication Technology (ICT) revolution and its application to good governance has brought about a sea change in governance. The attempt is to transform government using modern technology – focusing on its aims and objectives and enhancing its effectiveness.

The transformation proposed by the Government is based on the acronym SMART-Simple, Moral, Accountable, Responsive, and Transparent Government[1], which is evolved using information and communication technology.

But e-governance is not a mere mechanization/computerization of delivery mechanisms of the government but it redefines the matrix of relationships - Citizen to Government, Government to Citizen, Government and Government and Citizen to Citizen.

It is based on achieving confidentiality, integrity and availability of information on a 24 x 7 x 365 basis promoting efficiency, effectiveness and compliance leading to putting in place a reliable trusted system of governance.

In the 21st Century, e-governance will be truly-government of the people, for the people and by the people.

Types of E-governance

The Evolution of e-governance has also brought about another set of classification based on the type of service delivery[2]

Government-to-Consumer/Citizen (G2C)

Involves initiatives designed to facilitate people's interaction with government as consumers of public services and as citizens. This includes interactions related to the delivery of public services as well as to participation in the consultation and decision-making process usually leading to building of user friendly one stop shop for high quality service.

Government-to-Business (G2B)

Involves business-specific transactions (e.g. payments with regard to sale and purchase of goods and services) as well as provision of on line business-focused services usually leading to reducing the government's burden on business by eliminating redundant collection of data and is refined to **"citizen's right to comfort and convenience"**.

Government-to-Government (G2G)

Involves sharing data and conducting electronic exchanges between governmental agencies. This involves both intra- and interagency exchanges at the national level.

Hans J Scholl[3] through the 18 propositions outlined how e-government with the help of ICT i.e. G2G, G2E, G2C and G2B brings about newer strategies for governments, has started bridging the governance paradigm and establishes the foundation for continuous collaboration with stakeholders namely the citizens.

Stages involved in the evolution of SMART e-governance

The recognition that e-governance by itself is a differentiated concept, needs to be put on the map of e-governance planning[4]

The various stages in e-governance initiatives are:

a) Information dissemination using the push model – In this stage the government gathers relevant information and makes it available across applications to citizens and people. The key differentiator is that the information is uniformly available irrespective of the characteristics of the accessing population and the delivery cost is comparatively lower than all other methods.

b) Interaction – In this stage the push as well as the pull model is used where people 'find' information that they need from government networks and databases which are put in place. This works on a two-way basis push – as well as pull.

c) Transactions – in this stage a number of transactions like payment of taxes disbursement of grants and others are effected though e-links/networks ensuring transparency, speed, efficiency and cost effectiveness. The present act passed by parliament provides for furnishing of information on demand to citizens. The problem is that citizens seldom know what information to ask for and what is available. Thus this system does not provide adequate control on bureaucracy.

d) Transformation - Finally, the above leads to a transformation where e-comes closer and becomes a part of the whole process of governance enriching it and taking it forward.

E-governance and all present initiatives are considered as a cost effective tool of delivering services and administration to the people, at the same time addressing concerns like data protection, privacy and information security.

Impediments to e-governance

Today the perceived impediments to e-governance projects globally[5] & [6] are

➢ *Insufficiency of IT budget/spending -*

The budget spend on e-governance – is around Rs. 850 crore which is roughly about 3% of the total budget/spend and is thus very inadequate/ insufficient.

➢ *Creation/conceptualization of a unified policy*

Due to lack of coordination and planning among various departments and ministries of the State and Central Governments as also the existence of different pressure groups and lobbies there is no unified policy providing the desired thrust and direction to e-governance initiatives.

➢ *Integration of solutions across multiple platforms and legacy systems.*

Diverse solutions using different technologies exist side-by-side posing a major challenge for integration especially across legacy systems.

➢ *Technology obsolescence*

The rate of technological obsolescence in computing is the highest in terms of hardware as well as software and this can make or mar the future/roadmap of e-governance.

➢ *Lack of infrastructure*

Infrastructure - especially seamless international level broadband connectivity and uninterrupted power are still a dream in rural far-flung India.

➢ *Scalability and Replicability*

By their very nature solutions in government are implemented on a pilot basis, which are then replicated across different departments where similar processes are employed. The inherent differences in functioning make scalability a problem.

➢ *Issues of document management*

Government and its departments generate, deal with and store an ocean of documents. E-governance poses a twin challenge – one of managing the transcription/conversion of paper documents into digital form (with their veracity and evidential value intact) and the increased documentation, formats and forms generated by e-governance itself.

➢ *Standardization*

Development of common standards in hardware, software, codes, formats are essential but difficult to achieve. In fact despite starting so late for a simple issue like identity management unification has not been possible and we still have a different number for Income tax (PAN), a different for sales tax, a different for say the passport or driving license and so on. What we need is a citizen ID an essential precursor to e-governance, which has yet to come.

➢ *Local languages and adoption issues*

If e-governance is to be successful it has to be in the local languages, which in India are diverse and can cause integration problems.

➢ *Open source and proprietary systems*

Eventually to reduce dependence on costly imports, adoption of open source software seems inevitable. But this comes with it's own associated costs. It is thus the total cost of ownership of any e-governance solution that really needs to be looked at, and finally the

➢ *Resistance from bureaucracy*

E-governance brings about emancipation and empowerment of the masses through information, enlightenment, transparency and disintermediation reducing the concentrated power of the bureaucracy. There is thus some resistance to these initiatives especially at the middle and lower level of the power echelons.

Transformation of governance through e-governance

The tenth five year plan[7] of India outlined that "through e-governance, government process and procedures need to be adapted to bring about transparency in working, reducing bureaucratic control, increasing efficiency and productivity, reducing cost of service delivery etc".

The authors have taken a consolidated view of various e-government initiatives in India and strongly feel that implementation of e-governance projects should brings about

➢ Empowerment

➢ Ethics, and

➢ Excellence

to the key stakeholders, namely the Citizen.

Empowerment – Knowledge creation

Ethics - Dharma

Excellence – Numero Uno

Let us look at these thrust areas in brief one by one

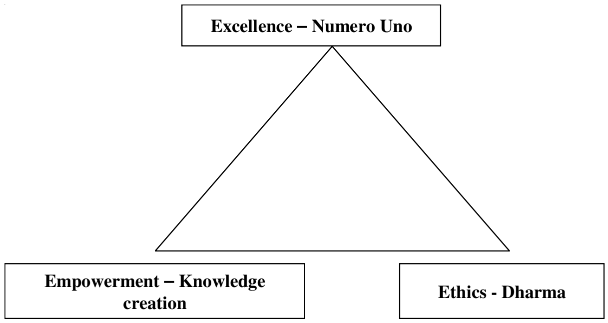

Fig. 1. Transformation of governance

Empowerment: Empowerment comes from knowledge.

Knowledge is power - e-governance though initiatives like knowledge dissemination, self help programs and distance learning enables wide spread dissemination of relevant knowledge at affordable costs leading to empowerment of the weaker sections and the masses who have not had sufficient access to the traditional knowledge channels. IT initiatives of the government will transform data to information to knowledge. This will ensure equal opportunity to all.

We therefore need e-governance to address these issues. "To inform is to empower".

Ethics:

Ethics is no different in e-governance and computers from that in our day-to-day lives. The ethical choice reflects moral virtues (both personal and community oriented), produces more good than harm, does not result in favoritism or discrimination and ultimately fosters the common good.

Ethics also means practice of `dharma' i.e. righteousness and rectitude. Righteousness is the root of happiness.[8]

Ethical issues in e-governance center around appropriate/inappropriate use of computing resources and sharing of information. It also covers protection of confidentiality of data and privacy of citizens and protecting commercial rights by combating software abuse and piracy.

Most failures manifest themselves as need, want, shortages, backwardness, delay, lost opportunities, poverty and exploitation and are a result of lack of data, lack of information, lack of knowledge, absence of awareness and absence of motivation (all of which can be resolved by e-governance)

It is interesting to note that Ministry of Information Technology - Government of India has been at the forefront of fostering e-governance projects and pre-dominantly States like Andhra Pradesh, Maharashtra, Karnataka, Punjab, and other Southern states have been in the forefront of completed successful e-government projects.

Another burning issue is the unethical use of information/data bases. The huge integrated database developed and maintained by governments and corporates alike, is already misused. This misuse is not restricted to sensitive information but even for commercial purposes like cross selling and sharing customer databases.[9]

Excellence

All computerization projects especially those related to e-governance have to be evaluated on the parameters of social cost benefit analysis and total cost of ownership. We do not want to buy a powerful car to travel only a kilometer a day. Similarly computers should not be aimed at replacing gainful employment opportunities but should infact be seen promoting it.

Short sighted policy and technical decisions

Total cost of ownership of software and e-governance solutions is very important. Any decisions taken only on visible direct tangible costs without considering intangibles will cause problems. It is necessary to factor in the non-tangibles, the soft revenues/benefits and the soft costs and the soft skills. Decisions giving short-term benefit and resulting in long-term disadvantages will not be feasible in the long run.

E-governance – a gold plating exercise – systemic loses, huge float in financial sector, unreconciled balances. Data and information generated provide a false sense of accuracy and security – CRM/call centers that tell you precious nothing and tell you how important you are making one wait endlessly is a frustrating example.

What we need is human touch – If fuzzy logic is missing, computers become nothing more than morons.

The Thrust areas are:

1) Information at finger tips to ensure transparency

2) Disintermediation

3) Privacy protected databases

4) Delivery losses should be minimized

5) Computers for the people and not vice versa

6) Excellence

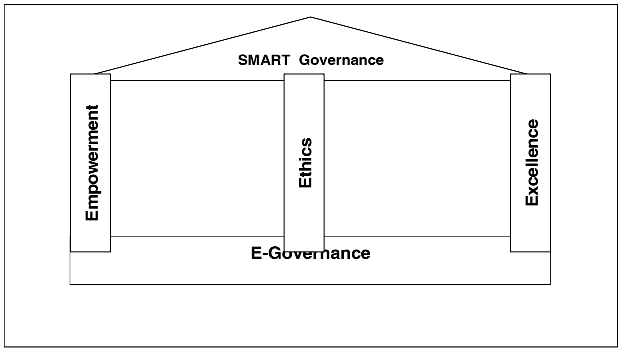

Figure 2. Building blocks of e-governance

We have to lead from the top. Given our ability, capability and resources, we need e-governance systems that are people's delight. Other countries should follow our model. But however we are painfully at position 87 globally (a slip of one place from the previous position of 86 as per findings of United Nations Report)[10]. Here however the frames of reference point for measurement / criteria for measurement will vary from Research to research, Project to Project. To illustrate this point the authors have reproduced their measure metrics developed from their earlier research[11] work and shown in Table 1 below.

Critical Success Factor → / Business Process ↓	CSF 1	CS F2	CS F3	CS F4	CS F5	No. of CSF	Performa nce
P1	x		x		x	3	A
P2		x		x		2	A
P3	x					1	D
P4		x			x	2	B
P5	x	x	x	x	x	5	E
P6	x		x	x		3	C
P7	x		x	x	x	4	B
P8		x				1	A
A=Excellent B= Good C= Fair D= Inadequate E= Poor							

Table 1: Mapping of Critical Success Factors vis-à-vis Business Process using GQM methodology

Conclusions

To conclude, the mantra is - enable, empower and enact. Eternal vigilance is the price of democracy, however technology driven democracy has to provide for built in alertness to successfully sustain the resolution of rising expectations of the citizens accessing the networks of the country.

India is supposed to be a knowledge superpower and reservoir of information. We have information highways relating to primary, secondary and tertiary sectors.

Finally at the grass root level citizens have to enact themselves because decisions are decentralized and individual centric or group centric at the grass root level.

Empowerment has to be preceded by enabling and succeeded by enactment.

What then is the way out? The roadmap? solution to be implemented?

A) Measure the value of e-governance on the basis of

✓ Economy of inputs

✓ Efficiency of outputs

✓ Effectiveness in achieving objectives

✓ Cost - effectiveness

✓ User value

✓ Value to wider groups

✓ Political value (support to democracy)

✓ Social value (creation of social cohesion)

✓ Environmental value.

B) Look at e-governance from the people's perspective to see whether it improves their personal life, family life, working life and social life.

This can be achieved by " listening to people" – using a people's panel carrying our market research, using consultation and participation approaches and community strategies.

C) E-governance initiatives and the services provided and activities carried out thereunder need to be tried and tested on the following parameters and tests.

3 **Challenge** why and how a service is being provided

✓ Secure **Comparison** with the performance of others

- ✓ **Consult** local taxpayers, service users, partners and the wider community in the setting of new performance targets
- ✓ Consider fair **Competition** as a means of securing efficient and effective services
- ✓ (…. and consider how **Collaboration** can also secure efficient and effective services?)

Finally e-governance will have come of age and achieved its role of promoting empowerment and ethics when it caters to the need of different key groups –

- ✓ Better environment for older people
- ✓ Listening to women
- ✓ Tackling institutional groupism along caste/creed/sectoral lines.
- ✓ Backward and under privileged forum for public sector
- ✓ New small business service
- ✓ Providing 24 x 7 x 52 access to all

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Rajagopal S. Iyer

ICT -the Paradigm Shifter

Information and Communication Technology (ICT) has had perhaps the most profound impact on the way people work and live. It has been a key and active component in bringing about paradigm shifts. Very few domains of human activities remain untouched by this technology. This article briefly traces the historical Development of Information and Communication Technology (ICT) and its enormous impact on ICT industry, other industries and society as a whole.

Introduction

If one was asked to point out one sphere of life which has consistently, frequently and continuously undergone paradigm shifts and which has often forced individuals and organisation to shape up or ship out the answer is the Information and Communication Technology industry. Information technology, apart from changing the lives of people, has itself witnessed numerous paradigm shifts within. This article reviews some of the changes it has wrought about, current state and some which could be coming in the future. It also examines how India can benefit from this technology in general and open source in particular in various domains of human activities.

Products (Technology)

One look at the second half of the last century immediately reveals the tremendous amount of impact information and communication Technology has played in lives of people and organisations. Perhaps even Dr. Kuhn could not have envisioned the enormous changes resulting in shortened response time. A view of the timeline indicating major changes in technology which caused enough disruption to be characterised as a paradigm shift we arrive at the Table 1.

Processes

Various processes involving ICT production and use have undergone huge transformations. Some of these are captured below.

Operations

In the 1960s and 1970s, The processes were driven by lack of Computing resources. They were characterised by queuing, time slices and other such practices often found in systems where the resource constraint is predominant factor. In the 1980s and 1990s the networked computers and easy availability of (relatively) inexpensive hardware and software components saw a huge uptake of technologies which drastically transformed the way individuals and organisations functioned in their selected area of work.

Table 1

Decade	*Trends*	*Impact*
1960s	Very few rudimentary computers (mainframes), Complex to operate and handle, Very Expensive, Punched cards etc	Large commercial organisations requiring data processing and historical storage emraced
1970s	More models, Minicomputers, Microchips used in design of computers, Character mode interactive displays	More access to computing vide smaller business, scientific and academic institutions adopting technology
1980s	Advent of PC, Client server models of computing, widespread adaptation of databases, Early Graphical User interfaces	Computer prices made it affordable to much larger mass of people
1990s	Penetration of Internet, advance of Wireless communication technologies, Application consolidation. Widespread adoption of Graphical displays	Ubiquitous presence of computers in home , Mobile computing paradigm, partial convergence of Computing and multi-media.
2000s	Service oriented architecture, Advances in display technologies, nano-tubes, quantum computing, Utility computing	Still more access to rich contents.

This phase also saw shifting from the batch processing to on-line processing to web based applications.

The downside was that it created a heterogeneous computing environment leading to a mixture of mainframes, minicomputers and a lot of Personal Computers in a networked environment. It also gave rise to grave privacy and security issues many of which were addressed and a lot of procedural safeguards being built-in.

Software and applications

The two decades of 1980s and 1990s also saw a significant shift in software and application development. Most of the old applications which were in unstructured language such as COBOL and FORTRAN were recoded in structured language such as C and C++. These decade also saw the rise of various languages such as JAVA, PERL etc.

The decade of 1990s is especially significant in the sense that a new paradigm of- Free Software — and –Open Software— took root in the industry. By the turn of the century, about 70% of the webservers were running the open-source Apache webserver software. Google server farm runs it's own modified version of the Linux (TM) Operating System for all its operations

Another milestone event was the advent of IBM PC which changed the face of computing. The open design and low cost spawned a whole market for clones and the resulted in computers becoming commodities.

Another significant event was the birth and phenomenal growth of Microsoft as a provider for software packages resulting in birth of new market which could be characterised as Software licences being sold as commodity as against earlier practice of computer companies providing software along with the hardware where the company intimately knew the customer.

Further the phenomenal growth of Internet fuelled another drastic change in the world the accessibility of e-mail and other web based commerce applications. The combined factors of Low cost Computing, commodity software and Hardware, relatively inexpensive internet access saw number of connected computer users across the world expand by orders of magnitude.

Open source and free software movement also was born during this phase. Though initially ignored by software vendors as a marginal player, this movement has become a huge force to reckon with.

Deployment of Enterprise Resource Planning (ERP) software required many businesses to change the way different business processes are carried out. It drastically shortened the time information takes in inter- and intra- departments and among business units enabling an entirely new level of managerial control and the time thus saved enabled enterprises to focus and enhance their core competencies.

Standards

Although initially the ICT industry had issues with standards in regards to hardware, software and processes, now the scene is very different. Initially the producers customised the products to the client's requirement. But with commoditisation and the networking requirements, many standards came into existance with regards to protocols, hardware, software, security, processes and procedures. There also many de-facto standards which were eventually compelled to comply with the standards set by various worldwide associations and other standards bodies such as ISO.

Perhaps one of the very important spin-off of the ICT processes is that the world gained a new way of looking at things such as devising of metrics for intangibles. This also resulted in measuring organisational performances by standards like CMM (Capability Maturity Model) and P-CMM (People Capability Maturity Model). Seeing IT industry choosing to be certified according these standards, some Non-IT enterprises too started adapting themselves to these standards.

People

In the earlier stage of computers, most of the computer users were either scientists or highly technical and they handled almost all of the operations as a small group. The advent of Minicomputers saw the distinct classification of programmers and users. The advent of Personal microcomputers and commodification of software resulted in a very wide range of people starting to use computers and also saw birth of lot more strata of functional people within the industry and outside the computer industry

Within the Industry one saw rise of various functional roles such as - developer, team leaders, System architects, Network architects, Network support engineers, Desktop support staff, application support staff, Hardware designers, System administrators, Data administrators, Security administrators, project managers, Customer support executives, Pre-sales and post-sales technical support staff, chief scientific officers, chief techology officers, Chief information officers et. al.

While outside the industry we saw graphic designers, Civil, Mechanical, Electrical, Process and other engineers increasingly started relying on the ubiquitous PC for carrying out their day to day activities such as design and development of new product. Many manufacturing plants also saw the integration of Computing technology in their automation applications. All these resulted in much faster product turnaround time and shorter concept to product cycles.

Media too was not to be left behind. They used the technology for disseminating information in multiple forms text, audio and video. Moreover, the technology afforded a never before low cost alternative for archival purpose. Nowadays, most media company offer of their events in multicast mode.

Of course more and more business enterprises utilised ICT to enhance their business transactions.

The entire BPO industry often referred to as IT Enabled Services has become possible because of ICT.

This adoption of technology powered the phenomenal growth of the ICT Industry.

One of the most significant development in the people front was the birth of open source community. This enabled huge projects of high quality of software with a very strong support either voluntary or paid groups which even the largest of software companies cannot afford.

One glaring example of cross pollination of open source ideas could be found in the article "How Toyota and Linux Keep Collaboration Simple" The Toyota and Linux communities illustrate time-tested techniques for collaboration under pressure: Share knowledge widely, frequently, and in small increments, and use universally available tools to do it.–(From *"Collaboration Rules," **Harvard Business Review**, Vol. 83, No. 7, July/August 2005.*)

Current state and Future outlook

Today the technology has grown so wide, deep and complex that it commands it's own set rules to play by, its own standards of performance, its own set of organisational profile and more importantly it allows newer and newer players to gain foothold in the industry.

The business applications have gone from homegrown to package products to what is being touted as SOA - Service Oriented Architechture and IT Companies in particular are looking into the concept of SAAS Software As A Service. The reason being most of the enterprises whose core business is not IT are increasingly outsourcing their IT operations in varying extents.

The advent and adoption of technologies like wireless networking, Organic LEDs, quantum, Molecular and nano computing hold exciting prospects for the industry and in general the entire humanity.

In the academic front, the primary education especially in developing and underdeveloped nations, in which ICT has not penetrated significantly, Projects like– One Laptop Per Child– by Nicolas Negroponte which purports to provide under $100 laptop to every child in those nations which do not have sufficient infrastructure. This may fuel price war which in the end will benefit end-user. As far as higher education is concerned, the distance education concept is made very viable using the ICT.

The speed, quality and quantity of information available today, due to the ICT, outstrips any period in the history of mankind. This gives rise to many challenges and opportunities to the entire humankind.

One very important trend that is happening is that, in contrast to older days when the innovation and product development was vendor/enterprise customer driven, nowadays it is more consumer driven. So one finds more and more consumer technologies finding place in workplace.

This also had a negative effect that yesteryear's ICT professional are having to face huge pressures and competition from younger generation. The younger generation on the other hand find that trudging through the ladders of a typical IT company have a tough time given their eagerness to grow fast.

Conclusion

The above article reviewed the impact of Information and Communication Technology on individuals, enterprises, communities and society at large. It is said that machines should work for man, rather than man working for machine -–Machine for man and not Man for machine–This is possible only after technology matures to a certain level. A fine balance between the standardisation and customisation has to be maintained if technology is to be affordable, available, safe and usable. ICT perhaps is one area where unprecedented amount of experimentation and advancement has gone on in the last century that it has dumbfounded many traditional soothsayers of technology. The classical 60 year cycle has been reduced to less than 10 years. Slowly but surely ICT is reaching the maturation phase wherein it is reaching the – machine or man–stage. ICT has always operated in a world where the maxim – Only change is constant– is the starting point. It has tremendous length to go before things become simplified to the extent of it becoming a utility. Of course the use of it ultimately depends on the end user–Just as a knife can be used for killing or chopping vegetables, ICT is also end use neutral.

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According to Ray Kurzweil, the author of the famous book 'The Age of the Spiritual Machines', the 1000-dollar computer in 2009 will perform trillion calculations per second; in 2019, a million trillion calculations per second, equaling the power of the human brain. By 2009 it will have the power of a thousand human brains! Hence the human beings in future can offload some of their functions to the computer based robotics and make use of their brain to effectively beat the computer through human innovation and imagination capabilities.

By the end of this century there would be a strong trend towards merger of human thinking with the world of machine intelligence that the human species initially created. When there would no longer be any clear distinction between human anatomical brain and computers, how are we going to retain the supremacy of human being over machines?
(A P J Kalam, Indomitable Spirit,2006 p.254)

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Health Care Industry

Paradigm Shift in Health Care(HC) Industry explores the changing face and profile of the health care industry. Starting with various definitions of HC, the article explores different aspects which include the evolution of health care sector, dimensions of quality health care and unique features of health care organisations. The profile of HC sector in the past and the new millennium present a comparative scenario of the medical nuances. Further, the global situation, regarding health development and reforms situations is highlighted. The changing patterns in health care, particularly with reference to the emerging market patterns, is put-up for further thoughts and views to be explored in the near future. The emerging health care approaches and their implications with respect to the health of the community and our country is presented. The article also presents relevant statistics regarding various aspects of health care industry. Vision 2020 gives the input as to how the health care industry requires to be prepared to face the future challenges.

Introduction

The concept of Health Care or care of the sick is an ancient service practiced in old traditional society as a family or community service, executed and extended by a single or group of persons to cater to the needs of the sick or ill human being. The social groups/units co-ordinated to form social organisations where schools, churches, temple authorities or armies, coordinated the activities in the interest of achieving the specified goals-viz health of individuals/groups/community at large. Voluntary social organisations like Red-Cross society and other NGO's took interest in establishing small hospitals to nurture and nurse the sick. Even in the olden times, there existed procedures for mobilising experienced people to handle and care the sick. There were also rules and regulations regarding the working pattern, expected commitments and also an ultimate goal to cure the sick with combined efforts of all concerned in the hospitals. Individuals mainly medical practitioners took the responsibility to provide health services through their clinics, nursing homes and small or medium sized hospitals. The family members were also involved in the smooth conduct of the health services. The patient-doctor relationship was a firm bondage and this resulted in the concept of family doctor who would care and cater to all health needs of the family members under their care.

Health care has undergone a significant change in the last two to three decades, with the government's involvement in providing primary health care services. The concept of privatisation of health care and entry of the corporate sector in the health care industry is relatively new. Apart from the growth of private sector in providing medicare, the pharmaceutical, insurance, equipment and computer software corporations have become important players in the health sector.

While equipment and pharmaceutical corporations were active as suppliers of equipment and drugs to the public sector in the past, it is only during the latter part of the '90s that they have become partners in the promotion of tertiary, specialist hospitals along with health insurance and software corporations. There seems to be an extensive referral network between private practitioners, chemist shops, specialists, nursing homes, large hospitals and corporate hospitals.

Definition of Health Care

The definition of Health Care has a wide and large spectrum of activities involved and incorporated in it. To name a few of them –

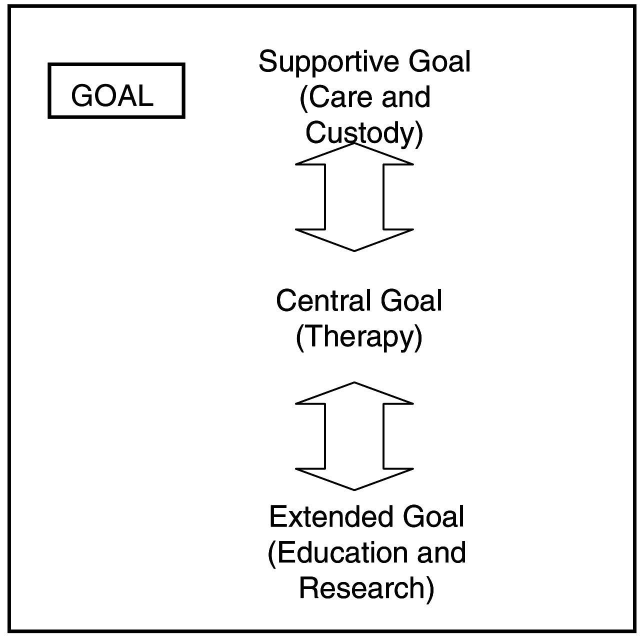
- Health Care means preventive, diagnostic therapeutic, rehabilitative, maintenance or palliative care, services, procedures or counseling, including appropriate assistance with disease or symptom management and maintenance, that affect an individual's physical, mental or behavioural condition, including individual's cells or their components or genetic information, or affects the structure or function of the human body or any part of the human body.
- Health Care means-care, services, supplies related to the health of an individual. This can be preventive, diagnostic, therapeutic, rehabilitative, maintenance, mental health or palliative care and also sale or dispensing of a drug,device, equipment or other item in accordance with a prescription.
- Health Care is a broad term that directly refers to different activities and means used to prevent or cure different processes of morbidity. In this vocabulary the term is used to group information about health care procedures and evaluation.
- Health Care is an industry associated with the provision of medical care to individuals. It is one of the world's largest and fastest growing professions, consuming over 10% of gross domestic product of most developed nations.

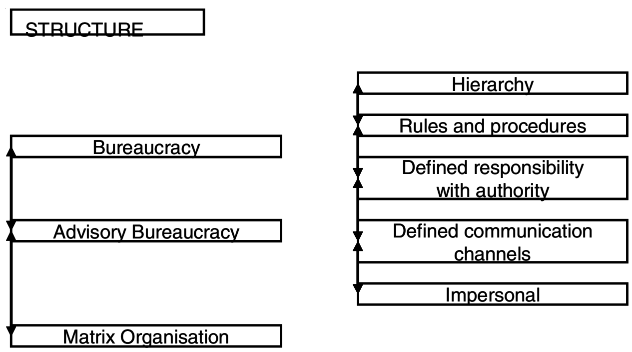
Evolution of Health Care Sector

Health Care institutions have undergone a radical change and hence have undertaken various management processes and governance at macro and micro levels to sustain the competitive edge in the Health Care industry.

(A) Health Care Institutions at Macro level were formal organisation with the following goal and structure.

There has been transformation from controlled-bureaucratic and licence raj to liberalisation, globalisation and privatisation in the health care industry. The formal organisation has now been changing into corporate and private bodies with micro level reflections in the establishments.





(B) Health Care Institutions at Micro level are well planned institutions with defined strategies, goals, missions and practices, incorporating all modern management techniques parallel to other or similar corporates and industries.

Some of the areas, where special emphasis is given, are highlighted below:-

Human Resource Management

- ➔ from workforce as a general group to task specific identified labour intensive organisation.
- ➔ from adhoc recruitment to organised, need-based selection procedures, specialisations and teams are identified.
- ➔ Training programmes for updating, upgrading and improvising the existing HR knowledge base, to cater to the demands of the

customers and the market.

- ➔ Inhouse coordination activities to build teamwork to reinforce and reassure the results. Interdependent, interactions, consultation, coordination of clinical, nursing, supportive and labour services.
- ➔ Coordination with third party and other stakeholders-hospitals, pharmaceuticals, insurance agencies, tie-up with other industry etc.
- ➔ Coordination with government, semi-government, NGO'S and interface with the community.

Modernisation of Hospital Technology-

- ➔ from routine simple to advanced, updated technology
- ➔ from simple routine consultations to advanced multispeciality team approaches to deliver the best in the said field
- ➔ improved networking through telemedicine and interactive sessions and conferencing for better patient care in terms of cure (Health).

Quality Medical Care has created an assurance amongst the consumers and this has created a niche market in the global scenario.

The factors contributing to quality medical care are medical expertise, support-services, hospitality and final verdict of the consumer i.e. customer satisfaction and patient feedback.

Dimensions of Quality Health Care

INPUT	OUTPUT
● Professional Expertise	Customer satisfaction
● Supportive services expectations	Meeting patients
● Advanced Medical Technology	Physical cure, relief and recovery from illness/ ailment
● Hospitality	Mental, psychological stress-free support extended to patient with no liability.
● Internal Environment (comfort, secure and assurance)	Finally no room for suspicion leading to unwanted doubts and medico-legal entanglements.

- ● Good communication
- ● Good Professional doctor-patient compliance
- ● Minimum time/duration for recovery.
- ● Productivity reflected as improved health, free from ailments

Having highlighted the Macro and Micro level features of the Health Care Institutions it is worthwhile examining the unique features of Health Care organisations which makes them different from other types of organisations, in particular the industrial organisations.

Unique Features of Health Care Organisations

Health Care organisations are often described as unique, or at least different from other types of organisation; in particular industrial organisations. These differences are felt to be significant in the management of hospital. Many modern disciplines have a long history but short past. Health care management is one such discipline. Decades ago, the total body of literature on hospital administration was managed by a single doctor. Today, it is well recognised that the system requires a multipronged approach and total professionalisation to achieve quality and cost effectiveness. Hospitals today have to meet the needs of patients and the total focus has shifted to “patient services”, instead of only medical and surgical therapies.

Some of the most frequently observed and recognised differences in hospital organisation are:

(Darr and Rakick, 1992; Shukla 1996; Wieland, 1981; Stephen and Arnold, 1988; and Massie, 1995)

- ➔ Defining and measuring the output is difficult.
- ➔ The work involved is felt to be more highly variable and complex than in other organisation.
- ➔ Much of the work is of an urgent and non-deferrable nature.
- ➔ The work permits little tolerance for ambiguity or error.

➔ Activities are highly interdependent, requiring a high degree of coordination amongst diverse professional groups.

➔ The work requires and involves an extremely high degree of specialisation.

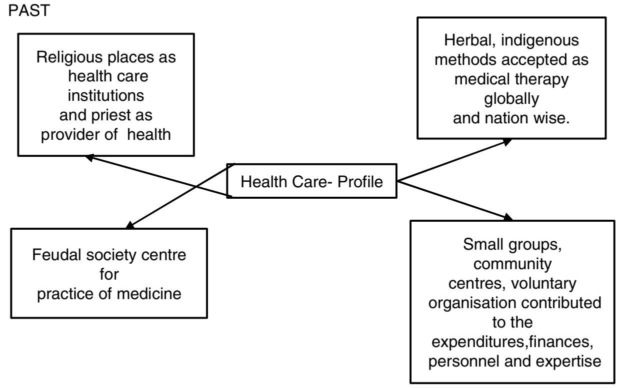
➔ Hospital personnel are highly professionalised and their primary loyalty belong to the profession rather than to the organisation.

➔ There exists little effective organisational or managerial control over the group most responsible for generating work and expenditures viz, physicians, clinicians and surgeons.

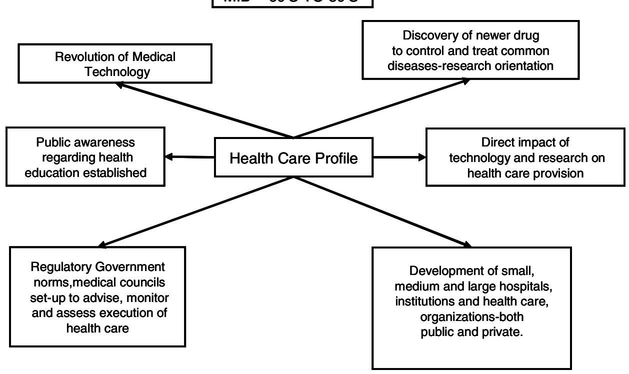
➔ In many hospital-organisations, there exists dual line of authority, which create problems of coordination and accountability and many times confusion of roles.

PROFILE OF HEALTH CARE SECTOR

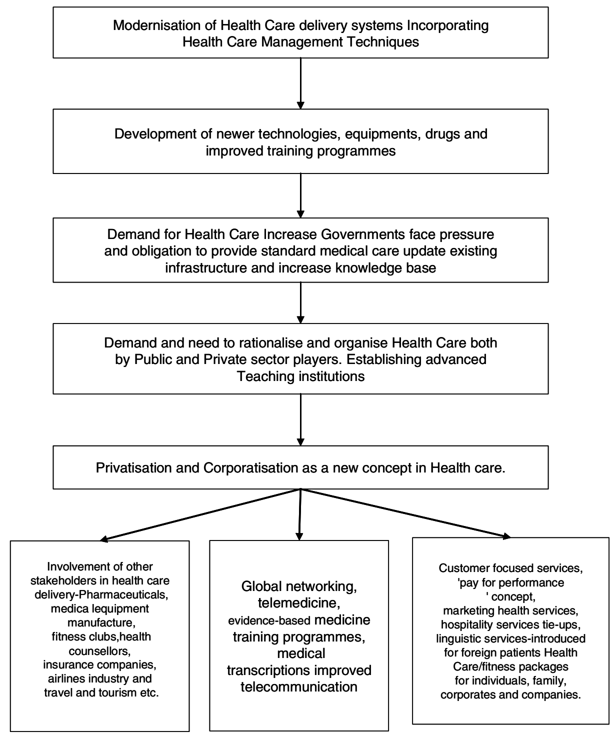
PAST



MID – 60'S TO 80'S



90's and 2000



Thus the health sector has witnessed a huge transformation from an informal, single doctor managing and catering to health care needs of a given family, to the present state of private entrepreneurs and technocrats who invest huge finance as they see immense opportunity for earning in this sector. The changing scenario of increasing demand, a variety of means to support the rendering of quality health care and the entrepreneurial spirit have given a boom to the health care industry worldwide.

Many corporate hospitals and nursing homes have come up because large business houses have found this an area of opportunity; the supporting industries such as equipments, instruments, software technology; indigenisation have multiplied and been strengthened.

In general, everyone has found the need for sourcing of investment, resource optimisation, increasing productivity, maintaining high quality and service orientation to the satisfaction of the customer i.e. Patient.

Proper rate of return for investment (ROI), adopting high technology and application of analytical methods to improve efficiency are some of the management techniques which have been accepted by the health industry consciously.

Thus, like in an engineering industry, the hospital executives talk of marketing services, promotion, retention of staff, payback period, quality improvement and so on, which is an indication of the health care industry adopting typical management techniques.

Health Development and Reforms-Global View.

(I) Canada has a publically-financed, privately-delivered health care system. The system provides access to universal, comprehensive coverage for medically necessary hospital inpatient and outpatient physician services. Provincial and territorial governments are responsible for the delivery of Canada's health care and hospital services; the federal government shares in the cost of these services. The voluntary sector plays a vital role in the health care system.

(II) USA – More and more Americans are enrolling in health maintenance organisations, preferred provider organisations and other managed-care programs. Managed health care has grown remarkably in the past two decades. As the managed care has expanded, its quality, cost-effectiveness and restriction of individual choice has also increased. Managed care is an arrangement by which buyers selectively contract for services with providers. Managed care essentially means use of selective contracting and the arrival of payer-driven competition. There are fundamental changes in the insurance and health care markets viz, prices are driven to reflect true costs and services provided come to reflect the value that consumers place on them.

(III) Australia – has a mix of public and private sector providers delivering health services. The key component of the Australian health care system is private health insurance which can cover private and public hospital changes and a portion of medical fees for inpatient services. The majority of doctors are self-employed. The unique feature is the National Health Care funding system which gives universal access to health care while allowing choice for individuals through a substantial private sector involvement in delivery and financing.

(IV) U.K. - The National Health Service (NHS) provides health care to all citizens, based on need, not the ability to pay. The 10-year NHS plan launched in 2000 promises-more hospitals and beds, more doctors and nurses, much shorter waiting times for hospital and GP appointments, clean wards, better food and facilities in hospitals, improved care for older people, and tougher standards for NSH organisations and better rewards for the best. By 2008, patients needing planned hospital care will be able to choose to be treated by any health care provider in the country which meets NHS standards and NHS prices.

(V) Germany – Nearly everyone residing in Germany is guaranteed access to high-quality comprehensive health care. Statutory health insurance has provided an organisational framework for the delivery of public health care and has shaped the roles of payers, insurance or sickness funds and providers, physicians and hospitals. Health insurance coverage was gradually extended by including more occupational groups in the plan and by steadily raising the income ceiling. Those earning less than the ceiling were required to participate in the insurance programme.

(VI) France – France's state-subsidized medical system is considered liberal because doctors and dentists establish private practices and patients are free to choose their own providers. The medical costs are reimbursed by the state for upto 85%. Hospital facilities although greatly expanded since World War II are still considered to be inadequate. Doctors are concentrated in the cities and are in short supply in rural areas.

(VII) Singapore - The state of health in Singapore is good by international standards. The health services in Singapore are provided through three different ministries as well as by private sector. The Ministry of Health (MOH), Ministry of Environment (MOE) and Ministry of Manpower (MOM) provide all health schemes. Medical expenses are covered under three schemes – Medisave scheme, Medishield scheme and Medifund Acts. Thus, no Singaporean will be denied access into health care system or turned away by the public hospitals because of the inability to pay.

(VIII) South Korea – The health promotion programme consists of health education, disease prevention, improvement of nutrition and practice of healthy life style as defined in the National Health Promotion Act. The traditional practice of medicine as followed in China – (Acupuncture and herbal remedies) are still very popular. The South Korean Government committed itself to making medical security (medical insurance and medical aid) available to virtually the entire population. As of 1992, 94% of the population has been covered by health insurance plans and remaining 6% by Medicaid programme.

(IX) China – China was the first large country in the world to develop community financing schemes that covered the rural population nationwide-called the rural "Co-operative Medical System" (CMS). China has three-tired organisation for the delivery of health care-village stations, township health centres and country hospitals in rural sector and street health stations, community health centres and district hospitals in urban sector. China has established a health system which includes health service supply, health protection and legal monitoring, so that every Chinese will have access to basic health protection.

India – Status of Health Care

Over the last five decades India has worked continuously to improve its health care system by expanding the public health system and reducing the burden of disease.

Indian health care sector is at the turning point for growth. The health care in India is basically urban area oriented. Two-thirds of the hospitals are located in urban areas, accounting for nearly four-fifths of the beds. Health care is predominantly characteristic of and available in

urban areas. Five states in India account for over 70% of the hospitals in rural and urban areas. Kerala,, Andhra Pradesh, Maharashtra, Arunachal Pradesh and Madhya Pradesh. However there is a notable achievement by the establishment of extensive network of government health care facilities both in the rural and the urban areas and determined efforts put in to upgrade the skills of health care workers, particularly in rural areas.

While India's overall expenditure on health is comparable to most developing countries, India's per capita health care expenditure is low due to its large billion-plus population and low per capita income. This scenario is not likely to improve because of rising health care costs and India's growing population (estimated to increase from 1 billion to 1.2 billion by 2012). The government's share in the health care delivery market is 20 percent while 80 percent is with private sector.

Changing Trends in Health care Industry

(a) Market Overview and Trends.

Increasing private sector participation in health care services is stimulating change in the health care industry. The type of health care service requirement has changed due to the rise of life-style related diseases such as diabetes, cardio-vascular and disease of the central nervous system. There are around 700,000 new cases of cancer each year and approximately 2.5 million per year. These are indicators to develop specialised hospitals like Cardiac/Heart Institutes, Institute for neurosciences etc. More and more speciality clinics and hospitals are established to take care of this increasing demand. Recently, large number of entrepreneurs, large industrial houses and companies have ventured into health care delivery and established multispeciality, and speciality hospitals.

The Apollo group have widespread chain of diagnostic clinics which refer the client to their specialty hospitals. Other players in this market are Hindujas, Wockhardt, Escorts, Hiranandani's, Birla's and Ambani's.

Amongst the pharmaceutical companies, Max India, Ranbaxy Laboratories, SRL – Ranbaxy, Nicholas Piramal and Dr. Lal's are venturing into the health diagnostic services.

There is a tough competition in providing the best health care infrastructure, latest technology and qualified, highly skilled professionals.

However, all these competition has a long way to go towards achieving 100% quality health care and sustained superior health care delivery systems.

According to an ICRA industry report on health care, India spends 5.1 per cent of its GDP on health. The health market is estimated at Rs. 1,408 billion ($ 30 billion) and includes retail pharmaceutical, health care services, medical and diagnostic equipment and supplies.

(b) Strategy for Market Development

If the per capita consumption is an indicator of "willingness to spend and affordable", the potential market for private sector operations in the health care market would be Himachal Pradesh, Maharashtra, Punjab, Kerala, Gujarat, Assam and Haryana. A rational market development strategy for health care would be the four metros, the next six largest market-towns and

Table: Comparision of National Income and Health Expenditure in US $ between India and other Asian Countries:

Country	*National Income (GNP) per capita*	*Total Health Expenditure (THE) per capita*	*% of GNP*	*Public Sector Health Expenditure per capita*	*% of THE*	*Private Sector Health Expenditure per capita*	*% of THE*
Korea	2,370	148.37	5.1	17.87	12	130.49	88
Malaysia	1,830	58.51	3.5	44.97	77	13.53	23
Thailand	810	32.79	3.8	9.94	30	22.38	70
Papua N.G	720	26.18	3.8	23.68	91	2.49	9
Philippines	560	14.09	2.4	3.76	27	10.33	73
Indonesia	490	10.42	2.4	3.9	37	6.52	63
Sri-Lanka	400	9.18	2.3	5.32	58	3.85	42
China	300	11.04	4	2.13	19	8.91	81
India	290	12.51	4.3	4.63	37	7.87	63
Burma	200	6.41	3.2	2.29	36	4.12	64
Bangladesh	160	3.8	1.7	1.12	40	2.68	60
Nepal	150	2.11	1.4	1.28	61	0.83	39

the affluent cities of the states listed above. The data regarding comparative picture of health care expenditure among the Asian countries shows that:-

- there is willingness among Indians to spend on health care and,
- through an innovative marketing strategy of backward flow, this health service can be exported to other countries in Asia

(c) Potential Market for Health Care in India

A prominent and potentially rich market for health care in India is the organised sector of corporates and affluent individuals.

In his paper on "Health Care Expenditure in India", Berman, Peter, States:

"At the most aggregate level all analyst agree that non government sources of health expenditure far exceed the spending levels of government sources and that by far the largest part of non government spending is out of pocket expenditure of individuals and households.

The high level of private health expenditure is based on both supply and demand.

Table: Estimated expenditure on Health (Year 2015)

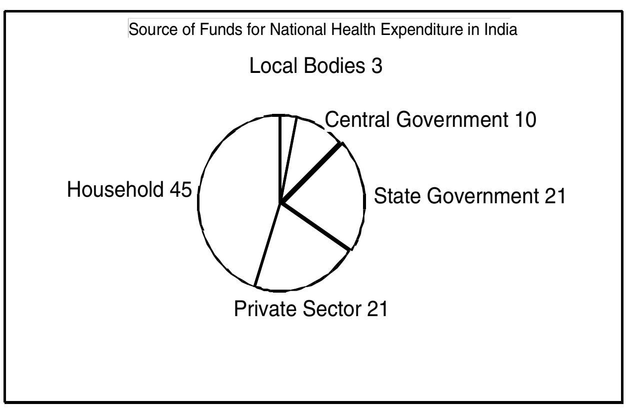
Particulars	*Public*	*Private*	*Total Figures in Rs. Crores*
General recurring expenditure	88969	31521	120490
Capital expenditure for modernising existing units	602	594	1196
Capital expenditure for new units	2777	1559	4337
Research and development expenditure	2770	1010	3781
Medical and paramedical education	17340	14121	31460
Health Insurance expenditure	4964	14892	19856
Total	117423	63697	181120
GNP 2000	1863226	1863226	1863226
% of GNP 2000	6.3	3.42	9.72
GNP 2015	5910468	5910468	5910468
% of GNP 2015	1.99	1.08	3.06

(d) Health Care Expenditure

From the above it is clear that India's private health expenditure is unusual in its variety and scope. From front line providers in rural villages to large hospitals, several system of medicines co-exist, with separate health care providers, Facilities and medical colleges.

Studies show that many of these providers practice an "eclectic" medicine, combining therapies from more than one system and usually including some elements of allopathy. Studies in other countries have suggested that in medical care and supply can create its own demand. Thus, it seems plausible that the existence of multiple recognised systems of medicine would substantially increase the amount of private care providers and consequently private health expenditure. This situation is further stimulated by the almost complete absence of enforced regulation determining entry in medical practice or quality control to affect the ability of unqualified providers to stay in practice.

India's poor health status might be expected to account at least in part for a high level of health care use and spending. In addition, micro-level studies of health care utilisation and expenditure suggest that Indians of all social classes are relatively heavy users of health care.



e) Changing Health Care Approaches

- Hospitals embrace hospitalist concept to streamline patient flow, reduce costs. An appropriately structured and incentivised hospitalist programe can be the catalyst for meeting and improving core measures, promoting best practices and meeting pay for performance goals.
- specialty physician involvement in pay for performance (P4P) can enable programmes to thrive. Health care industry is now concentrating in attracting and contracting the best of clinical expertise and engaging specialist with quality measurement and defined outcomes consistent with their patient needs, demands and the population catered too.
- Performance improvement and project management to support quality of care. These practices are focused on disease specific care programmes like Cardiac Institutes, Heart -care institutes, Neurosurgical hospitals etc. applied to large heath care systems to reduce variability in the way care is provided. This extends the best benefit to the patient ensuring high standard of health care with effective and efficient modalities.
- Initiatives to launch price transparency in an effort to bring health care cost under control, these strategies can persuade the corporate hospitals and health care planner to offer transparency of pricing.
- Revamping charity care strategies help manage impact of uninsured population. Not-for-profit hospitals facing increased scrutiny from variety of sources, lawsuits alleging unfair billing practices, hospitals tax-exempt status, state legislative policies regulating hospital provision of charity care and front-page article in major newspapers outlining overly aggressive efforts to collect payments from uninsured patients have all conspired to put health care sector on red alert.
- Understanding the naunces of utilization review and utilization management – utilization review takes a retrospective view of cases while utilization management describes proactive procedures and processes. In healthcare business, naunces of these are gaining high priorities in terms of patient satisfaction and growth of the health care institutions.

(f) Alternative financing opens new doors for non-profit healthcare providers.

As capital needs change, private markets can offer value and flexibility with tax-exempt placements and sale lease-backs. Alternative capital arrangements are growing in popularity because traditional financing is becoming more problematic for many health care institutions. Mergers and tie-ups of various clinical, research, educational and promotional services are the areas attracting alternative financing in the health care markets.

(g) Establishing E-health initiatives to enhance service quality at reduced cost

Electronic way of doing health-care business costs less and an average cost of processing a clean electronic claim can be 85% - nearly half the $1.58 which is the cost of processing clean paper claim. Also electronic health records (EHR) can make the patient identification accurate. This will also help to avoid medical errors which can have legal repurcussions. Online education tools help to open the lines of patient communication and patient (customer) satisfaction. Patient information brochures in vernacular languages facilitates communication, improve outcomes and limits liabilities.

(h) Hospital disaster preparedness plans

This plans have become a necessity. With the global outbreak of terrorism, natural calamities and unprecedented accidents, health care industry is preparing to spend hundreds and thousands in upgrading the emergency facilities to handle an overcapacity of patients. Hospital also ensure sufficient beds, equipments, personnel and pharmaceuticals to handle the influx of mass causalities. Inter operable communication equipment to talk with outside personnel is developed. It is not enough to prepare inside the hospital to tackle the disasternyou have to partner with public health, emergency management and public safety and other hospitals, health centres and long-term care facilities.

(i) Telemedicine

It means the power to save lives from a far. The term "telemedicine" has been derived from the Greek 'tele' meaning at a distance and medicine which is from the Latin word 'meden' meaning 'healing'. This phrase was first coined in the 70's by Thomas Bird.

Telemedicine is a process by which a patient is able to communicate his problems (along with, if necessary details of medical investigations) to a doctor many miles away and receive necessary and relevant medical advise. To a patient it makes life extremely comfortable and brings services almost to his door step. To a hospital administrator or the CEO of a hospital it means efficiency, greater patient satisfaction and higher profits. An insurance agency sees it as a means to cover a larger group of people at lower costs. Today telemedicine has expanded and includes both preventive and promotive aspects of healthcare.

(j) International Health Insurance.

Global medical insurance plan designed for expatriates and foreign nationals regardless of their citizenship or residence, provides worldwide coverage with doctor and hospital of choice. Benefits of the Global Medical Insurance (GMI) covers the usual, reasonable and customary (URC) charges for eligible expenses in the area where one receives treatment. Each person will only need to satisfy the deductible once per policy period (12 month) with a maximum of three deductibles per family.

- for eligible expenses incurred in the U.S and Canada:

  Once the deductible is met, GMI pays 80% expenses, next US $5000 in eligible expenses then 100% of eligible expenses upto the policy maximum.

- for eligible expenses incurred outside U.S and Canada:

Once the deductible is met, GMI will pay/bear 100% of eligible expenses upto the policy maximum.

The first two dependent children between the ages of 14 days to 9 years are free only when both parents or guardians are insured under the Global Medical Insurance Plan.

(k) OTCs – Over-the-Counter medications

Although any change in moving newly released over-the-counter (OTC) medications to benefit designs or formulations is currently being driven by health plans, other emerging market factors will influence how plans and employer groups think about coverage for OTCs.

According to WR Hambrecht and Co. the seven blockbuster drugs off patent in 2006 are worth an estimate of $ 21 billion. Some of these blockbusters will go generic and also will be offered in an OTC version within the near future. There is a speculation in the market place that 'statins' such as Zocor could be approved for OTC. The 2006 list includes:- Pravachol, Zocor, Zoloff, Lamisil, Allegra and AllegraD, Zofran and Prevacid. The 2007 and 2008 list includes: Amblen, Imitrex, Zytrec and Zyrtec, Fosqmax, Fosamax weekly and Fosamax Plus D, Depakene and Depakote, Effexor and Effexor XR and Topamax. Additionally, current 'low cost' drugs such as weight loss agents, also may go OTC.

Pharmacy and Therapeutics (P&T) committees must begin to evaluate formulary mixes that include a tier of OTC's to day in anticipation of what is potentially a new paradigm within the next several years. This new paradigm will benefit formulary and design and also the standard operating practices for retail pharmacists, physicians and how members purchase their OTC drugs at the pharmacy. This new paradigm will put the P&T committee to debate on the distinct lines and criteria to be adopted with respect to exclusions and inclusions formulary in OTCs. This is a challenge and requires a mind shift for those who draw clear distinction between prescription and OTC remedies for short-term, minor ailments.

Corporatisation of Indian Health Care Industry

From electronic health records to stem-cell research, a new wave of technologies, medicines and other break-throughs, promise to transform the way hospitals and health care systems deliver services and care over the next 10-20 years. In view of the growing population and higher incidence of non-communicable diseases, it is estimated that the demand for quality healthcare in India will increase. The role of the private sector is likely to further increase with preference for private care and governments constrains of limited resources.

The first corporate hospital in India was set up at Chennai in 1987 by the Apollo group. Historically, big business groups had established hospitals as trusts or societies and not as corporate entities. This helped to secure tax exemption along with contribution to community welfare. The Tata group and the Hinduja brothers had established hospitals in Mumbai and more recently the Modis, Nandas, Goenkas, Singhanias, Chabbarias, Oberois, Hiranandanis, Ambanis and Wokhardts(Khorakiwallas) have also invested in the health care business.

Among the corporate hospitals the Apollo group promoted by Dr Pratap C. Reddy during the late 80's, has emerged as the largest private health care corporation in Asia. Apart from investments in hospitals, the group runs hotels and the Indian Hospital Corporation which is a consulting firm for designing, constructing and professionally managing hospitals. The company has financial capital assistance from European, American and Japanese medical manufacturers to promote hospitals in Bangladesh and Middle East.The approval to the Insurance Bill by the Lok Sabha has provided a great impetus for privatisation in health care industry. The liberalised health insurance schemes has contributed to the growth of healthcare in India (The Hindu, Delhi, 16 Dec. 1999)

Some of the corporate hospital have diversified into medical and paramedical education and training programmes for hospital administrator.

The growth in imports of medical technology has made health care a profitable business venture. In 1997-98 the budget slashed import duties thus encouraging the trend of import of medical equipments

From 1998, several multinational corporations like Dickinson, Siemens and Philips have set up units for manufacture of medical equipment in India some relocated their manufacturing operation and other set-up assembling of equipment units.

The growing demand from the middle class for both public and private health insurance has increase. The 'pull' factor is the attraction of insurance companies involvement in Indian healthcare market. The 'push' factor is the recession in the health insurance market in developed countries particularly United States. The passing of the Insurance Bill has strengthened these bigger player in the market. Several American companies have tie-ups with Indian counterparts. The Wockhadt group of pharmaceutical companies has tied up with six leading American and UK based medical insurance companies. These include Global emergency services, Global Medical management, Medex, Assist American, Bluecross and Blueshield (financial Express, Delhi, 21 Dec. 1999).

The entrance of computer software companies into the healthcare market has generated a big business for web-based services, internet etc. Healtheon Corporation, a US based internet firm has made $10 million investment to tie-up with private hospitals and pharmaceuticals in India.

The rise of corporate hospitals in India has resulted in the marketing of healthcare as a branded product. This has contributed to a boost in Medical Tourism. The exclusive infrastructure for corporate medical tourism to comply with international service and quality standards poses a big challenge. The brighter side of the issue is the low-cost treatment available in India as compared to the developed countries. US Corporates have the opportunity to reduce the healthcare cost by one tenth by partnering with hospital in India, where, for instance, a bypass or kidney transplant costs around 20 times cheaper. The joint-knee replacement in India costs Rs. 2 lacs, whereas it is Rs. 20 lacs in the US. (The Hindu Business Line, March 14, 2006)

The medical tourism market in India is estimated to grow at 30 per cent per annum. This has created job opportunities in Travel and tourism industry in areas like marketing, public relations, international insurance, logistic management, back-end operations and many more. The medical tourism will help create 40 million new jobs over the next few years. Thus today, almost all large-scale health care service providers and travel agencies have tie-ups with various airlines, hotels, car rentals, ayurvedic spas etc. to offer specialised health and travel packages.

The medical tourism industry in India is worth $333million (Rs. 1,450 crores). This is based on the statistics that last year, more than 1,50,000 overseas patients availed medical treatment in Indian hospitals. (The Education Times, TOI, Dec.11,2006)

India's cutting-edge yet affordable facilities in the health care, combined with the tradition of alternative medicine, clubbed with the many tourist delights on offer, make the country an ideal setting for international patients to seek treatment.

Thus the Indian healthcare sector has been growing at a frenetic pace in the last few years. The windfall began ever since the developed world discovered that it could get quality service for less than half the price.

Vision 2020-in Healthcare Industry

The Technology Information Forecasting Assessment Council (TIFAC) of the Department of Science and Technology of Government of India constituted panels in 1994 to make long-term predictions for the year 2020 for several industrial sectors in India. One of the sectors was health care. Some of their predictions and the desired future scenario in health care industry are as follows:-

1. Next 25 years will witness increase in AIDS, vector-borne diseases, ischaemic heart diseases, stroke, accidents, suicides and psychiatric problems. The Health care institutions have to be aware and prepared to face this trend and demand. The onus would be on both Government and private health care institutions to work towards achieving the goals.

2. More naturopathic curses, indigenous systems and holistic approach to health care will be identified. India will participate in more clinical trials and technological development of overseas tie-ups. Newer trends in production of hepatitis, antirabies vaccines and diagnostic kits will be undertaken. The health care industry has a good chance to convert these into business opportunities. More drug research institutions will coordinate with health care institutions-a step towards backward integration opportunity for a health care institution.

3. The concept of cooperatives of clinics and nursing homes, with medical care receivers as participating members will lead to growth of nursing home. This will build a new relationship between nursing home, cooperatives and well-established health care institution. Additionally, application of information technology-network communication, telemedicine and E-health initiatives will be exploited effectively.

4. With the participation of entrepreneurs, large industrial houses and large groups of medical professionals in establishing health care institutions, hospitals will run as commercial organisations applying all management strategies. A new generation of hospital administrators, trained in management techniques and principles; project consultants who could construct hospital on a turnkey basis and non-banking financial institutions specialising in hospital creation and management, will spring up in future.

5. Integrated health care networks will function widely and effectively, and bring health care at an affordable price to large numbers of the population. There will be an apparent change in the mindset of medical professionals and institutions with a positive attitude towards social mores and commitment. More educational and training courses in rural and urban slums highlighting preventive measure will be largely

undertaken, opening new avenues of employment and secured incomes.

Thus, the old adage "Prevention is better than Cure", will be the new slogan adopted by Health Care professionals and institutions, making road for health fitness regimes, schedules and treatments incorporated as health care packages.

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Abhijeet Sonawane

Judicial Decisions

"It's dal, roti for Manu Sharma in jail," read the headline in one of the leading newspaper affirming the change in the outlook of Courts in matters involving high profile people. There was time when money use to supercede justice and people like Manu Sharma use to go scot free after committing the offence. But that's not the case now thanks to the shift that has taken place over the period of time in India.

India's economy to a certain extent is an open economy. Competition is the key element of such economy and that, to a certain extent, leads to change in people's behavior. This change can be seen by a radical shift in the decision-making process. There is a shift from default decision making to more informed decisions i.e. decisions with rational reasoning.

The shifts can be seen across the functionaries but we will restrict our discussion to the judicial decisions taken over the period of time.

Approach to judicial decisions has radically changed since past several years. Be it the latest Jessica Lal's case involving high profile people or the much-awaited Supreme Court decision over the Ninth Schedule of the Constitution of India, which has helped people regain faith in the justice delivery system of the country.

"Justice delayed is justice denied" holds no water today. Why is there this sudden change in the situation? Is it because of change in people's attitude, is it awareness of individual's rights, or is it something to do with the globalised economy. The answer is debatable but whatever it may be it has certainly made a difference. Over the next 2000 odd words we will be try to find out what is this change about and how it has transformed the justice delivery system.

In Sajjan Singh[1], the case involving dispute to amend Constitution of India, Hidayatullah had said: rights should not be the playthings of a special legislative majority. After Golaknath case[2], the great legal scholar, Upendra Baxi responded: can rights be the playthings of a special judicial majority?

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1 Sajjan Singh v. State of Rajasthan, (1965) 1 SCR 933: AIR 1965 SC 845
2 Golak Nath v.State of Punjab, (1967) 2 SCR 762: AIR 1967 SC

The answer to this debate always turned on the prior question: what do you fear more? an overzealous judiciary? or an arbitrary legislature? It is a measure of the times that the answer to these questions are very different now than what they were in 1951.

Confrontation between Legislative and Executive has always been the topic of discussion more particularly with reference to the Article 31–B i.e. the Ninth Schedule of the Constitution of India. Article 31-B, which was mainly brought in to push land reforms, was introduced in the Constitution First Amendment by then Prime Minister Jawaharlal Nehru. At that time he had assured the House that the list of 13 laws proposed to be placed in the Ninth Schedule would not be increased. The number has since gone up to 300 and all sorts of laws have been placed under it. But now in a significant ruling, the Supreme Court said the laws included in the Ninth Schedule of the Constitution after April 24, 1973 were open to judicial review. In an unanimous verdict, a nine-judge Constitution Bench headed by Chief Justice Y K Sabharwal held that legislations did not get protection of the Ninth Schedule, if they were violative of the basic structure of the Constitution. Laws placed under Ninth Schedule after April 24, 1973 shall be open to challenge in court if they violated fundamental rights guaranteed under Article 14, 19, 20 and 21 of the Constitution, the bench said.

If laws put in the Ninth Schedule abridge or abrogate fundamental rights resulting into violation of the basic structure of the Constitution, such laws have to be invalidated. The Ninth Schedule, till now, gave powers to the Parliament to put laws into it that the court could not scrutinize or overturn. SC's verdict is seen as an important ruling as the case has already seen a big confrontation between the Supreme Court and Parliament.

Parliament, henceforth, would not be allowed to insert laws struck down or declared invalid or unconstitutional by the apex court in the Ninth Schedule.

But, the confrontation between the Legislature and the Judiciary that was gathering momentum from the time UPA took over the reins with the crucial support of the Left parties, is no longer confined to the Constitutional issues of separation of powers and independence of each institution, but is trying to hook in the media as well in this game of one-upmanship. The difference of opinion on the "sting operations" between the Speaker of the Lok Sabha and the then Chief Justice of India Y K Sabharwal and the latter's strong views on the "trial by media" portend the impending conflict.

A change has also been seen in Labour laws. In a recent judgment, Supreme Court has put an end to nearly 30 years old dispute over the entitlement of a large number of Maharashtra State Road Transport Corporation (MSRTC) daily wage workers' right to get paid as much as regular employees. Giving a shot in the arm of the employees, the Supreme Court dismissed the MSRTC's appeal against a Bombay High Court judgment holding the state undertaking couldn't withdraw its 1978 decision agreeing to 'give to the workmen all the benefits available to a time scale worker. The 1985 settlement between the Union said, 'subject to a worker fulfilling the eligibility criteria, the corporation would absorb daily rated workmen who completed 180 days of service". However, the fate of those workers employed after 1978 hanged in balance. Aggrieved workmen told the apex court that ' the corporation has not yet given them the benefits of time-scale workers". "They are seeking wages payable to time-scale workers," said bench of Justices SH Kapadia and B. Sudershan Reddy. Differentiating the purpose of two settlements in 1978 and 1985, judges said. "The men are in service after August 31, 1978. In the circumstances, notwithstanding cancellation of Clause 49 of 1956 settlement, the workmen would be entitled to all benefits admissible to regular employees working in the corporation on time sale of pay providing they satisfy the eligibility criteria of having worked for aggregate service of 180 days," the SC added.

There has also been a lot of debate on the topic of regularization of employees. In effect to that the Supreme Court in Indian Drugs and Pharmaceuticals Ltd. v. Workman, Indian Drugs and Pharmaceuticals Ltd[3], has given its verdict on the issue. The Apex Court in its judgment said there is no right vested in daily wager to seek regularities and Court/Tribunal cannot direct regularization of temporary appointee de hores the rules nor can it direct continuance of a temporary employee. It has also held that creation and abolition of posts and regularization are purely executive and Court cannot arrogate to itself the powers of the executive or legislative. By this judgment it has affirmed the decision of the Apex court in Secetary, State of

3 AIR 2006 SC 4993

Karnataka and Ors. V. Umadevi and Ors.[4] wherein it was held that unless the appointment was in terms of the relevant rules, the same would not confer any right on the appointee. In case of contractual appointment, appointment comes to an end of the contract. Temporary employee could not claim to be made permanent on the expiry of his term of appointment. Merely because a temporary employee or a casual wage worker was continued for a long time beyond the term of his appointment, he would not be entitled to be absorbed in regular service or made permanent. Due to long service, an ad hoc employee did not acquire any right to permanent appointment.

As mentioned earlier India's economy is an open economy and Indian companies have reached every corners of the world. They have played a major role in the progress of the country. Indian people have reached the top management of many global companies. Keeping pace with this change there has been numerous changes in the corporate laws especially with the role of directors and CEO's. Corporate law being an economic law has to be dynamic and it has been so in India as is evident from the frequent amendments that are being brought in them periodically. The extent of their duties and responsibilities has also been a subject matter of judicial decisions but over a period of time the outlook of the judiciary also has changed in this regard. Initially, in the well known case decided in 1925 by Chancellery Division, Citi Equitable Fire Insurance Company case, the court laid down three propositions in regard to the duties and responsibilities of directors: " (1) a director need not exhibit, in the performance of his duties, a greater degree of skill than may reasonably be expected from a person of his knowledge and experience (2) a director is not bound to give continuous attention to the affairs of his company, his duties being of an intermittent nature to be performed at periodical board meetings or committee meetings. (3) in respect of such duties as may be properly left to some other official having regard to the exigencies of business or the articles of association of the company, a director is, in the absence of grounds for suspicion, justified in trusting that official to perform such duties honestly".

In Principles of Modern Company Law, 6th Edition, 1997, Gower has summarized the legal position as (quote) " In applying the general equitable principles to company directors, four separate rules have emerged. They are (1) that directors must act in good faith in what they believe to be the in the best interest of the company (2) they must not exercise powers conferred upon them for purposes different from those for which they are conferred. (3) that they must not fetter their discretion as to how they shall act and finally that without the informed consent of the company, they must not place themselves in a position in which their personal interests or duty to other persons are liable to conflict with the duties to the company".

Thus over a period of time the view that a director's duties to a company is that of a man of ordinary prudence has changed and now it is more than that of a man of ordinary prudence.

Judicial review is also one such topic, which has witnessed a sea change in its scope and application over the period of time. Traditionally the concept of Judicial review was restricted to the revision of a degree or sentence of an inferior court, but these days the concept has undergone great changes and the literal meaning of judicial review is longer valid. In the present era of outsourcing, where private entities have replaced State in the activities carried on by them a need for subjecting actions of such private entities to Judicial review has become necessary. In this era of globalization where international regulatory regimes such as WTO and GATT are working parallel to the constitutional and other domestic regimes, it becomes necessary to develop constitutional interpretation that can make the private entities that are largely international in character performing public functions without popular mandate that comes through elections liable under the domestic laws of the nation. This further includes the application of present constitutional principles to the private entities that were developed with the State entities in view.

In Hampshire County Council V. Graham Beer Ha Hamner front Farm,[5] the Court of appeal expanded the scope of judicial review to bring in private bodies within its ambit, when the same is carrying out "public" function. Such bodies should be aware that decisions made by them in respect of a public function may be susceptible to judicial review.

There was time when Courts were little skeptical in entering into the disputes over contractual powers

c4 AIR 2006 SC 1918

5 (2003) EWCA Civ 1056

of State but, Supreme Court in its landmark judgment Tata Cellular v. Union Of India,[6] iobserved that the principles of judicial review would apply to the exercise of contractual powers by Government bodies in order to prevent arbitrariness or favoritism. In Directorate of Education v. Educomp Datamatics Ltd,[7] the above findings were affirmed. The issue here was whether Government contracts, terms and tender prescribing eligibility criteria, are scope of judicial review. It has been held that open to interference only when arbitrary, discriminatory or biased.

The concept of judicial review is also expanded to the economic policies of the State. It is well established in Ashok Lanka v. Rishi Dixit[8] and Cellular Operations Assn. V. Union Of India[9] that economic policies of the State although ordinarily would not be interfered with, but the same are not beyond the pale of judicial review. In addition to expanding the subjects of judicial review, the scope of judicial review has also been greatly expanded. Thus to conclude it can be said that the changes taking place in the arena of judicial review are so vast, that one might almost say that very face of judicial review has changed.

Keeping a pace with the changing times a shift is also seen by the enactments of various new laws. India, as said earlier is set to become one of the world's largest economies and it continues to demonstrate an outstanding ability to compete technologically in the information age. However, our technology and creativity must be nourished constantly by fresh capital. In the growing global economy, India must also compete successfully for capital against large dynamic nations and well-developed capital markets. Increasingly, leaders in India and around the world have recognized the importance of a securities market regulatory system that protects investors and encourage fair, transparent, efficient and liquid markets in attracting and keeping capital. Indeed, for the reasons, the Securities and Exchange Board of India (SEBI) Act, 1992 mandates SEBI play a dual role of protecting investors as well as developing the capital markets.

Cyber law, governed by the Information Technology Act is another upcoming legislation that gives us a reason to have faith in our Legislative organs. Before 2000 i.e. when this Act came into force there was absolutely no law controlling cyber crimes except some provision of Indian Penal Code. The Information Technology Act, 2000 was enacted and that led to emergence of the cyber law in India. Today as this article is written the Information Technology Amendment Bill is presented before the House for approval. This amendment will address all the lacunas inter alia e-fraud in banking and BPO, hacking, electronic contracts, data protection.

To conclude one can only say time is not static, it changes so is the society and therefore it's very important to make changes in the laws accordingly so as to keep pace with the changing time. Looking at the trend we can be sure that our Judiciary is certainly changing its approach towards the law and its implementation.

6 AIR 1996 SC 11
7 AIR 2004 SC 1962
8 AIR 2005 SC 2821
9 AIR 2003 SC 899

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Sandeep Bhavsar

Libraries

In1962, When Thomas s. Kuhn Published The Structure of scientific revolutions, one of the century's milestone works in the history of philosophy and science,his nation of paradigm shift has been interpreted broadly as a model and applied not only to scientific thinking but also to social phenomenon.

The Changing Library Paradigm

The precise contours of modern scholarly information evolved gradually through the century and the library was invented in response. The first periodicals appeared as early as the 17th century. In 1665, five years after the founding of the Royal society, philosophical transactions, the first scientifically oriented periodical,appeared. The first general periodical index of William Fredrick Poole appeared in 1848 & the growth in scholarly science publishing lead to the rapid appearance of discipline based abstracting and indexing-index medicus 1879, Engineering index 1884, psychological index 1894, science abstracts 1897,& chemical abstracts 1907.

Changing Material

Speech was the first great step forward in the development of human communication. The second important step was the invention of writing. The first writing material was the stone and first pen a chisel for inscribing, the rocks or stones were cut by stone cutters. but as these stone blocks were rather heavy and could not be carried from one place to another, the need for something lighter and portable than stone was felt as a writing material. As a result bricks and clay tablets came into common use for writing.

The **bricks or clay** tablets were used from time to time for writing. **Papyrus** was introduced as a writing material by the egyptions in about 3500 BC. It was made from the stem of flowering river plant. Hollow stem of a feather was used as a pen. **Parchment X Vellum** both are animal skins. but they differ in quality, texture. Parchment is made from the in her side of the split skin of sheep It was probably used as earn as 1500BC.

Libraries and the profession of librarianship are responding to change in an effort to maintain their institutional role and to expand it. To understand better what is happening now, we should cast our view back to the middle of the nineteeth century, when libraries as we know them took shape in response to an earlier revolution in information. The winds of Information Technology have been blowing and making some changes in the existing services of libraries. Now a days the services of library and information centers are reader specific and intensive.

Vellum is prepared from the unsplit skin of a new born calf. It has a finer, whiter and a smoother surface than parchment and hence in those days it was used only for costly and very important manuscripts

Wooden boards

As the media for writing had been in use in India since the Buddhist age. These writing boards here then known as phalkas knere used by the beginners for learning alphabets. They here also used for writing manuscripts,

Sheets of other material here also used for writing manuscripts. eg. meters like gold, silver, copper, brass, cotton, cloth etc. Bhurjapatra was the most popular of all early writing material.

Paper

Paper gets it name from papyrus and was invented in China in 2nd century BCE. Raw material for paper manufacture is generally cotton & linen rage, esparto, straw, hemp, bamboo word, with the invention of paper, writing activity increased considerably.

The 15^{th} century saw the arrives of the movable type of printing invented by John Gutenberg which made it possible for the human knowledge to reach millions of people who were earlier deprived of access to it.

Modern Physical Media

Due to the advent of technology along with the print media of paper, some more medias have emerged which include microforms, motion pictures, films, audio-visuals to electronic media.

Motion picture films appear on video formats which are important physical media of information. They became very popular as their chief characteristics are a visual image in combination with sound motion, colour that is projected on to a screen for large group viewing.

Microforms are prepared by photographic reduction of visual information originally in paper form. Difference types of microforms are microfilm, microfiche & micro opaque. This technology is commonly called as micrographics. In its current and advanced form, COM (Computer Output Microfilm) is produced directly from the data text generated by computer on to film. COM device has added new dimensions to microform technology. Information is recorded on film directly by application of computer and laser beams.

Electronic media have changed the concept of a library's role in the society in particular and in the world as a whole with the electronic developments continually taking place in the near future. Large component of the physical media of information recording will be as electronic network and which may lead to a paperless society. Electronic information is stored in the computer storage disc, which provides very fast, high capacity, direct access and storage to the users. Disks can be categorized into main memory and secondary storage.

It includes

1. Magnetic media

2. Optical Storage media

Change in Services

Libraries are service institutions. Any positive change in services to meet the objective of library, alone can be considered as an indication of progress. Emergence of IT had its impact which is felt in many areas of life including libraries.

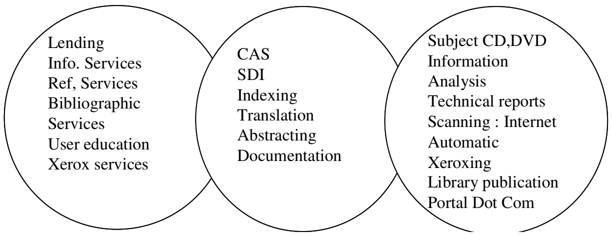
IT has modernised the library services, on the surface of it, means adopting modern methods, tools, techniques & gadgets for providing library services. But it is also implied that modernization should bring increase in efficiency, effectiveness, speed & reduction in cost/unit.

Factors responsible for changes in services are the readers demand & advancement in IT.

In the twentieth century the Indian libraries and information centers were offering services such as lending, reference, photocopying, ILL, Document delivery & preparation of bibliographies. Later in the second half of the twentieth century a few more user based services like CAS, SDIs, Indexing, abstracting, information retrieval & translation were offered. In the twenty first century the Indian libraries & information centers are likely to offer far far better technical services such as information analysis, information reports, subject CDs, DVDs & information downloading from different digital databases through the internet, both structured and unstructured information.

The winds of IT have been blowing & making some changes in the existing services of libraries.

20th century	Translation period	21st century
Retrospective Services	Active Services	Acute & specific Services



At the end of 21st century the services of the library and information centers will be reader specific & intensive. The relation of the LIS professionals with the user will be more interactive & on a higher plan.

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India Poised World Economic Super Power – 2050 Measures Required

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Rajkumar Singh

If India has to emerge as a World Economic Power 2050 India Inc has to improve its size by 8-20 times in terms of revenues, 10-33 times with respect to assets and 10-20 times in terms of size of profits vis-a-vis US Inc (based on Fortune 500 data for 2005-06). India has to grow at an average rate of 10.52% p.a. China may grow at 7.97% p.a. US may grow at 5.43% p.a., and Japan may grow at 1.51% p.a. However, as far as India is concerned, the growth rate of 10.52% is necessary to achieve a projected GDP size of $69,630bn. Compared to the projected US GDP of $136,006 bn. by the year 2050, ceteris paribus. Even, with a 10.52% p.a. there is a gap between the two countries India & USA. US GDP continues to be ahead. Indian demographic pattern shows the highest percentage, (57% and more) of working population in the age group of 15-59 years, in the World. Unlike their forefathers who were predominantly risk averters, this percentage of working population have to be risk takers to take advantage of the benefits of entrepreneurship. Mergers and Acquisition seems to be the only choice for quick growth. Tata-Corus was worth about $ 12.01 bn. We require 14 such Tata- Corus deals to simply come upto the level of the largest acquisition in the US by America Online – Time Warner (January, 2000; $166 bn.), not considering the time value of money and fluctuations in exchange rates. However, well begun is half done. Research and Development (R and D) efforts have to improve by leaps and bounds. Ranbaxy laboratories have a R&D expenditure of about $4.05 million, which is about 17.88% of its revenues for 2005-2006. The efforts of Ranbaxy have to be replicated across the network of India Inc.

Introduction

India is on a threshold of a big leap forward. The economy is growing at 9% p.a. It is expected and required to grow faster to keep pace with its competing peers, to start with China. If India Inc. has to meet the expectations, its own people and the World at large; a few important aspects need to be addressed namely:

a) Performance of India Inc,

b) GDP growth rate,

c) Mergers and Acquisitions (M&A),

d) Effective use of demographic profile,

e) Research & Development Expenditure.

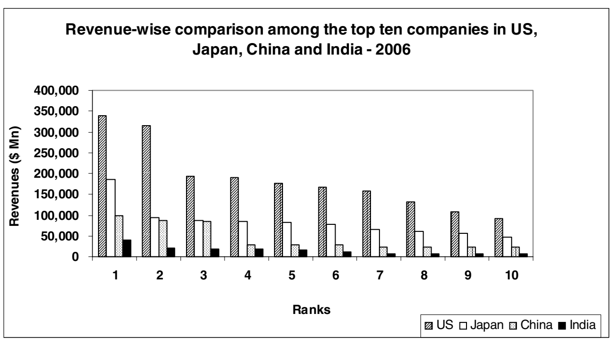
Return On Investment

Our size analysis of Indian Companies vis-à-vis the corporates of China, Japan and US revealed that India Inc. was pygmy by even the standards of China; Japan and US being rather a tall order. Even in 2006, the situation has not altered. The statistics and graphs presented provide useful insights into the position of India Inc vis-à-vis their counterparts of China, Japan and US (2006).

Revenues

While we have been rejoicing on ‘India Shining’ or ‘India poised’ wave, a glimpse of the miles that we have yet to cover, bears testimony to the mind-boggling challenges for India Inc.

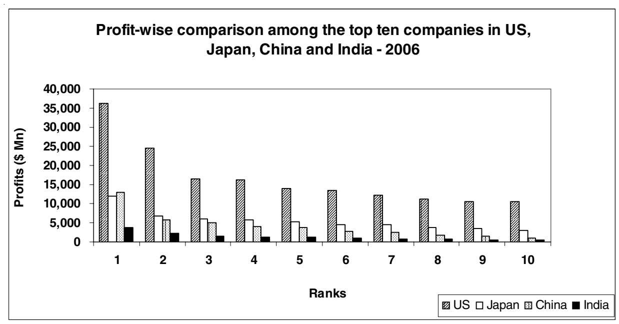
Table – 1						
Revenue-wise comparison among the first & tenth ranked companies in US, Japan, China and India						
Rank	Company	Revenues ($ mn.) 2006	As % of US	As % of Japan	As % of China
US - 1	Exxon Mobil	339,938.00	100%	183%	344%
US - 10	Intl. Business Machines	91,134.00	100%	196%	400%
Japan - 1	Toyota Motor	185,805.00	55%	100%	188%
Japan - 10	Tokyo Electric Power	46,418.30	51%	100%	204%
China - 1	Sinopec	98,784.90	29%	53%	100%
China - 10	China Constructio n Bank	22,770.60	25%	49%	100%
India - 1	Indian Oil Corporatio n Limited	40,161.72	12%	22%	41%
India - 10	NTPC Limited	6,119.21	7%	13%	27%



With respect to the top revenue earning corporations in the World, If the US companies are taken as a benchmark, then the top revenue earning corporation and the tenth revenue earning corporation in Japan are approximately half of their respective US counterparts. Similarly, the Chinese companies are approximately half of their respective Japanese counter parts and Indian companies are approximately half or even smaller than their respective Chinese counter parts. The bottom line is that the top and the tenth revenues earning companies in India are not even one-fourth of their respective US counterparts. Indian companies are improving alright. However, they are required to grow at an electrifying speed and probably more inorganically than even before.

Profits

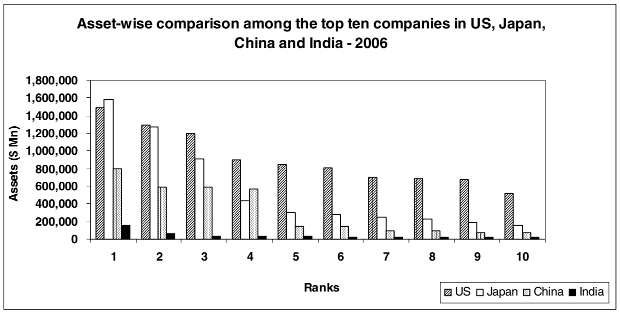
Table – 2					
Profit-wise comparison among the first & tenth ranked companies in US, Japan, China and India					
Rank	Company	Profits ($ mn.) 2006	As % of US	As % of Japan	As % of China
US - 1	Exxon Mobil	36,130.00	100%	94%	187%
US - 10	Altria Group	10,435.00	100%	425%	1005%
Japan - 1	Toyota Motor	12,119.60	34%	100%	198%
Japan - 10	Mitsubishi	3,091.70	30%	100%	236%
China - 1	China National Petroleum	12,950.00	36%	107%	100%
China - 10	State Grid	1,073.50	10%	35%	100%
India - 1	ONGC	3,653.63	10%	30%	28%
India - 10	Infosys	562.13	5%	18%	52%



The top profit earning companies in Japan are only about 30% of their respective US counter parts. The top profit earning companies in China are either at par or about 30% of their respective Japanese counter parts. The top profit earning companies in India are on an average about 40% of their respective Chinese counter parts and about 5-10% of their respective US counter parts.

Assets

Table – 3					
Asset-wise comparison among the first & tenth ranked companies in US, Japan, China and India					
Rank	Company	Assets ($ mn.) 2006	As % of US	As % of Japan	As % of China
US - 1	Citigroup	1,494,037.00	100%	298%	279%
US - 10	Merrill Lynch	681,015.00	100%	338%	972%
Japan - 1	Mitsubishi UFJ Financial Group	1,585,259.00	106%	100%	94%
Japan - 10	Nippon Telegraph & Telephone	160,064.30	24%	100%	288%
China - 1	Industrial & Commercial Bank of China	799,741.20	54%	50%	100%
China - 10	China Telecommunications	67,751.70	10%	42%	100%
India - 1	SBI	158,011.88	11%	10%	20%
India - 10	IDBI	20,476.69	3%	13%	30%



The asset size of tenth ranking company in Japan is about 24% of its respective US counterpart. The top asset holding company in China is around half of its respective Japanese counterpart. Similarly, the top asset holding company in India is about one-third of its respective Chinese counterpart.

Profit Margin

Table – 4 Profit Margin comparison among the first & tenth ranked companies in US, Japan, China and India					
Country	**Rank**	**Company**	**Revenues ($ mn.)**	**Profits ($ mn.)**	**Profit Margin (%)**
India	1	Kotak Mahindra Bank Limited	268.59	186.94	69.6
	10	Sesa Goa Limited	429.12	129.16	30.1
US	1	Occidental Petroleum	16,286.00	5,281.00	32.43
	10	Wyeth	18,755.80	3,656.30	19.49
Japan	1	Daiei	14,927.90	3,681.90	24.66
	10	Mitsubishi	42,633.20	3,091.70	7.25
China	1	China Construction Bank	22,770.60	5,748.80	25.25
	10	China Southern Power Grid	23,105.00	367.1	1.59

Table – 5		
Country	**Rank 1**	**Rank 10**
India	**69.60%**	**30.10%**
US	32.43%	19.49%
Japan	24.66%	7.25%
China	25.25%	1.59%

With respect to profit margin, India Inc. leads US, Japan and China. The difference in margins of US, Japan, China and that of India is considerable. However, in terms of size of Revenues, India Inc. stands far behind than its counterparts in China, Japan and US which is why no matter how high the margins are, with respect to size of profit India Inc. still lags behind. The company with the highest profit margins in India (i.e. Kotak Mahindra Bank Limited) has profit, which is 51% of the size of the tenth ranked Chinese company (i.e. China Southern Power Grid).

Wyeth, which is ranked tenth in terms of profit margins in the US, has a profit figure which is 20 times that of Kotak Mahindra Bank Limited, the company with the highest profit margins in India.

Table – 6 Asset Turnover comparison among the first & tenth ranked companies in US, Japan, China and India					
Country	**Rank**	**Name of the Company**	**Revenues ($ mn.)**	**Assets ($ mn.)**	**Asset Turnover (Times)**
US	1	Plains All Amer. Pipeline	31,177.30	4,120.30	7.57
	10	Costco Wholesale	52,935.20	16,513.60	3.21
India	1	PTC India Limited	704.88	99.43	7.09
	10	Hero Honda Motors Limited	2,287.12	879.07	2.6
Japan	1	Mediceo Paltac Holdings	16,973.20	8,420.00	2.02
	10	Toshiba	56,028.00	40,063.20	1.4
China	1	Sinochem	21,089.00	7,816.50	2.7
	10	China Southern Power Grid	23,105.00	32,620.20	0.71

For the year 2004-05 and 2005-06, US has been ahead in terms of asset turnover, India Inc. being second followed by Japan and China. Though Indian companies are almost at par with their counterparts in the US in terms of asset turnover, they lag behind in size. This can be supported by the fact that, in terms of asset turnover, the tenth ranked company in the US (i.e. Costco Wholesale) has an asset size that is 41 times that of the asset size of the first ranked Indian company (i.e. PTC India Limited). The gap in terms of size of assets is very large. India Inc must tread on the road of inorganic growth for a consistent number of years (atleast 10-15 years) to speedily come upto the level of assets of its counterparts in the US, Japan and China.

ROI

ROI comparison among the first & tenth ranked companies in US, Japan, China and India					
Country	Rank	Name of the Company	Profit Margin (%)	Asset Turnover (Times)	ROI (%)
India	1	Sesa Goa Limited	30.1	1.24	37.19
	10	Hero Honda Motors Limited	9.63	2.6	25.05
US	1	Occidental Petroleum	24.66	1.29	31.75
	10	3M	15.11	1.03	15.59
Japan	1	Daiei	24.66	1.29	31.75
	10	Nippon Mining Holdings	3.62	1.5	5.43
China	1	China National Petroleum	15.5	0.58	9.01
	10	China Southern Power Grid	1.59	0.71	1.13

Though India Inc has maintained better ROI than its counterparts in the US, Japan and China, the ability to consistently deliver high returns yet remains to be tested on a larger base of size. Maneuvering size to deliver expected results has been and will be the deciding factor to prove 'India poised'.

Conclusion

Apart from the basic parameters of revenues, assets and profits, the range of key parameters of ROI, i.e. profit margin and asset turnover, have been tabulated below:

Four countries: Top ten companies - Range of key parameters of ROI – 2006			
	Profit Margin range	Asset Turnover range	ROI range
US 1 – 10	32.43% - 19.61%	7.57 – 3.23	20.23% - 15.71%
Japan 1 – 10	24.66% - 8.80%	2.02 – 1.41	31.75% - 5.89%
China 1 – 10	25.25% - 2.70%	2.70 – 0.81	9.01% - 1.27%
India 1 – 10	**69.60% - 30.10%**	**7.09 – 2.60**	**37.19% - 25.02%**

Table – 9 Average profit margin, average asset turnover and average ROI among top ten companies in India, US, Japan and China – 2006				
Average	India	US	Japan	China
Profit Margin (%)	43.53	23.76	14.32	11.76
Asset Turnover (Times)	4.07	4.21	1.55	1.26
ROI (%)	31.29	17.38	9.97	3.86

The bottom line remains that India Inc. is yet to grow in terms of size. It is pygmy by global standards and appears nearly flattened when a size analysis is done vis-à-vis US, China and Japan. Investment beyond physical borders is to grow significantly. This has to be simultaneously supported by the Reserve Bank of India through progressive banking reforms and initiatives. There is no dearth of quantitative human resource but productively leveraging upon this potential strength is required.

Scope for Improvement

Based on the data for 2004-05 and 2005-06 the extent of change required of India Inc. to come upto the levels of US, Japan and China, is presented.

Table – 10 Scope for improvement among top ten cos. (2005)			
	India cos. Vis-a-vis US cos.	India cos. Vis-a-vis Japanese cos.	India cos. Vis-a-vis Chinese cos.
Revenue	8 – 20 times	5 – 10 times	2 – 4 times
Assets	**10 – 50 times**	**10 – 18 times**	**5 – 6 times**
Profits	8 - 20 times	3 - 4 times	**Marginal**

Table – 11 Scope for improvement among top ten cos. (2006)			
	India cos. Vis-a-vis US cos.	India cos. Vis-a-vis Japanese cos.	India cos. Vis-a-vis Chinese cos.
Revenue	8 – 20 times	5 – 10 times	2 – 4 times
Assets	**10 – 33 times**	**8 – 25 times**	**3 – 20 times**
Profits	10 - 20 times	3 - 6 times	**2 – 3 times**

Using assets as the parameter, for the year 2006, Indian Inc's assets have not grown as fast as their counterparts in Japan and China. While we were on a growth spree, corporates of US, Japan and China grew as well and even faster than us. Asset wise the

Four Countries (US, Japan, China & India) Inc – ROI

Return On Investment = $\frac{\text{Net Profit}}{\text{Total Assets}} \times 100$

Table 12

US (%)		
Rank	2005	2006
1	15.96	20.2
10	13.19	15.6

Japan (%)		
Rank	2005	2006
1	9.07	31.75
10	4.75	5.43

China (%)		
Rank	2005	2006
1	7.9	9.01
10	1.7	1.13

India (%)		
Rank	2005	2006
1	89.61	37.19
10	24.93	25.05

Table 13

Profit Ratio = $\frac{\text{Net Profit}}{\text{Sales}} \times 100$

	2005	2006
US		
1	17.97	24.66
10	22.44	15.11
Japan		
1	9.9	24.66
10	4.74	3.62
China		
1	12.9	15.5
10	30.7	1.59
India		
1	44.97	30.1
10	22.29	9.63

Table 14

Asset Turnover Ratio = $\frac{\text{Sales}}{\text{Total Assets}} \times 100$

	2005	2006
US		
1	0.89	1.29
10	0.59	1.03
Japan		
1	0.92	1.29
10	1	1.5
China		
1	0.61	0.58
10	0.04	0.71
India		
1	1.99	1.24
10	1.12	2.6

extent of change required has increased especially in comparison with Japanese and Chinese companies.

GDP

If we compare the Growth history of GDP (current prices in USD Bn.), as given by International Monetary Fund, World Economic Outlook Database, September 2006, in India, China, Japan and US, it is clear that on a current growth trend if India has to grow with an average 10.52% annually till the year 2050 it will be the World's third largest economy. To look at the GDP sizes of the respective countries in the year 2050, the following picture emerges:

Table – 12

Country	GDP (Current Prices) in USD Bn.	Year	GDP Growth %
US	13,262.07	2006	6.47%
Japan	4,463.59	2006	-2.27%
China	2,554.20	2006	14.33%
India	854.48	2006	10.69%

Table – 13

Country	GDP (Current Prices) in USD Bn.	Year	GDP Growth %
US	136,006.38	2050	5.45%
China	74,340.83	2050	7.30%
India	69,630.07	2050	10.61%
Japan	8,615.09	2050	1.48%

Required Projected Growth Rate (2007-2050) (Table 14)

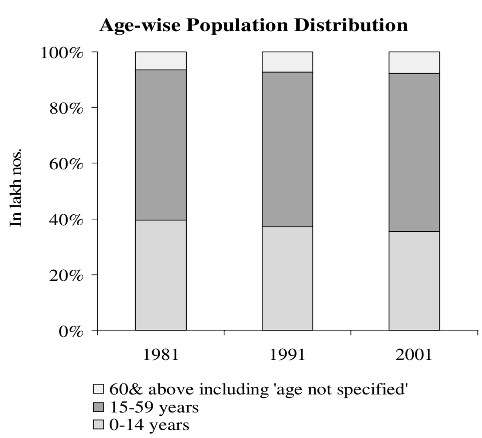
Table – 14

Country	GDP Growth %
India	10.52%
China	7.97%
US	5.43%
Japan	1.51%

Again, if India is to grow at an average of 10.52% p.a. till 2050, then it may not, at this ongoing rate, be able to takeover US. However, it can definitely takeover Japan and China. But the fact that US economy continues on the same given rate of 5.45% p.a. may still keep it far ahead of India. So, there have to be strategic ways by which India could takeover the US and become the top economy in the World by 2050. All other things remaining equal, it is most important for India to overcome its infrastructural lacunae.

Population

In 1991, the size of working population grew 23% vis-à-vis 1981 and in 2001 this working population grew 21% vis-a-vis 1991. India enjoys a demographic advantage. The increasing percentage of working population is likely to spend more on themselves on account of higher disposable income. A higher working population also amounts to a lower dependent population.



While these facts sound encouraging let us beware that urban population is now only 30% of the total population. This means getting well paid jobs for the remaining 70% population is not going to be easy.

Table – 15

Population Age	1981	1991	2001
0-14 years	2631	3124	3635
15-59 years	3586	4648	5857
60 & above including 'age not specified'	435	614	793

Source: Census 2001 Data

Again most of this urban population would be concentrated in metro cities meaning that wealth distribution is highly skewed. The age group of 15-59 years is also the highest consumer, which will also make India a larger market than what it was before. This in line with higher affordability could mean higher imports, which again may not sound healthy unless most foreign companies make their presence felt here. This again points to the legal infrastructure that we have, which is not at par as per global standards. Risk taking ability needs to be enhanced in the face of competition. Ability to assess risk and think beyond what is apparent must evolve in order to excel at a faster rate. Entrepreneurship, creativity and innovation have to come to the forefront to develop new and better means of improvement qualitatively as well as quantitatively. MNCs may hop into India but with the required flexibility unavailable, they may choose to reduce the rate i.e. the number of multinationals setting up in India every year.

Through creativity and innovation India has to move ahead as a knowledge horsepower of the world and hence focus on R&D.

Research and Develpoment

India is fast becoming an attractive destination for foreign companies to explore research and development potential for various reasons such as quality intellectual manpower, cost effective human resources by global standards, well equipped higher institutions of learning and laboratories and last and not the least tax incentives. Brain power as well as 'patient' manpower seems to be available at lower cost and risk. Given below is a Business World extract to prove that although clinical research is attracted to India, the comfort level of the sponsors is quite low vis-à-vis that in the US. Each country has been rated between 1 and 3 based upon the criteria considered.

Table – 16				
Country	Patient Pool	Comfort level of sponsors	IPR Regulations	Cost Effectiveness
India	3	2	1	3
China	3	1	1	3
US	1	3	3	1
Eastern Europe	1.5	2	2	2

Source: BusinessWorld, 25th December, 2006

However, let the cover of the book not amaze us. India's highest R&D spender for 2005-06 has been Ranbaxy laboratories with an R&D expense of about Rs. 17.88 crore. Translated into US dollars this would be around $4.05 million. This is also about 17.88% of its revenues for 2005-06. Now if Nike, the last ranked fortune 500 company for 2005-06 decides to spend even a frugal 2% on R&D the budget would be around $274.79 million. According to the Securities and Exchange Commission (SEC) of the US, Ford Motors has spent $7.2 bn. on R&D. This is 4.5% of its revenues of $160 bn. for the year 2006. Only some breakthrough research is capable of catapulting Indian R&D to global size and productivity. If India needs to grow faster than the world, it needs to spend faster than the world, be more productive than the world and leverage more on size. Productivity will ensure that that on whatever scale we spend we deliver results faster. We can spend faster on R&D if we acquire more companies and hence their R&D. That would boost R&D spend by leaps and bounds and improve size as well.

The paradigm shift is now from reverse engineering to true research. Human trials of drugs have begun and this is where companies need to take care. Ultimate success is now yet to be tested and therefore rejoicing on a bunch of acquisitions may appear foolhardy. R&D often takes time to yield results. On an average it would take 7-12 years which still means we may spend a decade to yield results starting from now.

Massive investment in particularly in breakthrough research initiatives is required. Unless India Inc's size is adequately big, by global standards, it may not be able to absorb the bonanza benefits of breakthrough research. Hence, a major effort is required in the direction of size of India Inc through M&A.

M&A

The World M&A scenario in 2006 will go down in history as a record breaking year in terms of M&A deals. Over $3.8 trillion worth of deals were struck, according to Thomson Financial, a leading financial consultancy firm. This represents a 38% increase over the previous year. It overtakes the previous record of $3.4 trillion reached in 2000, fuelled by the dotcom boom. Nearly 37,000 deals were hammered out globally in 2006, of which 157 were hostile takeovers, worth just under $500 billion.

For India, 2006 was a mega merger year as there were 1,164 deals valued at $35.6 billion compared to 1,011 deals worth $21.6 billion in 2005. (as reported by Times of India, March 5, 2007).

India Pharmaceutical companies have proved their mettle by acquiring a bunch of very sound European companies. Their appetite continues to growl as outsourcing globally increases at a rate of 11%. The scope for outsourcing is tremendous. Asia accounts for only 10% of global outsourcing market whereas Europe accounts for 40% and North America accounts for 50%. Interestingly the annual cost of labor per head is about $3000 in India and about $50,000 in Europe.

Table – 17				
Acquisitions by Indian Pharmaceutical Companies				
Acquirer	Target	Location	Price ($ mn.)	Employees
Aban Lloyd Ciles	Sinvest ASA	Europe	446.86	-
Ranbaxy Labs	Terapia SA	Europe	324	-
Dishman	Carbogen, Amcis	Switzerland	74.5	325 including 250 scientists
Nicholas Piramal	Avecia and Torcan	UK	22.7	350 including 70 scientists
Shasun	Rhodia Pharma	UK	1.2	138 including 38 scientists.
Nicholas Piramal	Pfizers Factory	UK	-	450
*Employee data unavailable for Sinvest ASA and Terapia SA.				

Source: Wikipedia (URL: http://en.wikipedia.org/wiki/Merger_and_acquisition)

Table – 18				
US Largest Acquisition in 1990s				
Acquirer	Target	Location	Price ($ bn.)	Year
MCI WorldCom	Sprint	US	114	Oct-99
Exxon	Mobil Oil	US	77	Dec. 1998
Viacom	Paramount Pictures	US	10	-
Citicorp	Travelers Group	US	73	1999
WorldCom	MCI Communications	US	44	1997
Chevron Corporation	Texaco	US	35	-
Capital Cities/ABC	Walt Disney Company	US	19	1995
Pfizer	Warner-Lambert	US	89	1999

Table – 19				
Europe Largest Acquisition in 1990s				
Acquirer	Target	Location	Price ($ bn.)	Year
Daimler Benz	Chrysler	Europe	35	May-98
Vodafone	Mannesmann	Europe	183	Feb-00
Total S.A	Petrofina	Europe	-	-
BP	Amoco	Europe	110	Aug-98

Source: Wikipedia (URL: http://en.wikipedia.org/wiki/Merger_and_acquisition)

Table – 20				
US Largest Acquisition in 2000-2006				
Acquirer	Target	Location	Price ($ bn.)	Year
America Online	Time Warner	US	166	Jan-00
AT&T	BellSouth	US	86	Dec-06
Sprint	Nextel	US	36	Aug-05
SBC	AT&T	US	16	Oct-05
Verizon	MCI	US	8.5	Jan-06

Source: Wikipedia (URL: http://en.wikipedia.org/wiki/Merger_and_acquisition)

Table – 21				
Europe Largest Acquisition in 2000-2006				
Acquirer	Target	Location	Price ($ bn.)	Year
Royal Dutch Petroleum	Shell Transport and Trading	Europe	75	Oct-04
Glaxo Wellcome PLC	SmithKline Beecham PLC	Europe	76	--
Mittal Steel	Arcelor	Luxembourg	33.1	Jun-06
Vivendi SA	Seagram	Europe	32	Jun-00

Source: Wikipedia (URL: http://en.wikipedia.org/wiki/Merger_and_acquisition)

Table – 22			
Top 10 India Acquisition till February 2007			
Acquirer	Target	Price ($ bn.)	Stake (%)
Tata Steel	Corus	12.009	100
Hindalco	Novelis	5.659	NA
Rain Commodities	Carbon Canada	0.369	100
Alembic	Dabur Pharma	0.036	100
Gujarat Heavy Chemicals	Best Manufacturing	0.035	NA
Investor Group	Spicejet	0.032	10.01
Koon holdings	Valecha Engineering	0.027	NA
Triveni Group	Sadhna TV	0.011	60
Champagne Indage	Monash Winery	0.008	100
Investor Group	Jyoti	0.007	NA

Source: BusinessWorld, 26th February, 2007

Note: In February 2007, the Indian market saw 124 deals worth close to $20 billion concluded or announced. Tata Steel's $12 billion acquisition of UK steelmaker Corus was the biggest in the Asian region (excluding Japan).

Table – 23			
Top 10 Asia Acquisition till February 2007			
Acquirer	Target	Price ($ bn.)	Stake (%)
Tata Steel	Corus	12.009	100
Hindalco	Novelis	5.659	NA
EON Capital	RHB Capital Bhd	2.502	NA
Kuwait Finance House	Rashid Hussein Bhd	0.619	NA
Rotary Vortex	Henan Shuanghui	0.468	NA
Epistar Corp.	Epitech Tech	0.405	NA
EON Capital	Rashid Hussein Bhd	0.377	NA
Rain Commodities	Carbon Canada	0.369	100
CapitaLand	Gillman Heights	0.357	100
AGL Energy	TRUenergy	0.323	100

Source: BusinessWorld, 26th February, 2007

Table – 24			
Top China Acquisition in 2006			
Acquirer	Target	Price ($ bn.)	Stake (%)
Consortium led by Citigroup Inc	China's Guangdong Development Bank	3.114	85.6
InBev	Fujian Sedrin	0.755	100
Gome Electrical Appliances Holding Ltd	China Paradise Electronics Retail Ltd	0.676	NA
China National Bluestar (Group) Corp	Adisseo	0.519	100
Rotary Vortex (Goldman Sachs holds 51% stake)	Henan Shuanghui	0.468	NA
Aluminum Group of China	Eight aluminum enterprises	0.257	NA
Baosteel Group	Handan Steel	0.062	NA

Source: All-China Federation of Industry and Commerce (ACFIC) (China.org.cn), January 11, 2007

The largest acquisition in the 1990s in the US was by MCI WorldCom worth $114 bn. whereas; the largest acquisition in Europe was worth $183 bn. by Daimler Benz. Between 2000-2006, the acquisition was worth $166 bn. by America Online and that in Europe was by Royal Dutch Petroleum with a deal size of $75 bn. Till date in the history of Asia Inc, the largest acquisition has been that of Corus by Tata Steel (Tata Group) with a deal size worth $12 bn. followed by that of Novelis by Hindalco (Aditya Birla Group) with a deal size of $6 bn. The largest acquisition in Asia (Tata-Corus) as of 2006 is only 11% of the largest acquisition in the US as of 1999 (MCI WorldCom-Sprint). In fact, Tata-Corus and Hindalco-Novelis are the only two billion dollar deals of the acquisitions till February, 2007 of which only Tata-Corus has a two digit billion dollar figure. We require about 14 such Tata-Corus deals to simply come upto the level of the largest acquisition in the US by America Online-Time Warner (January, 2000), not considering the time value of money and fluctuations in exchange rates. Should the US or Europe even consider more acquisitions, India Inc would need to hasten the pace and improve the size by leaps and bounds to be at par.

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About the Contributors

Shri Sunil Bedekar

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Shri Deepak Gokhale is a Science Graduate and an E-MBA (Dr.VN BRIMS). He has several years of industrial experience in the area of Marketing. Presently Office Superintendent in Dr. VN BRIMS.

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Mrs. Vilasini Patkar is a doctoral scholar in Management at SNDT University and a senior lecturer in Mulund College of Commerce. She is also a visiting faculty in the areas of Human Resource Management and General Management at Dr.VN BRIMS.

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Prin. Y. B. Bhide, M.Com, DBM (JBIMS) with over 35 years of teaching and industry experience. Actively involved in promotion of social causes. Former Principal of SIES (Nerul) College of Commerce. Presently Investment Advisor and Visiting Faculty, Dr.VN BRIMS.

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Shri R.S.Verma is a FICWA and MBA (Finance) and has more than 24 years of experience in textile industry. He has been in academics for the last Six years and is presently a lecturer in Dr.VN BRIMS. Shri Verma is also pursuing his Ph.D course in the area of strategic cost management.

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Prof. Anil Chaubal is a metallurgical and mechanical engineer and a post graduate diploma holder in industrial management from JBIMS. He is also a fellow member of the ICWA. He has several years of teaching and industry experience. An erstwhile Professor at NMIMS University, he is presently Director, VPM's Dr.VNBRIMS, Thane, since July, 2006.

Ms. Sukhada Waknis

Ms. Sukhada Waknis has a Masters Degree in Labour Studies (University of Mumbai). She also has a Master Degree in Economics and is currently pursuing Ph.D. in Economics from Gokhale Institute of Politics and Economics, Pune. She is presently a lectuter at Dr. VN BRIMS.

Shri Shankar D. Kanhere

Shri Shankar D. Kanhere is a Chartered Accountant and has been working in the Finance field with the Wadia Group and earlier with the Tata Group for over 6 years. Besides being a CA, Shri Kanhere is also a CISA from ISACA, USA and a Quality Management System Auditor accredited by the IRCA (UK). Shri Kanhere is Manager (Finance), Bombay Dyeing & Mfg. Co. Ltd. and has extensive hands on industry experience in the area of finance particularly Treasury Management.

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Dr. Vishnu Kanhere is a Practising Chartered Accountant. Ph.D in Management Studies (JBIMS). In addition he is also an AICWA, CFE (USA) and CISA (USA), CISM (USA), ISO 9001:2000 QMS Auditor IRCA (UK). He is also a visiting faculty in the areas of finance, accounting, taxation, cyber management and software valuation all over the World. He has several publication to his credit including a book on software valuation.

Shri Anil Panikar

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