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C/o Vignana Jyothi Institute of Management,
Veljan Centre, Vignana Jyothi Nagar,
Bahcupally, via Kukatpally,
Hyderabad- 500090.
Ph.No.040-2304 4901/02,
Fax: 040 2304 4953
Email: director@vjm.edu.in
Website: www.vjm.edu.in

Trade Disputes in Practice

Winston W. Chang*

Abstract

This paper discusses WTO's trade dispute settlement procedure. It also discusses NAFTA's unique dispute settlement system that subjects antidumping and countervailing duty determinations to binational panel reviews instead of the more conventional judicial reviews. The paper then studies seven notable trade dispute cases. It analyzes the key sources of these disputes, some from conflicts between national laws and the WTO rules, some from special interest groups' actions, and some from special treatments for the less-developing countries. The paper cautions that the WTO rulings are often met with delayed implementation or non-implementation on one pretext or another, particularly by the majors. This could undermine the future effectiveness of the WTO.

Keywords: AD, CVD, GATT, WTO, NAFTA, and Trade Disputes.

* Department of Economics, State University of New York at Buffalo, Buffalo, New York 14260, USA, Phone: 716-645-2121; Fax: 716-645-2127. E-mail: ecowwc@buffalo.edu. I have greatly benefited from comments provided by Patrick Baude, Takahiro Takeuchi and Jesse Wasson.

Introduction

Trade conflicts are inevitable in an interlocking world economy that is full of complex rules and regulations. Each country has its own domestic laws and the World Trade Organization (WTO) also has a set of rules guiding international trade. Issues regarding the conflict between a country's trade laws and WTO's rules have often surfaced. Unfair trade practices, such as dumping and export subsidies, have produced numerous WTO antidumping and countervailing cases. Even within a free trade area, trade disputes are also often observed.

This paper discusses WTO's trade dispute settlement procedure and the unique dispute settlement system in the North American Free Trade Agreement (NAFTA). It examines seven notable trade dispute cases, some of which are long-standing disputes and some are recent events. The paper analyzes the key sources of these disputes, some from conflicts between national laws and the WTO rules, some from special interest groups' protection of their self interests, and some from special treatments for the less-developing countries. The paper shows that the WTO rulings are often met with delayed implementation or non-implementation on one pretext or another, particularly by the majors. It cautions that such outcomes could undermine the future effectiveness of the WTO.¹

The General Agreement on Tariffs and Trade (GATT)

At the end of World War II, many nations wanted to form the International Trade Organization (ITO) to promote multilateral trade agreements in order to prevent the recurrence of economic depressions like that of the 1930s. These nations signed the General Agreement on Tariffs and Trade (GATT) in 1947 as a temporary measure until all member governments ratified the ITO. Unfortunately, the ITO did not come into being since the U.S. Congress refused to ratify it. The GATT, however, did not require congressional approval since it is neither an institution nor an organization, but is merely an agreement under the provisions of the Reciprocal Trade Act of 1934. It began its provisional existence on 1 January 1948 when 23 contracting parties (technically not members) signed the agreement. The U.S. initiated negotiations with other contracting parties to regulate 45,000 tariff rates and also participated in many rounds of multilateral tariff reductions.

Although the GATT did not have the authority to enforce its rules, it nonetheless conducted several rounds of trade negotiations on tariffs and other trade barriers. In the half century following the initial 1947 GATT agreement, eight rounds of GATT trade negotiations reduced the average tariff on industrial products from roughly 40% to 3.8%, and world trade volume grew fourteen fold. As a result, tariffs as a barrier to trade have become less significant than nontariff barriers.

The eighth round of GATT talk, the Uruguay round, took eight years to negotiate between 1986 and 1994, and broke substantial new grounds than the combined previous rounds of multilateral negotiations. It concluded with 123 nations agreeing to create the WTO. The WTO is a legal organization that is permanent and has a broader range of responsibilities than its subsumed GATT. It is an international institution responsible for settling world trade disputes and promoting further trade liberalization. Its membership has reached 153 members recently. The members do not have to be full sovereign nation-states, but they must be independent customs territories, such as Hong Kong. Currently, there are 30 observer governments that are not yet members.²

The WTO established a set of agreements that contains 558 pages of legal documents and some 25,000 pages of individual tariff rates and other concessions. This set of agreements includes both the new agreements in the Uruguay round and the original GATT ("GATT 1947") that had been amended through various rounds of previous negotiations.

WTO's Dispute Settlement Procedure

The dispute settlement procedure is the most important function of the WTO. When a member state finds its trading partner(s) violates the WTO rules, it must follow its dispute settlement procedure to seek remediation. This prevents unilateral action of one member against other members and provides an enforcing power for the harmed complainant to seek compensation from the rule violators. The WTO, however, encourages the involved parties to settle their dispute themselves at any stage. The detailed rules and procedures are contained in Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU). The DSU is praised for enhancing the stability and fairness of the world trading system.

If, after the initial 60 days of consultations and mediation, no voluntary settlement is reached, then the complainant state can request the setup of a dispute settlement panel, which normally consists of three ad hoc members that are appointed by the Secretariat. In six months, the panel files its report, first to the involved parties, and two weeks later to all other WTO members. If there is no appeal, then within 60 days, the Dispute Settlement Body (DSB) shall adopt the report, unless it decides by consensus not to do so or a party to the dispute decides to appeal. The whole process without appeal takes about one year to obtain a decision.

An appeal is made to a standing Appellate Body which only considers issues of law and the panel's legal interpretations. Within 30 days of receiving the Appellate Body's report, the DSB shall either adopt or reject it by consensus. The involved parties must unconditionally accept the rulings and remedial recommendations.

The respondent state must then comply immediately with the recommendations and rulings. If it feels impracticable to do so immediately, then within thirty days of the final report, it must inform the DSB of its reasonable compliance time. However, if the complainant state disagrees, the issue will then be settled by binding arbitration. If the remedial measures taken by the respondent state are not satisfactory to the complainant state, the disagreement shall be decided, if possible, by the same panel that heard the original dispute. There will be no further possibility of appeal.

Finally, if later a respondent state fails to carry out satisfactory remedial measures within the agreed-upon time, it may negotiate with the complaining state for mutually acceptable compensation. However, if no agreement can be reached within 20 days of the remedial period, the complainant state may request authorization from the DSB to suspend its concessions and other obligations previously made to the respondent state under the covered agreements. Unless the DSB decides by consensus to reject the request, it shall grant the authorization within 30 days of the remedial period and shall set the criteria for retaliation. If the respondent state objects to the level of the retaliation measures, another arbitration is provided for, if possible, by the original panel members, or by an arbitrator or arbitrators appointed by the Director-General. The arbitration must be completed within 60 days from expiration of the remedial period.

The DSU calls for special considerations to the problems and interest of developing countries. If a developing country is one party to a dispute, it is entitled to have at least one panelist who is from a developing country. If it is a respondent party, the initial consultation time before a panel is convened may be extended, and the deadline for it to make its document submission to a panel may be relaxed. Further, formal complaints against the least developed countries are discouraged. If consultations fail, the Director-General or the Chairman of the DSB shall offer top-level mediation for settlement before a request for a panel is made.

NAFTA's Unique Dispute Settlement System

NAFTA was signed by three member states—the U.S., Canada, and Mexico. It was an expansion of the 1989 U.S.-Canada Free Trade Agreement and went into effect on 1 January 1994. NAFTA immediately eliminated duties on half of all U.S. goods

shipped to Mexico and Canada, and gradually phased out other tariffs over a 14 year period. It provided enhanced protection of intellectual property rights and removed a great deal of investment restrictions among member countries.

NAFTA has a unique dispute settlement system. Chapter 19 of NAFTA subjects antidumping and countervailing duty determinations to binational panel reviews instead of the more conventional judicial reviews. In the U.S., the reviews of agency decisions on the imposition of these duties are normally heard before the U.S. Court of International Trade. NAFTA parties, however, have the option of appealing the decisions to binational panels, composed of five citizens from the two involved countries. Decisions by Chapter 19 panels can be challenged before a NAFTA Extraordinary Challenge Committee. Such a committee, however, does not function as an ordinary appeal—it will only vacate or remand a decision if it involves a significant and material error that threatens the integrity of the NAFTA dispute settlement system.

Some Notable Trade Disputes

As of April 2009, the WTO has handled over 390 disputes since 1995. So far this year it has taken on three cases: Canada's complaint about Korean limits on beef imports, Guatemala's challenge against China on export subsidies, and the U.S.'s complaint against the EU over poultry. A striking recent pattern is the steady decline in case filings over time. In the first five years since WTO's arrival, there were 185 dispute cases filed. In the next five years, from 2000 to 2004, the cases decreased to 141, and from 2004 to April 2009, the cases further decreased to 67.

The NAFTA has had a number of dispute cases among its members. There are three so far in 2009, involving hydrogen peroxide and two steel trade issues. It also produced a Mexican retaliation against the U.S as a result of recent U.S. Congressional decision to block Mexican trucks from U.S. roads that effectively withdrew a negotiated settlement to Mexico's 2001 case victory. Mexico has responded by re-imposing pre-1993 tariffs on \$2.4 billion worth of American exports on farm products and light-manufacture goods. Total U.S. exports to Mexico in 2008 were \$151 billion. In what follows, we selectively discuss a number of notable trade dispute cases.

United States vs. Canada: Softwood Lumber

- The Disputes

For almost 25 years, the United States and Canada have been engaged in a series of trade disputes over Canadian softwood products (notably lumber, flooring, and siding derived from coniferous wood). The U.S. has argued that because non-maritime provincial governments in Canada own much of the timber lands and charge private firms arbitrary extraction rents (stumpage fees) that are less than those through competitive bidding, it amounts to a subsidy that needs to be offset by countervailing duties. Interested Canadian parties and government officials have countered that because stumpage programs are universal and not confined to one particular industry, the policy cannot be classified as a subsidy under the U.S. law.

- Early Phases

From early 1980's to November 2006, the dispute went through several phases. The first occurred in 1982 when American lumber companies petitioned the Department of Commerce (DOC) for countervailing duties. Their request was denied because the DOC, like the Canadians, failed to see how the non-discriminatory stumpage system could be countervailed if not lawfully considered an industry-specific subsidy. Instead of appealing, the lumber lobby re-submitted its petition in 1986 and as a result sparked a second phase of debate. This time the petition was accepted by the DOC after they concluded that the Canadian softwood industry, in particular, was benefiting from the equivalent of a 15% subsidy. Fearing the loss of revenue from a punitive duty, Canada negotiated a Memorandum of Understanding (MOU) with the U.S. that required Canada to impose a 15% export tax and to gradually transfer stumpage management costs to private firms.

In 1991, Canada withdrew from the MOU claiming that the agreement was no longer necessary. The U.S. DOC disagreed and self-initiated a countervailing duty investigation which ultimately resulted in the implementation of a 6.51% ad valorem tax on Canadian lumber imports.³ In response, Canada brought the issue before a binational dispute resolution body of the newly formed Canada-US Free Trade Agreement. The body, consisting of three Canadians and two Americans, voted along national lines and ruled against the U.S. because of a lack of evidence. Shortly thereafter the United States Trade Representative (USTR) took the case to the Extraordinary Challenge Committee (ECC) alleging, among other things, a conflict of interest involving two of the Canadian judges. In 1994 the ECC, also ruling on national lines, struck down the American challenge. Despite some early resistance, the U.S. eventually refunded all of the collected tariff revenue and in 1996 the two countries signed the Softwood Lumber Agreement which restricted the volume of Canadian lumber exports for the ensuing five years.

- Recent Developments

Following the expiration of the Softwood Lumber Agreement in 2001, the American lumber industry asked the DOC to implement both countervailing duties and antidumping measures on imports of Canadian lumber. Later that year, preliminarily DOC investigations concluded that Canadian lumber imports should be subject to punitive duties. In addition, the United States International Trade Commission (ITC) ruled that subsidized Canadian lumber posed a serious threat to the American softwood industry. A final DOC determination in 2002 lowered the initial countervailing and antidumping rates to 18.79% and 8.43%, respectively.

Canada requested the DOC and ITC rulings be reviewed by NAFTA and the WTO. A multitude of contradictory findings and rulings ensued as each institution arrived at different opinions, sometimes even reversing their original conclusions. Notably, although the WTO initially agreed with NAFTA's judgment that Canadian lumber was not a threat to American domestic producers, and thus not susceptible to tariffs, it later annulled the decision and sided with the U.S. Consequently, the U.S. and Canada continued to battle verbally and legally over which body had jurisdiction and whether

Canada was entitled to billions of dollars in duty restitution.⁴

- Permanent or Temporary Resolution?

In April 2006, a tentative deal was reached between the two countries. It required the U.S. to return about 80% of the five billion dollars it had collected in tariff revenue. The Canadian obligations depend on the prevailing monthly price of lumber. If the price is above \$355 per thousand measured board feet (MBF), Canadian lumber exports are unrestricted, but if the price is below \$355 per MBF, each Canadian exporting region must impose either an export tax with a soft volume cap, or a lower export tax with a hard volume cap, or “volume restraint.”⁵

On 12 September 2006, the two countries signed a comprehensive Softwood Lumber Agreement under Article 3.6 of the DSU covering the dispute cases DS236, DS247, DS257, DS264, DS277 and DS311. This agreement carries a term of seven years.

In August 2007, the USTR announced that the U.S. will initiate arbitration proceedings under the 2006 Softwood Lumber Agreement to compel Canada to live up to its obligations.⁶ In February 2008, the London Court of International Arbitration tribunal agreed with the U.S. that Canada failed to properly adjust export volumes from its eastern provinces for the period January through June 2007 but no volume adjustments were required for its western provinces. It ruled that Canada must collect an additional 10% export charge on softwood lumber shipments from its eastern provinces until about \$54.8 million has been collected. Canada offered to tender a payment of \$36.66 million, but was rejected. Because Canada did not take the required remedial actions by the 28 March 2009 deadline, the U.S. has announced that starting 15 April 2009, it will collect a 10% import duty on certain softwood lumber products from the Canadian provinces of Ontario, Quebec, Manitoba and Saskatchewan until it has collected \$54.8 million.⁷

In January, 2008, Canada created a C\$1 billion fund to assist its forest industry. In response, the U.S. initiated another arbitration proceeding, charging that certain Canadian programs for softwood lumber producers, including grants, loans, loan guarantees and tax credits and other forest management programs are in violation of the Softwood Lumber Agreement. The tribunal has yet to render its ruling.⁸

Brazil vs. United States: Cotton

- The Dispute

In the cotton market, the U.S. is the largest exporter and the second largest producer in the world while Brazil is the fifth largest producer. Since 2002, Brazil has taken a number of steps to halt American cotton subsidies which it claims violating the WTO rules. It charged that the subsidies caused the world cotton prices to fall below fair market values and thus hindered the growth of Brazilian firms. The U.S. contended that government payments to cotton farmers should not be classified as an unfair trade practice because they did not exceed WTO mandated subsidy thresholds.

- Early Phases

In 2002, Brazil formally acted on its displeasure with U.S. cotton subsidies by requesting WTO consultations (WTO DS267). After three unsuccessful meetings between the two nations, Brazil petitioned the WTO for the formation of a DSB panel. As with most first time DSB panel requests, the defendant, in this case the U.S., blocked the proceedings in accordance with the WTO rule. Brazil's subsequent petition for the establishment of a dispute settlement panel was automatically approved by the DSB in March 2003. The panel's final determination came a year and a half later and found the U.S. guilty of:

- a. exceeding WTO allotted subsidy levels;
- b. giving direct payments to farmers—a program that is not exempt from WTO reduction commitments because it could not be verified as completely independent income support;
- c. using export guarantees that are essentially export subsidies; and basing its domestic support measures on market conditions, thus increasing supplies and lowering prices, ultimately resulting in “serious prejudice” to Brazil.⁹

Clearly the DSB decision was a significant loss for the U.S. cotton industry but also potentially for other American agricultural firms. The U.S. immediately appealed, but in March 2005, the appellate panel upheld the previous ruling. Soon after, the U.S. Secretary of Agriculture announced that he was sending Congress a draft of policy changes that would eliminate or alter the programs prohibited by the WTO. Encouraged by the U.S.'s preliminary effort to comply with the WTO ruling, Brazil temporarily suspended all punitive actions, such as retaliatory tariffs.

In response, the U.S. dropped the “Step 2” cotton subsidy which guaranteed cotton exporters an artificial domestic price and also guaranteed U.S. mill users the lower international price. The U.S. refused further changes despite losing appeals on the other subsidies.

- Recent Developments

Citing failure by the U.S. to remove cotton subsidies previously declared illegal by the WTO, Brazil in early September 2006 requested the WTO's formal investigation of American compliance. Once again this first petition was blocked by the U.S. but Brazil launched a second successful attempt. The U.S. claimed it had sufficiently amended its policies, and therefore, there was no basis for an investigation.¹⁰

The WTO confirmed in 2007 that the U.S. failed to bring its cotton subsidies into compliance with an earlier ruling and required the U.S. to make an 82% cut in trade distorting subsidies to American farmers. The U.S. rejected the cuts. Subsequently, in the same year, a WTO compliance panel concluded that the U.S. had not adequately changed its cotton support measures to fully comply with its obligations under the WTO rules.

The U.S. appealed the ruling in February 2008, but was unsuccessful. On 25 August 2008, Brazil requested that the arbitration proceedings be resumed. The final arbitration results are still pending.¹¹ Previously, Brazil had requested authorization to impose \$3 billion worth of sanctions. Its officials have indicated that they are likely to pursue a smaller claim by taking into account some remedial actions the U.S. has taken, which include repealing the Step 2 subsidy program and reforming three export credit guarantee programs. Aside from using import tariffs against the U.S., Brazil has also threatened to withdraw certain intellectual property rights and services commitments.

United States vs. European Union: Boeing and Airbus

- The Dispute

Boeing and Airbus are an international duopoly in the production of civil aircrafts. With the help of heavy European government subsidies in its early years, Airbus has turned around and emerged as a fierce competitor of Boeing. In recent years, Airbus has captured about half of the market. Considering this industry's massive research and development costs, very large workforce with production facilities scattered across the globe, there are a multitude of protection incentives for the concerned governments.

Both the U.S. and the EU have accused each other of granting subsidies and special benefits to their firms in violation of the WTO rules.

- Early Phases

Quarrels over aircraft subvention started to receive attention in the mid-1980s when the U.S. entered trade talks with Britain, France, and West Germany with the hope of reducing European sales and production subsidies. The U.S. claimed that subsidies to Airbus violated the GATT 1979 agreement on civil aircraft, while the Europeans argued that Boeing benefited from both government tax breaks and research funding. Negotiations went on for years, but in 1992, shortly after the U.S. threats to formally issue a complaint with the GATT, the U.S. and the European Community (EC) reached an agreement. The accord, which would last approximately ten years, stipulated that the EC limit Airbus production subsidies to one-third of development costs and that the U.S. cap indirect aid to Boeing at 4% of the company's total revenue.

- Recent Developments

In the summer of 2004 the U.S. told the EU that it wanted Airbus production subsidies removed, arguing that the 1992 treaty had expired and was no longer valid. Furthermore, the U.S. warned that if the EU did not comply, the issue would be referred to the WTO. Some observers attributed the U.S. policy change to Boeing's loss of market share, the pending completion of the massive Airbus A-380 jumbo jet, and the upcoming American presidential election. The U.S. and the EU each requested consultations with the WTO in October 2004, and after months of unsuccessful bilateral negotiations, the WTO eventually established multiple DSB panels to investigate a variety of claims. Similar to previous disputes, the U.S. asserts that the production subsidies provided to Airbus are unfair under the WTO rules, while the EU contends

that the U.S. indirectly supports Boeing through tax breaks and exclusive aerospace research contracts.

Citing the extreme complexity of the issue, multiple complaints, and the number of parties involved, the WTO announced in April 2006 that it does not expect the panels to arrive at any conclusions soon. On 11 July 2008, the Panel informed the DSB that it now expects to complete its work in 2009.¹²

United States vs. Brazil: Concentrated Orange Juice

- The Dispute

Brazil is the largest producer of orange juice in the world and is also the largest exporter while the U.S. is the world's largest importer. Due to geographic and climate differences, Brazil's harvest season occurs three months earlier than the U.S. Trade in orange juice eases seasonal shortage in the U.S.

Conflict over Brazilian concentrated orange juice exports to the U.S. began a little more than 25 years ago and continues to this day. The U.S. contends that Brazilian firms sell orange juice in American markets at less than fair value (LTFV) and that the Brazilian government subsidizes its industry through, among other things, child labor and tax rebates.¹³ Brazil denies these charges and claims that the U.S. tariffs are unwarranted and disproportionate to the alleged injuries.

- Early Phases

After a series of frosts devastated the Florida citrus industry in the late 1970s and early 1980s, the volume of cheap imported Brazilian concentrated orange juice soared to compensate for the decline in the U.S. production. Between 1977 and 1981, imports jumped from 16 million gallons per year to 89 million gallons. Florida orange juice firms, fearing their own viability, petitioned the DOC and the ITC for countervailing duties in 1982. The plaintiffs claimed that Brazilian concentrated orange juice firms unfairly benefited from low interest rates, tax rebates, etc. A year later, the DOC reached an agreement with the Brazilian government which resulted in an export tax on Brazilian firms in addition to a U.S. countervailing duty already in place.

In 1986, a consortium of Florida citrus growers again filed a complaint with the DOC and the ITC. However, this time they sought antidumping duties on Brazilian concentrated orange juice. The American firms argued that Brazilian exports were being sold for LTFV and were designed to wipe out an already crippled industry. Soon after, the DOC ruled in favor of the American firms and implemented antidumping duties ranging from 1 to 8%. By 1995 all taxes on Brazilian orange juice imports had gone up to about 50%.

- Recent Developments

In the mid-1990s, with talks of NAFTA expansion into a Free Trade Area of the Americas (FTAA), the reduction of agricultural subsidies and the reduction of U.S. tariffs on Brazilian orange juice looked promising. Yet as the talk on FTAA broke down on a number of fronts, it became clear that the orange juice dispute was far from over. In 2002 Brazil requested a WTO review of Florida's "equalizing excise tax" on grounds that it was an unfair protection. The two parties later informed the WTO that they had reached a mutually agreed upon solution. But in the fall of 2003 the DOC and ITC initiated yet another dumping probe despite finding no evidence of injury in their preliminary investigations.

In February 2006, the final determination of the DOC and ITC overturned their earlier decisions and firm-specific antidumping measures ranging from almost 10% to a whopping 60% were imposed.¹⁴ Tropicana Products, Inc., a respondent, appealed the case to the U.S. Court of International Trade (CIT) which, in April 2007, remanded the case to the ITC for re-examination. On remand, the ITC upheld its injury determination.

In November 2008, Brazil requested a WTO consultation on U.S.'s anti-dumping administrative reviews and other measures related to imports of certain orange juice from Brazil.¹⁵ It charges that some measures of U.S. laws, regulations, procedures, practices and methodologies on the orange juice issue are inconsistent with the WTO rules. A dispute settlement panel has yet to be established.

United States vs. Brazil, China, Ecuador, India, Thailand, and Vietnam: Shrimp

- The Dispute

Since the late 1990s, the United States has accused a number of Asian and Latin American nations, most notably Thailand, Brazil, Ecuador, China, Vietnam, and India of dumping shrimp onto the American market at LTFV. In addition, the U.S. alleges that the shrimp industries in many of these countries are subsidized by their governments. All of these nations refuted these claims and argued that the U.S. was merely protecting an inefficient domestic industry that could not compete with large foreign shrimp farms.

- Early Phases

Rumblings that U.S. shrimpers were about to petition the DOC for antidumping measures on shrimp imports began in 1998. The movement had gained momentum a few years prior as American demand soared and domestic suppliers struggled to compete with ever increasing cheap foreign imports. At the time, there were more than 50 countries and their exports of shrimp were more than twice the amount of shrimp caught in the U.S. Those in favor of tariffs claimed that the foreign firms were guilty of dumping, while some American detractors and the accused parties asserted that foreign shrimp farms had a comparative advantage over the American industry which relied solely on what could be caught in the Gulf of Mexico. The U.S. shrimpers started exploring legal actions against the foreign producers. In December 2003, the Southern Shrimp Alliance's law firm, Dewey Ballantine LLP, delivered 148,800 pages of petitions and supporting documents in two vans to the DOC and the ITC, charging dumping from foreign producers in Brazil, China, Ecuador, India, Thailand, and Vietnam.¹⁶

- Recent Developments

In December 2004, the ITC released its final determinations. It found that firms from all six countries were guilty of dumping warm water shrimp and prawns, despite a few contradictory preliminary rulings. But it also concluded that industries in the U.S. producing canned warm water shrimp and prawns were not materially injured or threatened by imports from China, Thailand, and Vietnam even though they were sold in the U.S. at LTFV, and such imports from Brazil, Ecuador, and India were negligible. Dumping margins and subsequent antidumping tariffs on imports of warm water shrimp and prawns were installed in February 2005, which ranged from 3.5% to more than 100% depending on the originating country and firm.¹⁷

The accused nations and other concerned states had formally requested either consultation with the U.S. under the auspices of the WTO or through DSB panels regarding this issue. In November 2005, Ecuador requested consultations with the U.S. concerning DOC's practice of "zeroing."¹⁸ The WTO ruled in favor of Ecuador. The U.S. agreed to recalculate the dumping margin without zeroing. As a result, it found that Ecuador did not commit dumping.

The U.S. shrimpers wanted even more. On the first anniversary of the shrimp tariffs in February 2006, the Southern Shrimp Alliance filed a sweeping review request, citing some 800 foreign producers and processors. This action spooked more than 100 foreign shrimp suppliers into paying millions of dollars to the Alliance in return for dropping the action.¹⁹ On the tariff's second anniversary in February 2007, the Alliance requested the U.S. government for another broad tariff review. But this time new shrimper factions joined the act, wanting a piece of the action. A group representing shrimpers and processors, the Louisiana Shrimp Association, filed its own review request, claiming that it did not get a dime from the Alliance. Meanwhile, the state of Louisiana, which provided earlier funding to the Alliance, has also made inquiries about the Alliance's finances and whether it should receive a share of the pie.

In 2005, the U.S. required exporters at risk of defaulting on the payment of anti-dumping duties to post a bond covering the full amount. Indian exporters deemed such a measure unreasonable by arguing that it resulted in an excessive financial burden on the exporters. India and Thailand both requested consultations with the U.S. in 2006 over the measure and requested establishing WTO panels to resolve the disputes. A dispute settlement panel ruled in February 2008 that the U.S. measure violated the WTO rules that prohibit importers from imposing policies other than extra duties to counter dumping (Lynn 2008).

Ecuador, Colombia and U.S. vs. EU: Bananas

Since the 1990s, several Latin American banana producers and the U.S. have clashed with the EU over its system for granting preferential market access to bananas from its former colonies in African, Caribbean and Pacific (ACP) countries.²⁰ Countries such as Ecuador, Colombia, and the U.S. (which intervened on behalf of the U.S. banana exporters such as Chiquita) have won a series of cases contending that EU's tariffs, quotas and import licenses discriminated against Latin American banana exporters.²¹

In 1997, the WTO Appellate Body ordered the EU to modify its banana import regime. Two years later, the WTO further ruled that Brussels' reforms had still not gone far enough, and that the U.S. was authorized to retaliate against the EU. After negotiations with Ecuador and the U.S. in 2001, an agreement was reached that maintained the EU's preferences for ACP exports until the end of 2005, and reformed the EU's tariff-rate quota (TRQ) to a 'tariff-only regime,' which would at least maintain total market access for Most Favored Nation (MFN) banana suppliers who did not have the benefit of preferences.²²

EU's new tariff levels were later challenged by Ecuador and the U.S. Two separate WTO arbitrations both confirmed that the new rates were too high to pass the total market access test. The EU nonetheless implemented a new banana import regime at the beginning of 2006 without agreements from the affected countries. The new regime carried an MFN tariff rate of EUR176 per tonne, and accorded a 750,000 tonne duty-free quota for the ACP countries, beyond which the MFN rate began to apply.²³

Ecuador believed that EU's new import regime was still not in compliance with the 1997 rulings and requested a new consultation on 16 November 2006. Specifically, it argued that the new MFN tariff rate of EUR176 per tonne far exceeded the EUR75 per tonne in-quota MFN rate formally bound in the EU's own schedule of commitments to the WTO. The EU countered that import volumes for MFN bananas originating from Latin America as a whole rose 8.2% in 2006.²⁴ Under the new tariff regime, the share of Latin American bananas in the EU market had actually declined.

On 21 March 2007, Colombia requested consultations with the EU concerning the compliance of EU's new tariff regime with the WTO rulings. It charged that EU's new banana import regime is inconsistent with the GATT 1994 for the following reasons:

1. *“The MFN tariff rate of EUR176/tonne is inconsistent with Article II:1 because it exceeds the duties set forth in the EC's Schedule of Concessions;*
2. *Only ACP bananas benefit from the application of a zero tariff, which is inconsistent with Article I:1. This inconsistency cannot be justified under the Article I “Doha Waiver” as that waiver ceased to apply to bananas as of 1 January 2006 because the EC no longer observes the terms and conditions of that waiver, in particular because the EC has failed to rebind its import tariff on bananas and at a level that results in at least maintaining total market access for MFN banana suppliers, taking into account all EC WTO market-access commitments;*
3. *The application of the ACP TRQ entails discrimination between ACP bananas and MFN bananas, which is inconsistent with various provisions of Article XIII. Moreover, this inconsistency cannot be justified under the Article XIII ‘Doha Waiver’ since that waiver expired on 31 December 2005 and has not been extended.”²⁵*

Since Colombia was not a party to Ecuador's past panel cases, it was not able to retaliate against the EU even if Ecuador would win its new complaint. The two cases are very similar, but Ecuador's case is on EU's noncompliance with the WTO's earlier rulings while Colombia's case includes more specific and up-to-date charges on violations of the WTO provisions. Colombia was also seeking to subject its case to

accelerated procedures, arguing that the product at issue was perishable, and as a developing country, it depended heavily on its exports of bananas.²⁶ As of this writing, the WTO has not yet issued its report and Columbia has not requested the establishment of a DSB panel.

On 29 June 2007, the U.S. requested the establishment of a WTO panel charging that the EC had failed to bring its import regime for bananas into compliance with its WTO obligations. In July 2007, the DSB referred the matter to the original panel. In April 2008, a second WTO panel ruled in favor of Ecuador's complaint. Also, in December 2008, a WTO Appellate Body upheld an earlier panel decision that the EU banana import regime violated the WTO rules. These decisions could pave the way for Ecuador and the U.S. to impose trade sanctions against the EU. In an earlier phase of this long-running case, the U.S. imposed sanctions against EU's exports in the amount of \$191.4 million a year for several years.

In February 2009, the EU reportedly offered to lower its 176 per metric tonne MFN banana tariff with the following schedule: immediate reduction to 136 per tonne, then three-year frozen rate at 136 starting 2 January 2011, and then followed by gradual reductions to 114 per tonne by 2019. The offer demanded in return a definitive end to WTO litigations and an understanding that the EU would have fulfilled all of its obligations even under an eventual Doha Round agreement. Ecuador appears to be willing to accept the offer, but Costa Rica, banking on signing a comprehensive Central America-EU deal in January 2010—which could further lower the tariff—has so far refused to accept.²⁷

The EU and the U.S. vs. India: Wines & Spirits Tariffs

In March 2006, the EU sought the establishment of a WTO dispute panel to rule on alleged India's excessive tariffs on wines and spirits imports, after the EU failed to resolve the dispute in prior consultations with India. It argued that various duties on wines and spirits imports resulted in a combined rate far exceeding the maximum 150% duty set out in India's WTO tariff schedule. The EU also challenged India's violation of a WTO rule by forbidding the sale of imported wines and spirits in the southern Indian state of Tamil Nadu, where only Indian-made wines and spirits could be sold.

According to the EU, India applied, on top of the ordinary customs duties of 100% for wines and 150% for spirits, additional duties on imported wines at rates of 20 to 75% and on imported spirits at rates of 25 to 150%. In addition, India also applied an "extra additional duty" on imported wines and spirits at a rate of 4%. A foreign spirit or wine having a declared value of \$40 would cost consumers at least \$120 for spirits and nearly \$85 for wines. For a spirit with a declared value of \$10, the duties would have pushed up the final price by a hefty 550%. As a result, India, the world's largest whiskey market, only imported 15% of wines and less than 1% of spirits.

On 13 July 2007, the EU suspended its WTO challenge due to New Delhi's decision to eliminate some duties on wine and spirits imports. However, the EU was still unsatisfied with India's progress and announced, in December 2007, that it would press ahead for a panel ruling.²⁸

The U.S., following EU's lead, requested consultations with India in March 2007 regarding its tariff policy on wines and spirits. Shortly thereafter, the EU and Australia formally petitioned the WTO to join the proceedings. A DSB panel was established in June of that year after the parties failed to reach a mutual agreement. India argued that the additional and extra-additional duties were permitted because they simply offset certain internal taxes, such as value-added taxes. The DSB panel agreed with India, ruling that any import charges aimed at offsetting internal taxes need only serve the same function as the internal taxes but need not be equivalent in amount to those internal taxes. However, upon US's appeal, an Appellate Body in November 2008 reversed that decision and agreed with the U.S. that such import charges cannot result in higher amounts being charged to imports than to like domestic products. Some called the U.S. victory "largely moral" since India withdrew the additional duty and modified the extra-additional duty in 2007. In addition, the Appellate Body did not require India to bring its import duties in line with WTO rules because it lacked sufficient information to determine whether those duties were in fact illegally high.

Separately, on 22 September 2008, the EU requested for consultations with India. The EU claimed that some Indian states discriminate against imported wines and spirits by restricting their retail and wholesale distribution and also by granting tax exemption only to local wines. In October 2008, Australia and the U.S. requested to join the consultations, which were held in November 2008.²⁹ Subsequently, on 15 December 2008, the EU requested supplementary consultations with India regarding discriminatory taxation on imported bottled wines by the Indian state of Karnataka. On 23 December, 2008, the U.S. requested to join the supplementary consultations. A DSB panel has yet to be established.

Concluding Remarks

The GATT achieved a substantial liberalization of the world trade by reducing tariffs and other trade barriers. It, however, did not have the authority to enforce its rulings on trade disputes among member countries. On the contrary, the WTO is empowered with the authority to enforce its rulings by authorizing sanctions against the offending parties, thus forcing the eventual resolution of a trade dispute. We have seen many cases of trade disputes successfully resolved by the WTO. It has served the disciplinary role against the unjustified distortions to the world trade. With more and more cases settled under the WTO jurisdiction, the world is moving toward a better trading system.

We have shown that the disputes often were triggered by conflicts between national laws and the WTO rules. However, they were more often triggered by special interest groups seeking to protect their own interests. We have also shown that the WTO rulings were met with delayed implementation or non-implementation on one pretext or the other, particularly by the majors.³⁰ Prolonged non-resolution could undermine the future effectiveness of the WTO.

The rapid rise of preferential trading arrangements such as the free trade areas (FTAs) and the customs unions (CUs) can bypass some of the WTO obstacles. The NAFTA's unique system of dispute settlement can be a useful model for other trading blocs to emulate. There are still numerous trade-related issues remaining to be resolved.

They include, but not limited to, environmental issues, poverty, market stability, competition rules, agricultural subsidy, obstacles on services regulation, liberalization of domestic regulations that hinder international trade, product and labor market policies that prevent the realization of economies of scale and improvements in productivity, regulation of food safety and technical standards, and regulation of world financial markets. The current Doha round negotiations are aiming at several aspects of these issues. The world trading system, though vastly improved since the establishment of the GATT, is still far from perfect.

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¹For a complete list of the WTO cases, see its Chronological List of Disputes Cases (2009a) and Index of Disputes Issues (2009b).

²For the lists of members and observers, see WTO (2009c).

³For additional information on how the DOC proceeded in this case, see TED Case Studies (2009a).

⁴ For a comprehensive coverage on the issues, see Froese (2006) and WTO (2002) with other subsequent cases listed therein.

⁵ Regions adopting a soft volume cap, such as British Columbia, are also subject to a “surge”

mechanism. If its exports exceed the volume cap by more than one percent in a month, a

retroactive additional export tax must be imposed on all softwood exports from that region to

the U.S. during the month in question.

⁶See WorldTrade\Interactive (2007).

⁷See WorldTrade\Interactive (2009).

⁸See USTR (2008).

⁹For a detail analysis of the ruling, see Schnepf (2005).

¹⁰For additional information regarding actions taken by the U.S. in response to the WTO ruling, see Schnepf (2006).

¹¹See the latest update contained in the WTO DS267 originally published in WTO (2002).

¹²See the latest update contained in WTO (2007b) on DS353.

¹³For more information on child labor in this industry and others, see TED Cases Studies (2009b).

¹⁴For a detail analysis of recent ITC ruling on certain orange juice from Brazil, see ITC (2007).

¹⁵For detail, see WTO (2008b).

¹⁶See Hitt and Hookway (2007).

¹⁷For detail, see ITC (2005).

¹⁸Zeroing is a practice of determining the dumping margins by including only those imported goods whose “normal values” are higher than their selling prices in an importing country while excluding those goods in the opposite case. This practice has been argued by many as unfair and biased. For a further discuss of zeroing, see Chang (2008).

¹⁹According Hitt and Kookway (2007), a Vietnamese shrimp exporter, Can Tho Import Export Seafood Joint Stock Co., paid \$68,000 to the Alliance after getting hit with a 4.57% tariff in 2005. To fend off further tariffs, it agreed to pay the Alliance 1.5% of its U.S. shrimp sales in 2006. The payout was expected to rise to 3% over the ensuing three years.

²⁰The first legal challenge against the European Economic Community’s (EEC’s) discriminatory banana import arrangements in the GATT dispute settlement proceedings was launched by five Latin American banana producing countries (Colombia, Costa Rica, Guatemala, Nicaragua, and Venezuela). The first GATT Panel report issued in 1993 was never adopted and became irrelevant because the EEC had already decided to replace the national restrictions by a common import regime shortly after the report was issued.

²¹For a detailed discussion of the early periods of the banana trade disputes, see Patterson (2001).

²²For details of the agreement, see WTO (1996).

²³The previous in-quota tariff was EUR75 per tonne and over-quota rate was EUR680 per tonne.

²⁴See *BRIDGES Weekly Trade News Digest* (2006).

²⁵See WTO (2007c).

²⁶See *BRIDGES Weekly Trade News Digest* (2007).

²⁷See ICTSD (2009).

²⁸See Mercer (2007).

²⁹For further details, see Council of the EU General Secretariat (2009) and also WTO (2008a).

³⁰The WTO case on internet gambling brought by Antigua and Barbuda against the U.S. is another good example (Dispute DS285). A number of U.S. law makers were furious over the ruling against the U.S.’s banning on internet gambling, charging that the WTO’s ruling impinges upon U.S. national sovereignty. It is unlikely that the U.S. will abide by the ruling in the foreseeable future. With only \$21 million granted by the WTO to each plaintiff to apply sanctions annually against the U.S., the two winning, small, countries simply do not much power to force the U.S. to comply.

Employee Engagement – The only way ahead

Kakoli Sen*

Abstract

Worldwide Employee Engagement (EE) is on the decline today (Bates, 2004; Richman 2006). Roughly half of all Americans are not fully engaged or even disengaged and cost US businesses US\$ 300 billion a year in lost productivity (Bates, 2004; Johnson,2004). In India only about 34 % of the employees are fully engaged and the rest either partially engaged or completely disengaged (The global survey, 2008). With such low levels of employee engagement, managing Employee Engagement should be the top priority for Indian organizations today. It not only makes business sense, it is the only way to sustain and grow in today's changing environment. Building an engaged and loyal workforce today will help organizations weather the challenges of tomorrow. This article seeks to explore Employee engagement both from the academic and management perspectives, discuss the business sense for it and outline the implications for practice.

*Asst.Prof. (OB & HRM), Institute : IILM institute of Higher Education,Off.address :3,Lodhi Institutional Area, Lodhi Road, New Delhi 110003, Email: kakolix@yahoo.com

Introduction

“Employee Engagement” (EE) is a relatively new HR term which has gained prominence since 2000 onwards. It originated from the consultancies and survey houses (Rafferty et.al 2005) and worldwide several research and consultancy firms like Gallup organization, Development Dimensions International (DDI), Kenexa, Hewitt Associates, and McKinsey have conducted research on employee engagement, the recommendations of which are widely used by the International Business World. Gallup has patented its 12 item measure of EE, the Q12 scale.

Today it is a popular area of research in academia and a variety of definitions are available. Kahn (1990) first defined engagement at work as “the harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances.” In other words it is suggested that engagement means to be psychologically present when occupying and performing an organizational role. Rothbard (2001) also defines engagement as psychological presence at work but adds two critical components i.e. attention and absorption to it. While attention has been referred to as the “cognitive availability and the amount of time one spends thinking about a role”, absorption indicates “being engrossed in a role and refers to the intensity of one’s focus on a role.” Engagement has also been defined as emotional and intellectual commitment to the

organization (Baumruk, 2004; Richman, 2006; Shaw, 2005) or the amount of discretionary effort exhibited by employees in their jobs (Frank *et al.*, 2004). McCashland (1999) defined EE as “an emotional outcome to the employee resulting from the critical components of the workplace”. Miles (2001) described it as “intensively involving all employees in high engagement cascades that create understanding, dialogue, feedback and accountability, empower people to creatively align their subunits, teams and individual jobs with the major transformation of the whole enterprise”.

According to Maslach *et al.* (2001), engagement is characterized by energy, involvement, and efficacy. Schaufeli *et al.* (2002) define engagement “as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption.” Harter, Schmidt & Hayes (2002) described EE as the individual’s involvement and satisfaction with as well as enthusiasm for work. Engaged employees are thus said to have high levels of energy and are enthusiastic about their work and fully immersed in their work. Schaufeli *et al.* (2002) further state that EE is a “persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior”. Hence it is not a momentary and specific state.

According to Gibbons (2006) “employee engagement is a heightened emotional and intellectual connection that an employee has for his/her job, organization, manager, or co-workers that in turn influences him/her to apply additional discretionary effort to his/her work”. Tasker (2004) defines engagement as a beneficial two-way relationship where employees and employers “go the extra mile” for one another. Engaged employees are individuals, committed to the organization, who take action to improve business results for their organizations and who are willing to help out *colleagues*. Schmidt (2004) defines engagement as bringing satisfaction and commitment together. Schmidt also mentions that though both satisfaction and commitment are key components of engagement, individually none of them guarantee engagement. Ellis and Sorensen (2007) provide a two dimensional definition of engagement according to which an engaged employee is one “who knows what to do at work and wants to do the work” which means the employee has the right knowledge as well as the attitude and willingness to do the work. Global Human capital consulting firm Right Management (2006) defines true engagement as every person in the organization understanding and being committed to the success of the business strategy.

Meere (2005) describes three levels of engagement:

Engaged – Employees who work with passion and feel a profound connection with their organization. They drive innovation and move the organization forward.

Not Engaged – Employees who attend and participate at work but are time serving and put no passion or energy into their work

Disengaged – Employees who are unhappy at work and who act out their unhappiness at work, and also undermine their colleague’s work on a daily basis.

There are several definitions of Engagement found in management literature also. EE has been defined as “a positive two way relationship between employee and the

organization” where “both parties are aware of their own and the other’s needs and support each other to fulfill these needs. Engaged employees and their organizations go the extra mile and both reap mutual benefits (Daniel, 2004). Lanphear (2004) defines EE as “the bond, employees have with their organization, when employees really care about the business, they are more likely to go that extra mile.” Lloyds (2004) and MacDonald (2002) suggest that EE depends on offering empowerment and that jobs should fit employees’ interests. Buchanan (2004) suggests that there are two types of engagement, rational and emotional and that the latter is more important in determining performance.

*EE is sometimes viewed as a precursor to workplace productivity and sometimes as product of workplace variables. While some definitions (McCashland, 1999; Miles, 2001) suggest that EE is produced by aspects in the workplace, there are others that suggest EE is something that the individual brings to the workplace (Harter, Schmidt & Keyes, 2002; Goddard, 1999). EE has also been interchangeably used with commitment (McCashland, 1999); however Employee engagement is different from Organizational commitment. While Organizational Commitment refers to a person’s attitude and attachment towards the organization, engagement is the degree to which an individual is attentive and absorbed in the performance of his or her job roles. While commitment is a well established concept categorized as Normative, Affective or Continuance commitment (Mowday, Steers & Porter, 1979) employees can experience varying degrees of engagement and be Engaged, Not engaged and disengaged (Meere, 2005). Engagement also differs from job involvement. While job involvement is the result of a cognitive judgment about the need satisfying abilities of the job and is tied to one’s self-image May *et al.* (2004), engagement is about how individuals employ themselves in the performance of their job. Engagement may be looked at as a precursor to job involvement as individuals who experience deep engagement in their roles come to identify with their jobs. Engagement thus seems to be a combination of job satisfaction, organizational commitment and intention to stay.*

The business case for EE

Today there are new challenges like globalization of business, new age technology, an increasingly diverse workforce and increased market pressures to perform that the organizations are face to face with. To remain competitive, organizations will need to tap all the talents and motivations of all their employees. However employees also face an increasing pressure to produce more for less (Covey, 2004) with fewer resources (Buckingham & Coffman, 1999) and unclear expectations in an environment of low managerial support (Covey,2004). These demands increase employee stress, resulting in disengaged employees at the workplace (Cartwright & Homes, 2006; Harter, Schmidt & Hayes, 2002). In such a dynamic business environment it is extremely essential to have more and more engaged employees, those who believe in the organizational goals and are willing to go the extra mile to achieve the same.

It is generally believed that there is a connection between employee engagement and business results (Harter *et al.*, 2002). Employee engagement is said to be good for organizational success and financial performance (Baumruk, 2004; Richman, 2006). Engagement has been found to be related to job performance and extra-role behavior and also positively related to organizational commitment and negatively related to intention to quit, (Schaufeli and Bakker, 2004; Sonnentag, 2003). Engagement is said to trigger an upward spiral and lead to higher levels of self-efficacy over time (Salanova *et al.* 2006). According to Bakker (2008) there are at least four reasons why engaged workers perform better than non-engaged workers. Engaged employees often experience positive emotions, including happiness, joy, and enthusiasm; experience better health; create their own job and personal resources; and transfer their engagement to others. A goal-directed behavior is facilitated when people are engaged in their work because they have the energy (can do) and the motivation (want to do) to undertake action (Bakker, 2008). This helps them not only achieve better performance but also increase their chances for a better career development. Kahn (1992) proposed that engagement leads to both quality in individual outcomes as well as growth and productivity of organizations. Engaged employees are likely to be more attached to their organizations and will have a lower tendency to leave their organization. Recent research has shown that engaged employees often experience positive emotions (Schaufeli and Van Rhenen, 2006), and this may be the reason why they are more productive. Happy people are more sensitive to opportunities at work, more outgoing and helpful to others, and more confident and optimistic (Cropanzano and Wright, 2001).

Drivers of EE

While there are many individual and organizational factors that determine whether and to what extent employees become engaged, there is no definitive all-purpose list of engagement drivers. While most of the organizations try to manage employee retention and motivation by increasing salaries and benefits, by providing cash incentives etc., it is important to remember that people have very individual motivations, often in complex combinations and motivation and retention are not necessarily best or exclusively managed with cash inducements. Robinson et al (2004), stresses the importance of ‘feeling valued and involved’ by an employee as a key driver of engagement. There are a number of elements that have a varying influence on the extent to which the employee will feel valued and involved and hence engaged. Figure 1.1, based on a diagnostic model in Robinson et al (2004), illustrates the drivers of engagement in increasing order of importance.

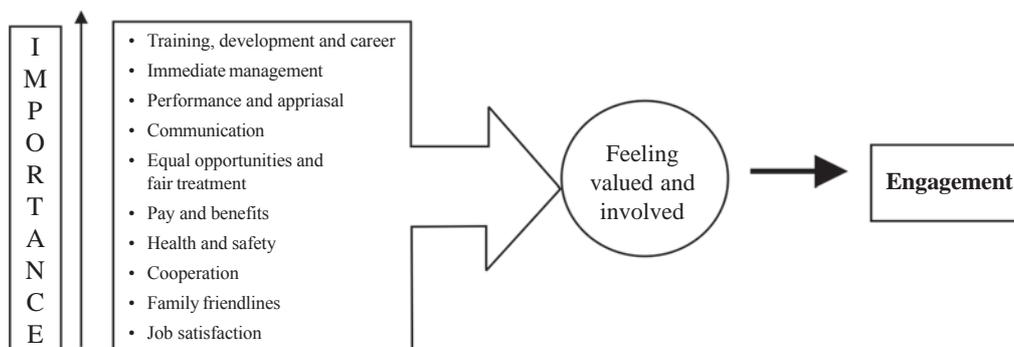


Figure 1 : Robinson et al (2004) model of the drivers of employee engagement

Pech.R.J. (2009) suggests that a sense of trust between employees and their managers as well as a sense of personal control are the key determinants for employee engagement. The organizational culture must communicate trust & the process must start from the top of the organization. Pritchard (2008) suggests that at different stages employees differ in their needs and levels of engagement – from being a potential employee to becoming an ex-employee, and every step along the way. Srivastava & Bhatnagar (2008) opine that employees feel engaged when they find personal meaning and motivation in their work, receive positive interpersonal support, and function in an efficient work environment. The authors also suggest that there should not be any gap between what workers aspire for, from the organization and what they actually get. This gap has the potential to lead to employee disengagement. Psychological meaningfulness can be achieved from task characteristics that provide challenging work, variety, allow the use of different skills, personal discretion, and the opportunity to make important contributions. Jobs that provide individuals with the room and incentive to bring more of themselves into their work will help in keeping them engaged (Kahn, 1992).

Welbourne (2007) suggests that there are five key roles that employees occupy at work: Core job holder role, entrepreneur or innovator role, team member role, career role and organizational member role. Firms stay ahead of the competition when they develop their human resources in a way that is not easily replicable by their competition. If a company values only the core job role and employees engage in behaviors exclusively associated with the core job, these jobs are very easy for the competitors to replicate. According to Gibbons (2006) the top drivers of employee engagement include trust and integrity for the employees on the part of the employer, nature of the job – the extent of employee participation and autonomy; the connection between individual and company performance – the extent to which employees understand the company’s objectives, current levels of performance, career growth opportunities & a clearly defined career path; pride about the company – the extent to which employees derive self-esteem from their work; attitudes and perspectives of coworkers towards their jobs and the company; employee development – the extent to which efforts are made to develop the employee’s skills; and personal relationship with one’s manager – the extent to which the employee values this relationship. While engagement levels can vary according to demographic and job related factors, Saks, M.A. (2006) suggests that many of the drivers of engagement will be common to all organizations, regardless of sector. Kahn (1990) reported that in addition to meaningful work, people vary in their engagement as a function of their perceptions of the benefits they receive from a role, a sense of return on investments can come from external rewards and recognition. Maslach *et al.* (2001) have also suggested that while a lack of rewards and recognition can lead to burnout, appropriate recognition and reward is important for engagement. Kahn (1990) found that supportive and trusting interpersonal relationships as well as supportive management promoted psychological safety. Supportive environments allow members to experiment and to try new things and even fail without fear of the consequences (Kahn, 1990). In other words, when employees believe that their organization is concerned about them and cares about their well-being, they are likely to respond by attempting to fulfill their obligations to the organization by becoming more engaged. First-line supervisors are also believed to be especially important for building engagement and also to be the root cause of employee disengagement (Bates, 2004; Frank *et al.*, 2004). Fairness and justice is also one of the work conditions according to Maslach *et al.* (2001) and positive perceptions of fairness can improve engagement.

The state of Employee engagement today

Employee Engagement is on the decline among employees worldwide today (Bates, 2004; Richman 2006). Bates (2004) & Johnson (2004) found that roughly half of all Americans are not fully engaged or even disengaged and cost US businesses US\$ 300 billion a year in lost productivity, while in UK it is US\$ 37.2 to 38.9 billion annually, in Japan, US\$ 232 billion annually. The global survey (2008) reveals that only about 34 % of the employees in India are fully engaged and the rest either partially engaged or

completely disengaged. Because of their being close to decision making, people higher up in the organizations rank higher in employee engagement, however there is a drop in the engagement level past the Vice President level. The survey also reveals a large disparity between the engagement levels of men and women, with men being 8 % more fully engaged and 6 % less disengaged than women. According to the survey, the top three factors influencing employee satisfaction were career development opportunities & training, more challenging work and more opportunities at doing what the employee does best. With such low levels of employee engagement, managing Employee Engagement should be the top priority for organizations today. It not only makes business sense, it is the only way to sustain and grow in today's changing environment.

Implications for practice

In the dynamic business environment of today, organizations will constantly need to evolve themselves not only in terms of strategic business development but also in strategic human development. Organizations today need people who are not just compliant employees who do the prescribed jobs but team members who are talented, who are creative, have new ideas and are committed to their work and the organization. Organizations will need to focus on employees' perceptions of the support they receive from their organization. Organizational programs and policies that address employees' needs and concerns and demonstrate caring and supportive environment are likely to motivate employees to reciprocate with higher levels of engagement.

Line managers play a major role in keeping their subordinates engaged. While line managers or immediate bosses are the reason why team members thrive in an organization, they are also the prime reason why employees quit their jobs. Majority of employees want their managers to give regular feedback on their performances, apprise them of mission importance and alignment with organizational goals, discuss emerging work trends, and help in career development. Managers need to understand the importance of social exchange for employee engagement. In particular, managers will need to provide employees with resources and benefits that will oblige them to reciprocate in kind with higher levels of engagement. However managers will also need to understand that employee engagement is a long-term and on-going process that requires continued interactions over time in order to generate obligations and a state of reciprocal interdependence (Cropanzano and Mitchell, 2005). Employee engagement should be looked at as a broad organizational and cultural strategy that involves all levels of the organization (Frank *et al.*, 2004), a series of actions and steps (Shaw, 2005) that require the input and involvement of organizational members (Robinson *et al.*, 2004), and consistent, continuous, and clear communications (Kress, 2005). Besides , each employee is different in his needs and aspirations and "one size fits all" approach will not be effective for employee engagement. Bearing this in mind organizations should adapt their practices to suit different employee needs and keep them engaged. Some of the practices that organizations can implement to increase employee engagement among their employees are to provide role clarity, job variety, share challenges &

strategies from time to time, encourage two ways communication, promote an open and caring environment, communicate openly and clearly about expectations from the employees, be involved in the employees development, celebrate individual, team and organizational successes on a sustained basis.

Conclusion

The workforce demographics have changed; people are more skilled, more knowledgeable and more mobile than ever. People actively seek jobs that would suit their personality, help them achieve their personal and professional goals in life. At work employees want to be informed about their performance. Lifetime employment has lost its meaning. Employee engagement is the byproduct of our economy's transition from an industrial base to a service and information base and engaging employees is an art and responsibility of management. While to sustain and grow in the multi growth opportunity market of today, it is imperative to have a diverse, talented and engaged workforce, it is important to remember that the talent market is also competitive *and the traditional "attract-retain" talent management strategy has become outdated.* Employees are likely to be motivated by a range of factors including non financial ones. This is particularly true of really talented people. *Engaging talented people thus needs to be a top organizational priority because they are quite likely to find another job if they do not derive satisfaction, purpose and sense of self-worth from their current jobs.*

Employee engagement is a new model of social contract between companies and their people. It means actively involving its own people in decision making and change management. Each employee needs to understand and believe in the mission statement of the organization and actively work towards its achievement. One should have the freedom to express and develop his ideas at work. Employers will benefit by having a flexible, committed and highly motivated pool of talent who have a strong sense of purpose about their work.

Building an engaged and loyal workforce today will help organizations weather the challenges of tomorrow (The Global survey,2008). Organizations that actively work towards employee engagement will fare better in terms of performance, staff retention, motivation and crucially, profitability. *It is important to regularly measure the most likely predictors of motivation and/or dissatisfaction among the employees and take active steps to develop engagement.* Organizations today need leaders who will transform those who follow them through inspiration of the mind, care of the heart, and acknowledgement of human emotions (Maccoby,2007).Such leaders *will develop an environment of identifying the right talent, providing a solid induction into the system, developing their workforce on an ongoing basis; encourage open communication and creativity, focus on individual career development and promote work-life balance. To summarize, enhancing employee engagement is a long-term proposition. Individuals are unlikely to become engaged because they are expected to. Engagement will occur naturally, when the conditions are right, when the leaders are inspiring, when individuals find the ideal place to apply their strengths and can actually see their growth in the organizational role they are in.*

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Expanding the Value Horizon:

HR: An enabler and facilitator to building Corporate Governance Practices

Dimple Grover

Abstract

The ongoing economic recession has once again pointed its glaring fingers at the difference between the book value and the market value of the firms. No more the focus of Corporate Governance (CG) lies on the size, composition, qualification and role of the board. Undergoing a paradigm shift the meaning and relevance of Corporate Governance has changed in the present context where intellectual assets are used for the competitive advantage. Managing intellectual assets and building the organizational culture has always been a prerogative of HR. HR which has been peripheral to the CG issues, is now back again in its seat. Having a more evolving and challenging role, HR has to take on onus and responsibility to act as an enabler to CG. This paper examines HR's role and investigates how it can make a meaningful and more strategic contribution to corporate governance within organizations. The paper also attempts to integrate HR's role in building good corporate governance practices in the firm.

Key Words: Human Resource, Intellectual Capital, Corporate Governance, Intellectual Assets, Comparative Advantage, strategic

*Assistant Professor at Jaypee Business School, Email: groverdimple@rediffmail.com.

Introduction:

Economic freedom has become a relative issue. An evident to this is the economic recession. Business competitiveness has touched its pinnacle binding countries, institutions, and people. Kenichi Ohmae (1990), "The nation – state itself – that artifact of the eighteenth and nineteenth centuries - has begun to crumble, battered by a pent storm of political resentment, ethnic prejudice, tribal hatred and religious animosity".

The crumbling of the economies have its underpinning in large corporate sectors leaving no stone unturned to accomplish their goal to earn revenue even at the cost of ethics and values.

However, the recent failures of the giant financial institutions like Lehman brothers, Goldman Sachs have forced the rules of the game have to be rewritten, though they may not be entirely new, yet their relevance has to be established in a new context. One of the key constituent is the employee – employer relationship. To become responsive to dynamic business environment, HR has taken on the onus of accelerating gears emphasizing redistribution of power, greater participation by individuals, and

team work. To understand the relationship between HR and governance, it is important to understand the principles of governance. Traditionally and historically, HR leaders have not taken upon an active role in terms of regulating governance issues, acting implicitly only. Explicitly they have only worked in the issue relating to compliance. Undergoing a paradigm shift HRM is assuming more dynamic role of integrating the business processes, aligning them with people processes within the company to build on effective organizational systems. Guest (1987) defining the key characteristic of HR laid emphasis on integration. This includes relating HRM strategy to corporate strategy, maintaining internal consistency in HRM practices and the integration of the employees' interest with those of organizations. This integration, ideally should involve interaction between micro politics, functional flexibility, and the role of HRM in pursuit of both, flexibility and integration. Governance, on the other hand hinges on the role of stakeholders, accountability, transparency, and disclosure, equitableness and fairness in principle.

The primary focus of this paper is to examine the role ascertained by HR in developing good corporate governance of the firms. This linkage gets established as HR takes on the strategic role while building its edifice on the traditional HR functions.

Human Resource Management

“The human resource of an organization constitutes its entire workforce. Human Resource department of an organization is responsible for selecting and inducing competent people, training them, facilitating and motivating to perform at the high levels of efficiency, and providing mechanisms to ensure that they maintain their affiliation with the organization” (Venkat et.al. ,2006).

Cascio (2003), defined, human resource management “getting everybody from the top of the organization to the bottom doing things to implement the strategy of the business effectively”. Both the definitions clearly earmark the role of human resource department as it engages in the building the human capital the most important source of any organization, though Cascio in his definition lays emphasis on involving all the employees across the verticals.

Till recent past HR department was blamed to sit in the AC rooms and building policies related to industrial relations and few process management. However, the employee – employer relationship in the recent past has undergone change but, as globalization took place, HR department could not sit back and had to assume a more responsible position as retaining of the talented employees became a herculean task. Not only that it also had to assist in aligning the internal processes and systems with the business (corporate strategy of the company. Linking and laying importance of HR's dynamic role with organizational performance, Pfeffer, 1998 identified a bundle of seven HR best practices - self-managed teams, selective hiring, compensation tied to organizational performance, employment security, information sharing, low status differences among employees, and extensive training, which stands true and valid in the present day context.

In response to the dynamic environment HR department now works in close association with all the other departments within and outside the organizations, thereby assuming a strategic role thus aligning itself with business/ corporate strategy. In simple words, it means to integrate decisions about people with the decisions of an organization to achieve performance, thus efficiency. Miles and Snow, 1984 defined Strategic Human Resource Management (SHRM) as ‘a human resource system that is tailored to the demands of the business strategy’ to ‘the pattern of planned human resource activities intended to enable an organization to achieve its goals’ (Wright and McMahan 1992). Thus, as evident SHRM builds a bridge between traditional human resource management activities within a firm’s overall strategic planning and execution. According to (Legnick-Hall & Legnick-Hall, 1988, “SHRM integrates human resource considerations with other physical, financial, and technological resources in the setting of goals and solving complex organizational problems. SHRM also emphasizes the implementation of a set of policies and practices that will build employee pool of skills, knowledge, and abilities (Jackon and Schuler 1995) that are relevant to organizational goals. Thus a larger variety and more complete set of solutions for solving organizational problems are provided and the likelihood that business goals of the organization will be attained is increased (Mechelin, 1996). Few of the benefits by implementing SHRM can be in terms of (i) scanning the environment and identifying the external opportunities and threats crucial to the company’s success, (ii) facilitating in building of mission and vision (iii) Recruiting, retaining and motivating people, (iv) ensuring addressal of people development issues (v) Awareness regarding the customer (vi) Ensuring high productivity (vii) building business surplus through competency.

Strategic HRM and HRM functions drive each other to attain the effectiveness of the organization. Both, interdependent on each other are key to any organization.

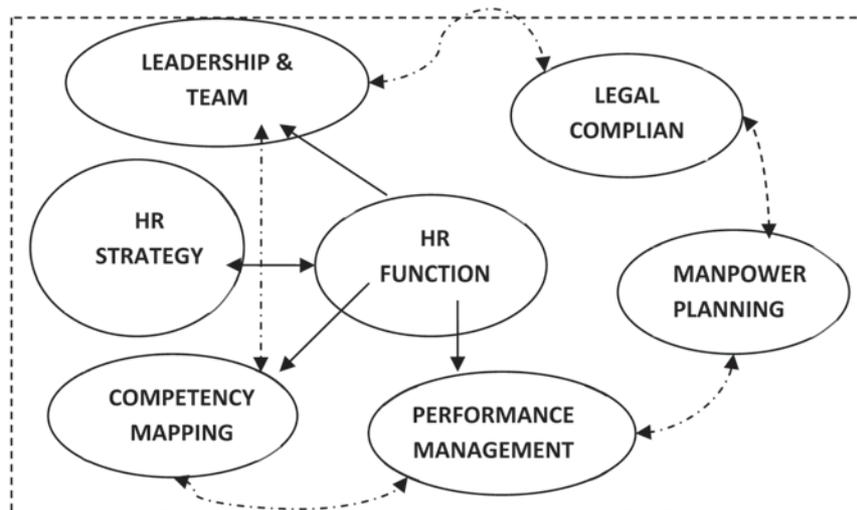


Figure 1: depicts the interdependency of various functions of HR and relationship between HR Strategy and HR functions.

· HR and Leadership Building

The greatest competitive advantage which a company can have is through effective leadership. In the present context, with companies moving in different countries, global leadership has become an integrative part of them. HR plays an important role in integrating the executive development process with corporate strategy.

· Manpower Planning

Manpower planning aims to maintain and improve the ability of the organization to achieve corporate objectives through the development of strategies designed to enhance the contribution of manpower at all times in the foreseeable future. According to Bowey (1977), “Manpower planning is a strategy for matching future manpower numbers and skills with organisational activities”.

· Performance Management

Performance Management is a record of outcomes produced on a specified job functions or activities during a specified time period. Evaluating and managing an individual’s performance is an inevitable part of organizational life. Everyone is consistently evaluated by his superiors, subordinates, peers and other associates of the organizations. The feedback given becomes important in terms of developing the individual. Performance Management is an integral part of a company’s HR activity.

· Competency Mapping

Felser (2003) defined competence as “Competence is determined by the knowledge-based and network-driven ability of an actor and his environment to act alone or with partners, to satisfy indirectly or directly existing customer requirements optimally. By this sustainable added values are created in a competitive and superior manner.” To gain the competitive advantage the HR is trying to align an individual competency to the organization needs and requirements to create the best fit and to gauge the maximum advantage.

Corporate Governance

Corporate governance regulates the ownership and control of organizations (Berle and Means 1932). It sets tone for the legal terms and conditions for the allocation of property rights among stakeholders, structuring their relationships and influencing their incentives, and hence, willingness to work together. CG practices are becoming a tool to formulate norms and policies to ethically run an organization. It is becoming more and more interesting to see the specificity of each parameter gaining focus and attention. Keeping the OECD principles as the guiding source, the authors focus and derive that principally corporate governance hinges on the role of the stakeholders, equitable and fair treatment of all the shareholders, accountability of the board and transparency and disclosures.

· Role of the stakeholder

Stanford Research Institute (SRI, 1963; quoted in Freeman, 1984, p.31) defined stakeholders as “those groups without whose support the organization would cease to exist” (Freeman, 1984). The status of the stakeholder is the most debated issue in the literature. Donaldson and Preston (1995) proposed a stakeholder theory focusing on three core aspects – descriptive/empirical, instrumental, and normative building and justifying the CG practices. The view that stakeholder management and the performance of an organization have a strong correlation commonly held in the field of management sciences’ be it with the academicians or with the managers.

·Accountability

Accountability is defined as the perception of defending or justifying one’s behavior to an audience with reward or sanction authority, and where rewards or sanctions are perceived to be contingent upon audience evaluation of such conduct (Buckley et al., 2001). It focuses on the ability to account for the allocation, use and control, i.e. budgeting, accounting and auditing. In a broader sense, it is also concerned with the establishment, and enforcement of rules and regulations of corporate governance. Sarbanes Oxley Law (2002) protects investor’s interests by improving the accuracy and reliability of disclosures. Accountability is the most fundamental duty of a board. The board members have high accountability to build upon the public trust. It places heavy obligations on the various members to preserve, maintain and develop the organization. The board reserves the right for appointing, monitoring and evaluating the performance of the CEO.

· Transparency and Disclosure

A major responsibility of the board of directors is to ensure shareholders and stakeholders are provided with high quality disclosures on the financial and operating results of the company, and on company objectives, so that they make informed and accurate assessments of the progress of the company. Almost all of the corporate governance codes around the world including the OECD (2004) principles, Sarbanes Oxley Law (2002), combined code (2003), and EU Transparency directive (2004), emphasize the importance of full disclosure as the vital basis of effective working of all the mechanisms of corporate governance. The availability of information on the company website or other public sources regarding its policies brings forth the company’s commitment towards transparency and disclosures. Black et al. (2002) found that “the corporate transparency is highly related to performance and companies with better corporate governance have higher standards of disclosure and transparency”. According to Sang – Woo Nam (2003), “In the face of keener competition, there is pressure to improve the managerial transparency.”

· Equitable and Fairness

Equitable and fairness for and amongst all the shareholders ensure protection and opportunity to all the shareholders for ‘redress of the violation of their rights’ (OECD, 2004) One of the most important pillar of corporate governance it ensures a good reputation of the firms but also attracts the key investors. It also helps build a fair culture within the organization.

Corporate Governance and HR

Corporate governance legally structures stakeholder relations and prioritizes their interests in fair and equitable manner. Both, internal and external stakeholders have an important role in determining the productivity of a company. Internal stakeholders (employees) have a direct influence on the efficiency of the organization as they engage themselves in various production activities on a regular basis. External stakeholders by virtue of their authority enforce an organization to give the best results in form of returns. Good HR practices help in building strategies facilitating and enabling good governance. According to Ulrich (1997), “In organizations where the HR function is only viewed as an overhead cost and is not seen as a strategic partner helping to create value in the business, then HR systems generally do not work as effectively”. Cosh and Hughes (2003), found that ‘friendly relations’ between managers and employees and a reliance on employee co-operation and ‘loyalty’ are a means by which efficient work organization is achieved.

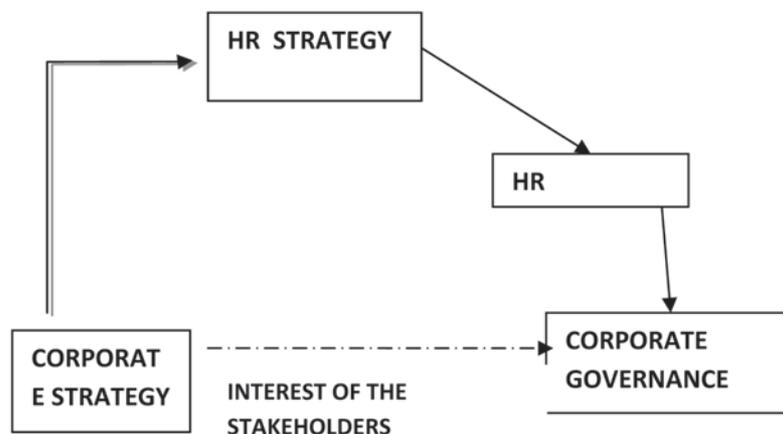


Figure 2: depicts the model for interrelationship between corporate strategy, HR strategy and corporate governance.

The above given figure corroborates with the work conducted by (Ulrich 1997; Cappelli and Crocker-Hefter 1996). They found that research of HR practices and performance in larger firms has shown positive results. Huselid (1995) found that out of 700 publicly traded firms in the USA, those that had implemented best practices in these areas achieved an annual shareholder return of 9.4% versus 6.5% for firms using fewer practices and had more than 50% as high a gross rate of return on capital. The specific HR best practice areas included formal and consistent personnel selection, job design, information sharing, performance appraisal, promotion systems, grievance procedures, attitude assessment and incentive systems. In another study Collins and Clark (2003), found that high technology companies top managers’ social networks acted to mediate relationships between human resource practices and firm performance.

To win the trust of the various stakeholders, HR executives need to build on a culture motivating and encouraging openness to win the investors and customers. Not only this as employees becoming more engaging as stakeholders. Employees are viewed

as active inputs into the productive process, capable of development, involvement and informed choice.

Communication, motivation, leadership and a shared or 'mutual' vision of the organization and its objectives are therefore encouraged in order to develop and strengthen commitment (Beer and Spector 1985).

HR professional have a major task of building systems and processes enabling an environment of high ethical standards. In order to achieve the highest benchmark in terms of achieving behavioral outcomes of high ethical standards, companies (HR) need to follow the legal compliance norms by forming policies leading to the culture (good) of the organization. An effective outcome of it is the high level of commitment. Figure 3 below shows the relationship between the parameter of HR leading to organizational culture having commitment as an outcome. The interest of the stakeholders are aligned with the organizational culture



Figure 3: depicts relationship between parameter of Human Resource (HR planning) with organizational culture. The interest of the stakeholders (CG parameter) is in line with organizational culture.

Marinating high ethical standards and integrity of the organization drives the HR departments to ensure that the top executives of the company take responsible actions to maintain the sanctity of the company. An attuning of the senior executives will make them more accountable and thus in congruence with the organizational strategy.

The executive management leads to ensuring that the top executives take action in favor of the company, thus making them responsible and accountable. Figure 4 below shows the relationship between the parameter of HR in terms of executing the norms and regulations leading to top executives accountability (a key question in the present day context) which will pose an outcome of effectiveness for the company.



Figure 4: shows relationship between HR parameter (Norm and regulation execution) leading to CG parameter (accountability) leading to effectiveness of the organization.

Transparency and disclosures are the heart of any corporate governance issue. To control the misappropriations of the firms, various norms have come into existence. The governments across the world have built the best practice code for the companies and various regulatory bodies are strictly monitoring the companies as well booking them incase not followed. As every HR department attempts to bring an open culture it will further lead to disclosures and thus trust as an outcome (Figure 5).

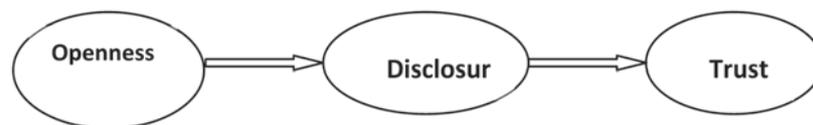


Figure 5: shows relationship between HR parameter (Openness) leading to CG parameter (accountability) building Trust amongst stakeholders.

Equitable and fair treatment of the various stakeholders creates value for the firm. Ensuring, in practice, one shareholder one vote it protects the minor investor's rights. At the same time the employees of the company also look forward to working in the companies which promote a healthy environment.



Figure 6: shows relationship between HR parameter (Fairness) leading to CG parameter (investor protection and motivation) leading to efficiency of the organization

On the basis of the above models an architectural conclusion can be drawn regarding the relationship between HR and Corporate Governance. The following figure depicts

the modules and their interaction with other parts of our concept:

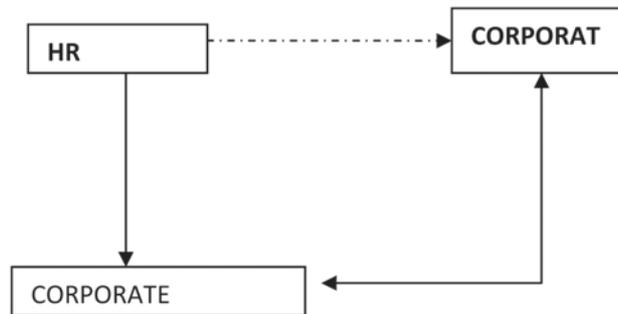


Figure 7: A model of HR as an enabler and facilitator of corporate governance

Conclusion

Human Resource management has been an age old phenomenon. Traditionally associated with maintaining records and dealing with trade unions, it has now undergone a paradigm shift. Now playing a major role in building organizational effectiveness, it has assumed strategic role aligning itself with the broader picture of the company. Examining this, Guest(1997) proposed that high performance at the individual level — which ostensibly leads to improved performance at the organizational level — depends upon high motivation, possession of the necessary skills and abilities, and an appropriate role and understanding of that role.

The meaning and relevance of corporate governance is also changing with times. Emerging as an indispensable aspect of management, stringent norms are being formed to regulate the companies. In the past, the corporate value was mostly measured by the tangible assets reflected in the book value of the companies however; in the present day context the corporate's using intellectual assets for their competitive advantage to create corporate value. This has led the HR departments to act as an enabler and facilitator of corporate governance mechanisms. The premise of the present paper is to establish a link between HR practices and corporate governance.

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Service Quality and Customer Satisfaction: A case study in General Insurance using customized SERPERF instrument.

Dr. Lewlyn L. R. Rodrigues ¹, Dr. Gopalakrishna B² Dr. K. V. M. Varambally³

Abstract

The objective of this study is to investigate the relationship between Service quality and Customer satisfaction in a service industry. The research question attempted to answer in this research is, 'does Service quality increase Customer satisfaction?' While the obvious answer is 'yes' the research findings are indicative that it need not necessarily be true. This study involves measurement of Service quality and Customer satisfaction using a multiple item metric. The paper hypothesizes that there is a significant difference in perception between Service Quality and Customer Satisfaction. A link between service quality and customer satisfaction has been established which shows that service quality and customer satisfaction are inter-dependent and inter-related. Further, the study is indicative that enhancement of service quality will have a positive impact on the customer satisfaction. However, beyond a certain level, a given increase in service quality may not increase the satisfaction level of customers by a proportional amount.

Key words: Service quality, Customer satisfaction, Perception, Expectation, General Insurance, SERPERF

1. Professor, Mechanical and Manufacturing Engineering Department, Manipal Institute of Technology, Manipal., 0820-2571061, Mobile: 09900710677, rodrigusr@gmail.com

2. Faculty, Mechanical and Manufacturing Engineering Department, Manipal Institute of Technology, Manipal. Office: 0820-2571061, Mobile: 09980097242, bg_mit@yahoo.com

3. Director, Manipal Institute of Management, Manipal, India. Mobile 09845071768, Office: 0820-2571978, varambally@yahoo.com

Introduction

Service quality and customer satisfaction are of high importance to the marketing theory and practice and it is the ultimate goal of all service providers. Companies that have competitive advantage in delivering high Service quality will usually achieve Customer satisfaction. But this need not necessarily be true in all the cases. This is because Service quality is characterized by the 'Customer perception' of service. What counts is the quality as it is perceived by the customers i.e. the customers are the sole judge of quality (Berry 1980, pp. 24-8). The earlier attempts in defining and measuring quality have largely come from the goods sectors where it was defined as 'conformance to requirements'. Owing to its importance, Perceived service quality is one of the highly debated and researched topics in marketing theory across the world (Buttle 1996, pp. 8-32). Customer satisfaction is considered a prerequisite for customer retention and loyalty, profitability, market share, return on investment, etc. While there are several instruments (Oliver & Swan 1989, pp. 21-35; Oliva, Oliver & MacMillan 1992, pp. 83-95) of service quality measurement, this research is based on the instrument developed by Sureshchandar et al. (2001, pp. 111-24) (the nine-item scale).

Customer satisfaction and service quality remain critical issues for financial service providers that offer generally undifferentiated products like the insurance. The major approach to differentiate one insurer from another is the service provided before and after the sale of the policy (Stafford & Wells 1996, pp. 163-82). In India until the past decade, differentiation between the two insurance companies was not significant because insurance providers offered government mandated standardized products. At present, because of decontrol over insurance sectors, there is increased importance of customer service quality and satisfaction due to competitions. Insurance industry utilizes the complaint ratio as a measure of service quality. This ratio is the number of complaints received divided by a measure of insurance business in force (Wells & Stafford 1995, pp. 462-77). Complaint ratio fails to capture critical information such as feelings and perceptions of those individuals who did not complain. It is important to note that a non-complaining customer need not necessarily be a satisfied one. The complaint ratio is an overall indicator of service quality but cannot be an absolute measure. Moreover, companies remain unaware of the individual problems that prompted a particular complaint. This lack of specific knowledge about service shortfalls can result in companies' overlooking of the critical problem areas, and hence, this kind of metric based evaluation of Service quality and Customer satisfaction becomes important.

The Metric - Service quality

Gronroos (1984, pp. 36-4) conceptualized a service quality model where he identified the two variables of service quality, i.e. expected service and perceived service. The expected service is built up through the promotional activities of the firm, past experience of the customer, Word of mouth communication and the needs of the customer. The perceived service is the result of a consumer's word of mouth communication and the needs of the customer. The perceived service is the result of a consumer's view of a bundle of service dimensions, some of which are technical and others functional in nature. Gronroos(1984, pp. 36-4) observed that the discrepancy between expectations and perceptions is the primary determinant of customers' service-quality assessment.

The SERVQUAL instrument (Parasuraman et al. 1988, pp. 12-40) is a 22-item scale that measures service quality along five factors, namely reliability, responsiveness, assurance, empathy and tangibles. There is a general agreement that the SERVQUAL variables are reasonably good predictors of service quality in its wholeness. Careful scrutiny of the 22 items indicates that the items at large deal with the element of human interaction in the service delivery and the rest on the tangible items of service. In contrast, SERVPERF scale which uses the perception item of SERVQUAL scale (Cronin & Taylor 1992, pp. 55-68). The SERVQUAL instrument seems to have overlooked some other important factors of service quality like core service, systematization/standardization of service delivery (the non-human element), and the social responsibility

of the service organization. Sureshchandar et al. (2001, pp. 111-24) conceptualize service quality by taking into account all the aspects of customer perceived service quality and identified following five factors of service quality as critical from the customers' point of view:

1. Core service or service product.
2. Human element of service delivery.
3. Systematization of service delivery: non-human element.
4. Tangibles of service.
5. Social responsibility.

Table 1 summarizes the different factors of service quality used in this research to measure service quality. The original statements were modified to make them suitable to insurance industry. The modified, standardized and validated survey instrument consists of 40 questions to measure the perception about services. A five point Likert scale has been used to measure the levels of service quality.

Table 1: The factors of customers service quality (Sureshchandar et al. 2001)

Sl. No.	Critical factors	Explanation of critical factors
1.	Core service or Service product	The core service portrays the "content" of a service. It portrays the "what" of a service, i.e. the service product is whatever features that are offered in a service
2.	Human element of service delivery	This factor refers to all aspects (reliability, responsiveness, assurance, empathy, moments of truth, critical incident and recovery) that will fall under the domain of the human element in the service delivery
3	Systematization of service delivery: Non - human element	The processes, procedures, systems and technology that would make a service a seamless one. Customers would always like and expect the service delivery processes to be perfectly standardized, streamlined, and simplified so that they could receive the service without any hassles, hiccups by the service providers
4	Tangibles of service: Servicescapes	The tangible facets of the service facility (equipment, machinery, signage, employee appearance, etc.) or the man-made physical environment, popularly known as the "servicescapes"
5	Social responsibility	Social responsibility helps an organization to lead as a corporate citizen in encouraging ethical behaviour in everything it does. These subtle, but nevertheless forceful, elements send strong signals towards improving the organization's image and goodwill and consequently influence the customers' overall evaluation of service quality and their loyalty to the organization.

Customer Satisfaction

Cronin and Taylor (1992, pp. 55-68) measured customer satisfaction as a one-item scale that asks for the customer's overall feeling towards an organization. Bitner and Hubert (1994, pp. 72-94) used four items to measure the customers' overall satisfaction with the service provider. Shemwell et al. (1998); Crosby & Stephens (1987); Oliver & Swan (1989); and Oliva (1992) have also emphasized the multi-faceted nature of customer satisfaction and have used multiple item scales to measure customer satisfaction. However, the current trend is to capture the satisfaction in transaction at multiple levels in the organization. Bitner and Hubert (1994) argue that 22 items of SERVQUAL, when measured as a function of multiple experiences with the firm, may be good predictors of overall service satisfaction. In this research, measurement of customer satisfaction is taken as multi-factor service. Customer satisfaction is taken for all the five factors of service quality and one question in general overall service quality. The respondents have been asked to give their responses regarding their level of satisfaction on a five-point scale from poor to excellent.

1. Research Methodology

This research is partly qualitative and partly quantitative in nature. It is qualitative in the sense that it involves in-depth interview with the frontline staff, customers and managers of Insurance Companies so as to conceptualize the meaning of Service quality and Customer satisfaction in the context of Insurance industry. The study becomes quantitative as it seeks relationships between variables of study and correlates the research parameters.

This focus group consists of small and medium scale industrial customers of general insurance companies. Random samples of consumers who have regular claims with their insurers were the respondents for this research. The sample size was 618 customers of small and medium scale industrial customers belonging to 11 General Insurance companies in India (4 Public Insurer and 7 Private Companies). Out of 618 respondents, 435 (70.4%) were from Government General Insurance companies and 188 (29.6%) were from Private Companies (Table 2).

Table 2: Distribution of Respondents

	Category of Insurance company		
	Public	Private	Total
Number of Companies	4	8	12
Number of Respondents	435	183	618

The Perception Satisfaction responses were taken on a 5 point Likert scale. Assessment of the reliability and validity of the scales is done for the instrument. The reliability of the scales (internal consistency) were assessed using the Cronbach's Alpha coefficient, the value being 0.7, which indicated moderate reliability. The operating elements of service quality are presented in the Appendix (1). Respondents were from three different geographical locations of India belonging to two sectors viz., Public and Private (Table 3).

Table 3: Region-wise and Sector-wise Distribution of respondents

	Category of Insurance company		
	Public	Private	Total
Region A	126	54	180
Region B	141	102	243
Region C	168	27	195
Total	435	183	618

The regions are selected based on the following criteria.

1. Region A (Mumbai): Most advanced, financial capital of India.
2. Region B (Vadodara): Most advanced Industrial hub from state of Gujarat.
3. Region C (Udupi & South Canara): One of the industrially backwards cities.

Two Hypotheses have been tested as defined below:

H_1 : There is no significant difference in perception between service quality and customer satisfaction with respect to individual dimensions.

H_2 : There is no significant correlation between service quality and customer satisfaction dimensions.

2. Results and Discussion

In order to test the first hypothesis (H_1), a paired "t" test was carried out to check for differences between service quality and customer satisfaction perceptions with respect to the five dimensions (Table 4).

Table 4: Paired t-test

Dimensions	Mean	Std. Deviation	t-test	Significance
1. Core Service	1.13	0.98	28.81	0.00
2. Human Element	1.17	1.01	28.84	0.00
3. Non-human element	1.08	0.98	27.46	0.00
4. Tangibles	1.03	1.04	24.50	0.00
5. Social Responsibility	1.33	0.99	33.26	0.00

The results indicate that there is a significant difference between Service quality and Customer satisfaction perceptions with respect to all the five dimensions. This indicates the fact that service quality and customer satisfaction are independent parameters, and if the customers perceive that Service quality is good enough it cannot be concluded that the service provider has achieved Customer satisfaction.

In order to test the second hypotheses (H_2), correlations between service quality and customer satisfaction with respect to the five dimensions have been computed. The results are tabulated in Table 5.

Table 5: Correlation between service quality and customer satisfaction

		Core service	Human element	Non human element	Tangibility	Social responsibility
Pearson Correlation	Core service	1.000				
	Human element	0.744*	1.000			
	Non human element	0.571*	0.647*	1.000		
	Tangibility	0.627*	0.679*	0.544*	1.000	
	Social responsibility	0.588*	0.565*	0.619*	0.628*	1.0000

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

The reasonably high values correlations (0.544 to 0.744) indicate strong relationships between Service quality and Customer satisfaction dimensions. Cross tabulation procedure was employed for further analysis of service quality and satisfaction. It facilitates measurement of the relationship between Service quality and Customer satisfaction.

The Service quality data (originally in five-point scale) has been collapsed into a three-point ordinal scale (low, medium and high). The cross-tabulation of the five dimensions of study verses Customer satisfaction are given in Tables 6-10. The entry in each cell indicates the number of respondents corresponding to a category of response and the values in brackets are the corresponding percentages (of the total respondents).

Table 6: Core Service quality Vs Customer Satisfaction

Service Quality	Satisfaction Level										Total	
	Poor		Below Average		Average		Above Average		Excellent			
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)
Low	1	0.2	2	0.3	9	1.5	7	1.1	1	0.2	20	3.2
Medium	10	1.6	38	6.1	163	26.4	140	22.7	40	6.6	391	63.3
High	2	0.3	16	2.6	81	13.1	92	14.9	16	2.6	207	33.5
Total	13	2.1	56	9.1	253	40.9	57	9.7	57	9.2	618	100

Table 7: Human element of Service quality Vs Customer Satisfaction

Service Quality	Satisfaction Level										Total	
	Poor		Below Average		Average		Above Average		Excellent			
	N	%	N	%	N	%	N	%	N	%	N	%
Low	1	0.2	1	0.2	4	0.6	8	1.3	1	0.2	15	2.4
Medium	6	1.0	42	6.8	173	28	153	24.8	46	7.4	420	68
High	6	1.0	13	2.1	76	12.3	78	12.6	10	1.6	183	29.6
Total	13	2.1	56	9.1	253	40.9	239	38.7	57	9.2	618	100

Table 8: Non human Service quality Vs Customer Satisfaction

Service Quality	Satisfaction Level										Total	
	Poor		Below Average		Average		Above Average		Excellent			
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)
Medium	4	0.6	44	7.1	161	26.1	154	24.9	35	5.7	398	64.4
High	9	1.5	12	1.9	92	14.9	85	13.8	22	3.6	220	35.6
Total	13	2.1	56	9.1	253	40.9	239	38.7	57	9.2	618	100

Table 9: Tangibles Service Quality Vs Customer Satisfaction

Service Quality	Satisfaction Level										Total	
	Poor		Below Average		Average		Above Average		Excellent			
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)
Low	1	0.2	3	0.5	14	2.3	14	2.3	2	0.3	34	5.5
Medium	4	0.6	28	4.5	126	20.4	108	17.5	30	4.9	296	47.9
High	8	1.3	25	4	113	18.3	116	18.9	25	4	228	46.6
Total	13	2.1	56	9.1	253	40.9	239	38.7	57	9.2	618	100

Table 10: Social Element of Service quality Vs Customer Satisfaction.

Service Quality	Satisfaction Level										Total	
	Poor		Below Average		Average		Above Average		Excellent			
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)
Low	1	0.2	3	0.5	16	2.6	20	3.2	3	0.5	43	0.7
Medium	9	1.5	47	7.6	185	29.9	179	29	44	7.1	464	75.1
High	3	0.5	6	1.0	52	8.4	40	6.4	10	1.6	111	18
Total	13	2.1	56	9.1	253	40.9	239	38.7	57	9.2	618	100

The cross tabulation results indicate that on the overall basis highest percent of respondents expressed average satisfaction with the services provided by Insurance companies. A majority of respondents felt that there is medium service quality in the insurance companies. It is also observed that increase in service quality from medium to high resulted in less number of customer expressed as high satisfaction level. In order to find agreement and disagreement about this opinion, we have considered:

- poor customer satisfaction as a low level of satisfaction;
- below average, average, above average were medium satisfaction; and
- excellent satisfaction as high satisfaction.

For complete agreement, we have considered low-low, medium–medium, and high-high service quality and customer satisfaction values. The results of cross-tabulation provide valuable information on the degree of complete agreement and complete disagreement. The degree of ‘complete agreement’ and ‘complete disagreement’ w.r.t. the perceptions on Service quality and Customer satisfaction dimensions are shown in Table 11.

Table 11: Degree of complete agreement and complete disagreement

Service Quality Dimensions	Complete Agreement (%)	Complete Disagreement (%)
1. Core Service	$0.2+6.8+28+24.8+1.6 = 61.8$	$0.2+0.3 = 0.5$
2. Human Element	$0.2+26.1+24.9+3.6 = 54.8$	$0.2+1.0 = 1.2$
3. Non human Element	$7.1+26.1+24.9+3.6 = 61.7$	$1.5 + 0 = 1.5$
4. Tangibles	$0.2+4.5+20.4+17.5+4 = 46.6$	$0.3+1.3 = 1.6$
5. Social Responsibility	$0.2+7.6+29.9+29+1.6 = 68.3$	$0.5+0.5 = 1.0$

It can be observed from Table 11 that the values for complete agreement between Service quality and Customer satisfaction range from 46.6% to 68.3% for the five dimensions. On the other hand, the value for complete disagreement ranges from 0.5% to 1.6%. Therefore, there exists a dependency between Service quality and Customer satisfaction perceptions. However, it is also indicative of the fact that an increase Service quality need not lead to an increase in customer satisfaction.

Conclusion

Since last two decades, particularly after globalization, there have been scores of research articles on Service quality. Equally good number of articles is also present on Customer satisfaction. In the present global scenario a need has been identified to study the relationship between these two fields of research interest owing to the growing awareness that Service quality alone has failed in achieving Customer satisfaction. It is in this context the present research has made a contribution.

The results of this research indicate that there is a significant difference in Service quality and Customer satisfaction perceptions in General Insurance Industry. The two parameters are indeed different which means that it becomes necessary for the service providers to view the two separately. In fact, Customer satisfaction not only depends upon Service quality but also depends upon several other variables. Therefore, quality improvement initiatives by the management in service industry should not just focus on improving Service quality but also focus on Customer satisfaction variables with a holistic approach. This would open up the study of other variables which would influence Customer satisfaction which may include: word of mouth communication, past experience, personal needs on service quality etc.

Even though the conclusion arrived through this research is purely based on the survey conducted in General Insurance Industry, it can be generalized to a great extent, as in the present world of uncertainty, insurance has become a highly service intensive sector and all the five dimensions of study play a very significant role in the success of this service industry.

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Appendix I: Customer perceptions of Service quality Metric

Key: 1= Very poor, 2 = Poor, 3 = Average, 4 = Good, and 5 = Very Good

1. Core service or Features that are offered in a service

1. Providing the relevant guidance while taking the correct insurance policy towards any asset by the Policy underwriters . (i.e. Field development officer / Insurance company Managers)
2. Employees of General Insurance Company have sufficient subject knowledge to deliver the service during policy underwriting and during claims processing.
3. Subject Knowledge, Services that is provided by the General Insurance Surveyors' during claims processing.
4. Officials of Insurance Company are able to cater to your specific information on a regular basis through post, telephone or through e-mail
5. Availability of different services in every branch / department of the General Insurance Company.
6. Convenient operating hours and days (e.g. working on Saturdays and Sundays, extended service hours during evenings, weekdays, etc).

2. Human element of service delivery

1. Providing services as promised.
2. Effectiveness of the insurance company employees' skills and ability for responding whenever a critical incident takes place (i.e. when a problem / claim arise).
3. Whenever a problem arises, the degree to which the insurance company succeeds in bringing the condition back to normalcy by satisfying the customer.
4. Providing appropriate services at the first meeting itself.
5. Providing services like policy issue, claim settlement etc. as per the promised schedule.
6. Apprising the customers of the nature and schedule of services available in the General Insurance Company.
7. Willingness to help customers and the readiness to respond to customers' requests.
8. Extent to which the feedback from customers are used to improve service standards.
9. Regularly appraising the customers about information on service quality and actual service performance versus set targets in the organization.
10. Employees who instill confidence in customers by appropriate behavior.

11. Making customers feel safe and secure in their transactions.
12. Employees who are consistently pleasing and courteous.
13. Employees who have the knowledge and competence to answer customers' specific queries and requests.
14. Effectiveness of customer grievance handling procedures and processes.
15. Giving caring and individual attention to customers by having the customers' best interests in mind.
16. Employees who understand the needs of their customers.

3. Systematization of service delivery: non-human element or The process, procedures, systems and Technology that would make a service continuous one.

1. Having a highly standardized and simplified delivery process so that services are delivered without any hassles or excessive bureaucracy
2. Having a highly simplified and structured delivery process so that the time taken for service delivery is minimum.
3. Enhancement of technological capability (e.g. computerization, networking of operations, etc.) to serve customers more effectively.
4. Degree to which the procedures and processes are fool - proof.
5. Adequate personnel are available for customer service.
6. Adequate and necessary facilities for good customer service.

4. Tangibles of service: Man made physical environment

1. The ambient conditions such as temperature, ventilation, noise and odour prevailing in the General Insurance Company..
2. Extent of the physical layout of equipment and other furnishings being comfortable for customers to interact with employees.
3. Having housekeeping as a priority and of the highest order in the organization
4. Visually appealing signs, symbols, advertisement boards, pamphlets and other artifacts in the General Insurance Company.
5. Employees who have a neat and professional appearance.
6. Visually appealing service materials such as policy copy and other documents.

5. Social responsibility

1. 'Service transcendence' making customers realize their unexpressed needs by giving more than what they expect.
2. Giving quality service at a reasonable cost.
3. Having branch locations in most places convenient to all sections of the society (e.g. villages, downtown areas, etc.)
4. A social responsibility characterized by deserving service and product to people belonging to all strata of the society.
5. A sense of public responsibility among employees (in terms of being punctual, regular, sincere and without going on strike).
6. Extent to which the insurance company promotes corporate business ethics through its services.

Why should we study “Human Resources Management S. R. Tulasi *

Abstract

The author faced a query while teaching “Human Resources Management” as to why this subject needs to be studied. The common perception is that this function is least respected amongst all in an Organization. This poser made the author to think about the evolution of HR over the decades and how it failed to move with the changing times. In fact HR is now at crossroads and groping for direction.

The author traced the evolution of HR from its “Personnel” roots to the current day “ Business Partner “ scenario and explained the paradoxical conflicts in the HR role “expected” by other functional colleagues and the “desired” role by HR itself.

The author is convinced that HR has a meaningful and practical role to perform and it alone is equipped to do so. He had enunciated and elaborated this unique role for HR in the article.

Towards the conclusion, the author explained the qualities, the students of HRM will need to equip themselves with, in order to succeed in the “HR” profession.

*Vice President (HR) – Retired, ITC Limited, Paperboards & Specialty Papers Division, 406, Prithvi, My Home Navadweepa, Madhapur, Hyderabad – 500 081, E mail – srtulasi@yahoo.com

Introduction

“Why should we study the Human Resources Management?”. This question took me by surprise when I had completed my first module while teaching “Human Resources Management” and prodded my new students at Vignana Jyothi to ask questions and seek clarifications.

It shouldn’t have.

When we open the daily edition of “Economic Times”, it is most likely that we come across a bone tickling joke on Human Resources function in its centre pages. More often than not, it could equally be a thought provoking insight in to current management affairs which is besides the point.

There is likewise, no dearth of chain mails on internet in ridiculing the mindless adherence to rules and practices by HR practitioners in Industry.

And the most visible impression of a HR executive in the minds of budding employees is that of a fellow with a cynical smile on his lips while handing over the pink slips.

Why should we therefore study this subject which is but a butt of ridicule !

I have tried, in the intervening fifteen minutes before the next session commenced, to explain the positive aspects of “Human Resources Management” and dispel the impression that HR is an evil force out to ruin an Organization.

But this query from a young management student did disturb me and several thoughts crossed my mind which found expression subsequently in this article.

Objectives of Human Resources Management

What came instantly to my mind was the poser by Dave Ulrich, “ Should we do away with HR !” in his seminal book “HR Champions” and his observation that it is a silly question and a senseless debate. He goes on to add – “*Of course we should do away with HR if it fails to add value*”. He further suggests that a more useful question to ask would be “ *How can HR create value and deliver results !*”

Let us examine the purpose and relevance of HR and how it can add value to an Organization. Subsequently we will try and explore the appropriate competencies the students of this course would need to acquire if they were desirous to make HR as a career.

What do HR people normally do ?

Staffing, compensation, benefits, communication, training and development, organization design, so on and so forth. HR people come to their jobs with a set of skills that enable them perform these activities. Many managements expect them to focus on these administrative and transactional activities and HR work is thus patterned in bureaucratic ways. We have therefore seen that the HR modules being taught at Business schools focus on the “science” of Human Resources function coupled with information on statutory and other regulatory systems so as to understand the “Industrial relations” aspect of HR.

These modules, are no doubt, important but a greater emphasis perhaps needs to be accorded to the “art” of HR which is closely linked “human relations” and of course the strategic HR.

How did the function of “Human Resources” evolve ! HR function today is the product of its past. Its history starts in the late nineteenth century with a “welfare” role which was especially connected with the protection of the exploited labour segment. Employment of “Welfare officers” was found to be essential both from legal requirements and moral obligation to protect and improve the lot of the employees. In this role, HR (then known as “Personnel”) could just aid the production by limiting absence of employees, deal with their grievances and punish the unruly behavior.

Post world war, trade union movements became a global phenomenon and long term agreements to resolve the employment related issues such as job descriptions, work hours, fair wages etc assumed importance in Industrial relations field. Personnel departments became dominated by those with skills and expertise to carry out such

activities. The tough minded individuals that thrived in this environment benefited from the power of trade unions ; it justified their importance. Several Managers in line functions detested the industrial relations work and needed the support from their “Personnel” colleagues if only to act as referees between warring parties.

Another contribution of the Personnel function was that of providing an efficient administrative service within of course clearly defined rules and procedures. This role may have helped to boost the self serving ego of the HR professionals as power is just not perceived but demonstrated in an administrative role.

Recruitment was a high volume activity and induction/ job related training were linked tasks. Another dimension which was parallel with these developments was the growth in legal regulations and compliance which beautifully fitted with the authoritative role that came to be personified by a Personnel manager. In short, a “prescriptive” approach to people management.

It was a time of compliance to rules and regulations. No wonder, Industrial relations and administrative compliance represented the essence of People management during this era. The obituary of the HR function was written many a time since Peter Drucker famously questioned the role, the contribution and the future existence of these “Personnel” departments 50 years ago.

Impact of Liberalization and Globalization

Globalization dominated the competitive horizon, world over in the seventies of the last century. Several global events such as GATT agreement broke the hitherto built artificial trade barriers and world shrunk in to a global village. Globalised, intense competition has pushed Organizations to be both effective and efficient. Private sector companies have had to respond to stock market demands for a quicker return on investments. Those in the public sector have had to cope with similarly impatient Government requirements for cost reduction and improved efficiencies.

Suddenly all the organizations were forced to focus on capability building in order to survive in this border less world.

Firms have started asking themselves –

What capabilities exist within the firm ?

What capabilities are required for the future success of the firm ?

How can we align capabilities with Business Strategies ?

How can we design HR practices to create the needed capabilities ?

The transformation of a “Personnel” function to a “Human Resources” function was so sudden but so smooth that it appeared to have taken place almost overnight. Several new HR phrases such as Change Management, Transformation, Reengineering, Culture change, Re invention, Flexibility, Agility came in to circulation. HR professional found a new role in that he was expected to champion this change process.

A difficult transformation indeed !

HR functionaries were told to follow Dave Ulrich's supposed magical recipe of partnering with the Business to achieve board room presence and success. HR had to find a neat balance between its still valuable day to day operational role and the 'big picture' transformational initiatives and the two in reality can't be neatly segmented. The difficulty seemed to stem from an uncertainty over what role it should play.

HRM is now proved to be not a single, unified concept but a varied approach to people management. There is a wide variety of conceptions of HR's role. It may be a permanent advisor to the line management. It may be a guardian of policies and practices. It may be a leader creating change or a representative of employees' views.

These roles are partly driven by a range of expectations from a variety of stake holders – senior management, line managers, employees – who inevitably try to influence what the function should be doing and how it should be doing it.

Post 90's, as a result of globalization, changing industrial scenario led to a steady decline in trade unions' importance and the long term agreements were no longer the 'feared dragons' which however should not be construed as redundancy of IR aspect of the HR function. Increasingly line managers were entrusted with the job of managing people. Long term agreements became the prime responsibility of line management in many organizations, with facilitation, of course from the HR function who were now expected to perform strategic roles.

HR critics were concerned that "Personnel" managers who were "servants of power" are ill equipped and ill positioned to don this new role. Challenges in this transition !

Mismatched expectations occur when perceptions of line managers and HR professionals differ. The balance between what the line manager should do and what Personnel should do is as old as the function itself.

The new role which HR had now donned is in fact tougher as it required HR to work as a facilitator for the line customer as regards the issues related with unionized employee category and focus on capability building at middle and senior management levels.

Hypothesis

Old style Personnel to transform in to new wave HR required –

- a tactician to become a strategist,
- a fire fighter to become risk manager,
- a police officer to become an advisor and
- a controller to become a facilitator.

In reality, this adjustment is not as straight forward as it might seem and certainly not as black and white.

An area of debate, and perhaps more contentious or at least not so clear cut, is the degree of operational support HR gives to line management. HR's expertise is really in its technical professionalism and this is what line managers want from HR. They would need professional skills in recruitment, employee relations and training & development. Sure, they welcome HR to become business savvy but they do not want HR so much in the clouds that it can't contribute to the day to day operational business. But HR perceives that such an approach draws HR back in to the reactive, firefighting role it has been trying to escape from !

Employees are not machines. They have minds of their own. They can leave the company, go on strike, speed up or slow down production, decide to stay in bed a day longer after illness, so on and so forth. They need to be managed differently. HR has the skill set to understand what motivates and demotivates employees. But in its desire to get closer to "business" and to shed the image of a "welfare" function, HR has put more distance between itself and people. HR had not learnt to play multiple roles expected of them in the changed scenario.

And not all line managers accepted that people management was now an important component of their job. They wanted to concentrate on the technical aspects of their work and people management was often regarded as a burden. Some of the difficulties stemmed from the effects of downsizing which resulted in large span of control. Line managers may have also experienced lack of skills to perform the people management tasks even if they had time at their disposal. Thus combination of disposition, skills (or lack of), time and management pressure continue to inhibit line managers from taking on the tasks from HR and limit their participation in HR policy making.

We have discussed these issues in light of the challenges in the transition. It is however not to be construed that the move had failed and been given up. It is true that Line Managers are making more and more people decisions while the HR staff is becoming more involved in broader organizational issues albeit at a pace slower than required.

As regards business strategic partnership is concerned, there is considerable distance to be covered for HR to become a strategic partner at all levels. To do so, HR needs to build its own internal competencies to deal with organizational issues, educate itself on the vision and mission of the Organization, and find ways to offer creative and innovative solutions to Organization wide issues.

Methodology

What is the value HR adds to an Organization !

HR practices will need to be integrated and focused on value added agendas such as intangibles, customer connection, organization capabilities, and individual abilities.

HR transformation must be more than rhetoric; it must shape behavior and create and ensure stakeholder value. Sending one or two HR professionals to a seminar does not

transform the HR department. Often, people return from training with great ideas but are greeted with little opportunity to apply them. Transformation requires whole new agendas, thoughts, and processes across the entire department, not just on the part of a few individuals. Finally, gaining credibility and acceptance by management or employees is not transformation. Doing so may be a good stepping-stone to future work, but real transformation must turn *relationships into results* and also create value for customers, shareholders, managers, and employees.

Premise of HR Value

Since value is defined by the receiver, not the giver, any value proposition begins with a focus on receivers, not givers. For HR professionals, the value premise means that rather than imposing their beliefs, goals, and actions on others, *they first need to be open to what others want*.

This fundamental principle is too often overlooked. Often, HR professionals have beliefs, goals, and actions that translate into things that they want to have them happen in their organization—so they go straight for their desired results, without paying enough attention to the perspectives of others.

Influence with impact occurs when HR professionals start with the beliefs and goals of the receivers.

- Who are the key stakeholders I must serve?
- What are the goals and values of the receiving stakeholders?
- What is important to them? What do they want?

When these requirements are fully understood, then the HR professional can show how an investment in an HR practice will help the stakeholder gain value as defined by that stakeholder.

Results

To an employee worried about getting laid off, HR professionals should demonstrate that being more productive will help the employee stay employed. To a line manager worried about reaching strategic goals, HR professionals need to show how investment in HR work will

help deliver business results. With customers, HR professionals need to remember that their interest in customers must create value in the products or services customers receive. For shareholders who are worried about sustained returns and growth, HR must create organizations that deliver results today and intangibles that give owners confidence that results will be delivered in the future.

HR professionals need a perspective that is compatible with and distinct from other business perspectives. That is, they must be able to understand and value the finance and sales perspectives, but they must also add their own point of view. Without such a unique and powerful perspective, they are redundant and fail in their aspirations as full business contributors.

For example, an HR perspective that is both unique and powerful is one that establishes the linkages between employee commitment, customer attitudes, and investor returns. This unique view demonstrates a powerful connection between what is carried out by managers and employees inside the firm and what happens with customers and investors on the outside.

With a unique and powerful perspective of their own, HR professionals will see aspects of the business environment that go beyond what other business disciplines bring and that add substantially to business.

Such a unique perspective could be developed if HR were to address the following questions:

- What are the organizational capabilities that my company must have to create products and services that result in our customers' taking money out of their wallets and putting it into ours instead of giving it to our competitors?
- What employee abilities do our people need so that they can understand and respond to short-term and long-term market demands?
- How do we invest in HR practices that deliver business results?
- How do we organize HR activities to deliver maximum value?

When HR professionals respond to these questions, they will know why others would benefit by listening to them, because they will be delivering real value—and they will know what that value is. When HR professionals begin with the receiver in mind, they can more quickly emerge as full strategic contributors; add greater value for key stakeholders (customers, investors, line managers, and employees); enhance business productivity; achieve measurable and valuable results; create sustainable competitive advantage; and have more fun in their careers.

Conclusion

How can HR professionals develop this unique perspective !

It would be an interesting proposition if one were to argue that humans are not the asset.

Relationships with humans are the true asset, and relationships cannot be controlled but negotiated and renegotiated and then renegotiated.

Relationships require care, nurturing, and need to be constantly monitored how well being maintained. When relationships are optimized, the Organization experiences “superior” behaviors as a result. This may be translated into loyalty, engagement, trust, and more. Such “superior” behaviors translate in to improved teamwork, alignment towards the Organizational goals, helping another team member when it's not part of the job, and many more.

Who's In Charge Of Optimizing Human Relationships?

It's interesting to note that, although there is considerable support for the notion that relationships are an organization's true asset, in most companies, no one department, person, or group tends to be held accountable for the total stakeholder relationship strategy. Finance is in charge of relationships with shareholders and potential investors; marketing and sales are in charge of relationships with customers; line managers and HRM are in charge of relationships with employees; purchasing and manufacturing are in charge of relationships with vendors, and the list goes on. But no one group is in charge of assuring that there is one coherent stakeholder strategy for a business. Thus, the true asset – human relationships – is often mismanaged.

HRM department could be in the perfect position to fill this void and take on the role of REAL human relationship strategy !

As the function in charge of leadership and management development, HRM can impact the decisions leaders make about humans. This ability to manage “human relationships” is the key to development of unique HR perspective in an Organization. Relationship management is an opportunity that can be seized by HR executives who are truly strategic and who understand what is needed for their businesses to succeed today and remain competitive as the business landscape continues to evolve and change. For a moment one should not conclude that HR should assume the role of a super function to **dictate** to other functions as to how to conduct their people relationships. It is a lot subtler a role that needs maturity to perform. For the sake of clarity, let us say, HR should become the eyes and ears of the Organization and more so the CEO, as regards human relationships are concerned and ensure that suitable proactive measures are taken through CEO and the functional heads.

Recommendations

What are the unique competencies that HR Professionals will need to acquire to successfully manage this “Relationship Management” !

While managerial competencies such as Customer Focus, Problem Solving and decision making skills, Presentation Skills, Integrity, Intelligence, Energy, Flexibility, Vision, Political Awareness are a must for any successful functionary in an Organization, certain Competencies as detailed below are a must for a HR Professional in order to manage the ‘Relationship Management’

Relationship Focused: approachable; relates easily to diverse groups and individuals; builds trust and develops relationships.

Result focused: A HR Professional truly believes in the adage “ How wonderful any task can be accomplished if one were not concerned about who gets the credit”

Active Listening: ability to absorb and translate others' statements into objective responses and actions; ability to give and receive feedback in an appropriate manner.

Composure and Professionalism: ability to maintain professional demeanor in difficult or stressful situations; patience with customers; ability to diffuse anger and deal with difficult customers.

Change Management – A structured approach to change in individuals, teams, organizations and societies that enables the transition from a current state to a desired future state.

Interpersonal Skills - One should consider and respond appropriately to the needs, feelings & capabilities of different people in different situations; should be tactful, compassionate and sensitive, and treat others with respect.

Communication Skills – This is not about just the ability to speak English language. One should be able to express himself / herself clearly and adequately in a variety of communication settings and styles; should get the message across that will have desired effect. Equally important is the ability to understand the unspoken word along with the spoken.

If the HR professionals succeed in developing these competencies which help them become change catalysts and provide them an edge to play the needed critical role in partnering with business leaders to build organization capability, respect for HR function will get accorded unasked.

Is it really possible for HR Professionals to develop such qualities that they aim at super ordinate goals such as common good of the people and organization above self interests !

Yes, it is possible if they were to realize that such super ordinate goals are in fact in their self interest.

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Changing Gender Role Attitudes and Family Purchase Decisions

Pinni Vasantha Lakshmi *

Abstract

Major shifts in the lifestyles and role structure of the family have prompted researchers to reexamine decision making practices of the household. One of the variables that retained the interest of researchers for its predictability of relative influence was gender-role (or gender-role) attitudes. This study investigated the congruence between family's gender-role attitude and role behaviors in the areas of family purchase decisions of durable goods. Findings were based on the data collected from 217 families residing in Chennai city who have recently purchased any of the three durable products namely-air conditioner, personal computer and car. Based on the gender role attitude they possessed, respondents were classified into traditional and modern families. The comparison of gender role modern and gender role traditional family members reveals differences in perception of family purchase decision influence.

Key words: Gender-role, Chennai, traditional, modern, durable, purchase influence

*Senior Lecturer, St.Joseph's College of Engineering, Department of Management Studies, Old Mamallapuram Road, Jeppiaar Nagar, Chennai-119. Email: svasantha99@gmail.com.

Introduction

The traditional demarcation between the culturally prescribed roles of men and women is becoming increasingly obscure both at the societal and domestic levels. A common observation is that there is considerable movement in the perceptions of men and women toward more egalitarian views in determining their roles. The evolving status of women fueled by their increasing education and occupational attainment coupled with the feminist movement has been regarded as the major force underlying this change in gender-role attitudes.¹ While the changes in gender-role attitudes of men and women are taking place pervasively, they do not occur simultaneously across the whole population. The varying degrees of gender-role attitudes (on the modern-traditional continuum) held by people have been hypothesized as a causal factor underlying different patterns of family role behaviors. Gender-role attitudes reflect the societal norms and expectations by which family members determine the rewards and costs associated with their actions.² Cultural norms and expectations have a direct impact on the family decision influence structure.³ Most family researchers give credence to the relationship between gender-role attitude and role behavior. A general belief is that egalitarian gender-role attitudes foster a commitment to more equal sharing of household decision influences and family responsibilities.⁴

Literature Review

Gender-Role Attitudes & Product Purchase Decisions

Gender-role attitudes are commonly known as sex-role attitudes. Studies relating gender-role attitudes of husband and wife to the influence pattern in durable purchase decisions are scanty and their findings are somewhat mixed. The study by Green and Cunningham which examined the number of sub decisions made by each spouse in five product/service purchase situations, reported that husbands of liberal wives tended to make fewer decisions than husbands of conservative and moderate gender-role wives regarding the purchase of major appliances, automobile, and vacation. However, the three gender-role groups of wives did not show a significant difference in the number of sub decisions they had influence over except for the automobile purchase. Liberal wives reported to make significantly more sub decisions relating to the automobile purchase than moderates or traditionalists.⁵ Gender-role traditional husbands, much more so than their gender-role modern counterparts, perceived as dominating purchase decisions regarding vacations, automobiles, housing, and insurance.⁶ In contrast, gender-role orientation of wives did not show any significant relationship to the perceived influence pattern. The evidence found by Schaninger, Buss, and Grover appears more unequivocal. In their findings, gender-role modern families showed less husband's and more joint and wife's influence over three of the five aspects of the last durable purchase (who decided initially to buy, when to buy, and where to buy). Further, it was observed that wives' gender-role attitudes were more strongly related to decision making influence than husbands'.⁷ A study by Qualls (1987) investigated the effect of gender-role attitudes on four family decision making variables specified in a theoretical network, among which was household decision outcome measured as husband- or wife-dominant in a hypothetical household purchase situation. Gender-role attitudes of husbands and wives were not examined separately in this study. Rather each spouse's scores on five dimensions of Scanzoni's (1977) gender-role attitude measurement were used as indicators of household gender-role orientation. The study found that household gender-role orientation affected the couple's perceived influence structure and mode of conflict resolution, but did not have a direct effect on decision outcome.

In summary, the literature review suggests that the strength of the relationship between gender-role attitude and role behaviors in family tend to vary across different family tasks as well as between husbands and wives. A study by Spiro which found a relationship between the traditional family ideology and the type of influence strategy each spouse used in a joint decision making situation adds a new dimension to the study of gender-role attitudes.⁸ One can also notice in the existing literature that the relationship between gender-role attitude and decision influence pattern has been examined largely with bivariate analyses, or at best, in a context of regression analysis incorporating other hypothesized determinants of role structure. What is conspicuously missing is an attempt to investigate simultaneously the interrelationship between gender-role attitudes of husband and wife as well as the effect of each spouse's gender-role attitude on role structuring behavior in several household decision areas. Marriage is a comparatively stable relationship, and it involves a great deal of instrumental and emotional interdependence between the spouses. There is evidence that the spouses

influence each other in shaping the preferences and beliefs of the other. For instance, Cronkite found in both cross-sectional and over-time analysis that each partner's beliefs in innate gender-roles (i.e., men are born with more drive to be ambitious and successful than women, and women by nature are happiest when making a home and caring for children) directly influence the other's.⁹ Samsinar, Zawawi, Yee, Basu and Hamzah) investigated the effects of gender role orientation on role structure in family decision making in Malaysia and found that wives with higher levels of education had more modern gender role orientation and the effect of gender role orientation on wives' relative influence was found for the purchase of furniture, electrical appliances and groceries.¹⁰ The congruence between gender-role attitude and purchase role behaviors in family life is the topic of investigation in this study.

Methodology of Study

The study was conducted in Chennai city. The data for the study was collected through personal interviews conducted between April 2008 and October 2008, through a structured, non-disguised questionnaire. The questionnaire used for the survey was divided into three parts. The first part of the questionnaire included the personal details of the family, the second part related to the measurement of gender-role attitudes and the third part of the questionnaire included questions relating to purchase influence of various family members in each of the durable products.

The Sample

A non-probability convenience sample was adopted. The sample consisted of 217 families who had recently purchased any of the three durable products namely-Air Conditioner, Personal Computer and Car. These products were chosen for the study as they are very expensive durable products generally consumed by the entire family hence the involvement of all the family members will be high in the purchase of these products. Since the study concerned the different roles played by various family members, the family was considered as the basic sampling unit. While selecting the sample items, care was taken to ensure that the families selected represented different income and age groups, professions, joint and nuclear structures, those with single earning members as well as double-income families. For the purpose of the survey, a family was defined as consisting of husband, wife and children.

Sample Characteristics

The average age of the husband was around 48 years while that of the wife was 42 years. Majority of the couples were graduates. 54% of the respondent families were double-income families while 46% of the families were with single earning member. The average monthly family income was Rs 48,000. Most of the families were nuclear families with 1-2 children.

Analysis & Interpretation

The analysis was carried out in two steps. In the first step, attitude towards role of women in the society was examined and in the second step, impact of gender-role attitude on purchase decision making in families was studied.

Gender-role Attitude in Families

In order to examine the attitude of respondent families towards the role of women in the society, they were asked to indicate their level of agreement/disagreement with each of the 52 statements on a five-point Likert scale (5=Strongly Agree, 4=Agree, 3=Not certain or undecided, 2=Disagree, 1=Strongly Disagree). These statements based on six themes: Traditional roles; vocational, educational, and intellectual roles; freedom, independence, and status of women; marital relations and obligations; Division of household tasks, and attitude towards child care; and political and leadership roles were taken from a scale developed by D.Israel and Jayaseelan Clement Sudhahar.¹¹

Gender Role Attitude Assessment

Factor Analysis was applied to responses of 217 respondents to summarize their gender role attitudes. Measures of Sample Adequacy (MSA) such as correlation matrix, Barlett's test of sphericity and KMO value (0.890) showed that data were fit for factor analysis. Principal Component Analysis was used for extracting factors and the number of factors to be retained was based on latent root criterion, variance explained and Scree Plot analysis. Initially the solution gave ten factors which explained 76.50% of the total variance. But scree plot analysis suggested that fewer factors would be meaningful as overlapping of factors was high when ten factors were extracted. Therefore, factor analysis was run again to give eight factors. Although variance fell to 69.06%, the factors were seen to be more significant. The results were obtained through orthogonal rotations with Varimax and all factor loadings greater than 0.40 were retained. The names of the factors, the statement labels and factor loadings are summarized in

Factor No	Name of the factor	Label	Statement	Factor Loading
F1	Conservatism	S11	Some equality in family matters is a good thing. But a husband has to have the final say in financial matters.	0.740
		S3	A wife should fit her life to her husband's life.	0.739
		S1	The old saying "Husband is the God" is basically true and remains to be true.	0.701
		S13	A wife should give up her job whenever it is inconvenient to her husband and children.	0.671
		S5	The husband should be number 1 in the family.	0.656
		S10	A wife should serve not only to her husband but also to his parents, brothers and sisters.	0.593
		S41	Blessed is a woman who dies before her husband dies.	0.555
		S38	Husband should be regarded as the legal representative of the family in matters of law.	0.524
		S6	A wife should walk few steps behind her husband.	0.457
F2	Submissiveness	S26	A male student & a female student are equally qualified for a seat in the college. It should be given to the male student on the ground that he has greater "career potential".	0.753
		S25	A male child and a female child should not be treated equally.	0.673
		S51	The concept "male-female equality" suits only to the developed countries like America and not to our country.	0.627
		S19	It is somehow unnatural to place women in positions of authority over men.	0.590
		S40	Widows should not participate in any auspicious ceremonies.	0.516
		S30	Girls should be assigned the tasks traditionally carried out by the mother-cooking, washing, cleaning, etc. while	0.452

			boys should be assigned the tasks carried out by the father- outside jobs.	
		S24	Parents of girl children should aspire for a boy even if it means having more children than they have originally planned.	0.440
Factor No	Name of the factor	Label	Statement	Factor Loading
F3	Conditioning	S27	Girls should primarily be encouraged to enter feminine jobs such as nursing and teaching.	0.749
		S2	Women should work only in case of financial need.	0.657
		S29	A working woman should try to get ahead in her career in the same way a man does.	-0.611
		S36	Instead of pursuing a dual role, it is better for a woman to be a housewife.	0.577
		S14	A woman can go to work only if she finds it necessary to supplement the family income.	0.561
		S52	Whatever it is, men and women are different. Women have to assume subordinate tasks. It is natural or god made. No one could change it.	0.534
		S44	Girls should refuse to marry if their marriage involves giving dowry.	-0.507
		S8	It is o.k. for a wife to ride a scooty/scooter/bike with her husband seated on the pillion (back seat).	-0.495
		S17	Politics is almost a man's world.	0.434
F4	Equality	S16	Women must not wear men's clothing.	-0.706
		S4	Husband should exercise control over his wife.	0.666
		S32	Husbands should share wife's housekeeping tasks (e.g., washing, cooking, cleaning, etc.) regardless of his (or his wife's) profession.	0.597
		S42	Women are no less capable than men in every aspect.	0.580
		S15	Women should get equal pay with men for doing the same job.	0.551
		S23	A wife can take a job that requires her	0.530

			travel frequently away from house for a week or month.	
		S18	Like male priests in temples, churches & mosques there also should be women priests.	0.411
F5	Freedom	S47	A woman should not expect as much freedom of action and independence as a man.	-0.714
		S49	Women should have equal rights in sharing family properties.	0.710
		S43	Working wives should handover their entire salary to their husbands.	-0.537
		S21	There is a need for better women's movement to raise the voice against the male dominance in the society.	0.431
F6	Revolution	S31	A female child is a burden because of the dowry and financial commitments likely to follow after her marriage.	0.647
		S35	Women should confine themselves to home except for necessities.	-0.604
		S22	Women should take active participation in politics.	0.602
		S39	Husband should annex (attach) to his name, his wife's name also.	0.522
		S50	Wives should also be allowed to tie mangalsutra around the neck of their husbands at the time of their marriage.	0.491
		S37	50% of the jobs in the private and government sectors should be reserved for women.	0.401
F7	Orthodoxy	S46	A widow can remarry.	-0.730
		S45	Boys are assets to the family.	0.519
		S12	A woman should also be allowed to do the funeral rites of her parents.	-0.477
		S48	It is a good idea for parents to abort a female fetus on the ground that having a girl child is a lifelong burden.	0.448
F8	Empowerment	S28	Boys & girls should be permitted to mix freely in the social relations.	0.601
		S34	A man can make long range plans for his life; but a woman has to take things as they come.	-0.493
		S9	A wife should not leave her husband despite his ill treatments to her.	-0.415

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		S9	A wife should not leave her husband despite his ill treatments to her.	-0.415
		S7	It is a wife's freedom to make decisions on how to spend the money she earned. Husband has no control over it.	0.409
		S33	A woman should accept what a man does rather than tell him he is wrong.	-0.406
		S20	Women should take risks in life without fear of what may happen.	0.403

Factor analysis by Principal Component method reduced the fifty two variables into eight predominant factors for gender role attitude. In this juncture it is essential to classify families based on their perceptions about eight predominant factors. K-Means Cluster analysis is exploited in this context to identify the existence of heterogeneous groups of consumers. The following are the results of K-Means cluster analysis

Table 2: Results of K-Means Cluster Analysis

	Final Cluster Centers	
	Clusters	
	1	2
Conservatism	3.86(I)	1.33(II)
Submissiveness	2.73(I)	1.70(II)
Conditioning	3.89(I)	2.33(II)
Equality	3.29(II)	3.94(I)
Freedom	3.05(II)	3.48(I)
Revolution	2.95(II)	3.97(I)
Orthodoxy	3.96(I)	2.75(II)
Empowerment	2.82(II)	3.93(I)

Using K-means Cluster Analysis the respondents have been grouped into two clusters based on the eight gender role attitude factors. The first cluster ranks first in four factors such as conservatism, submissiveness, conditioning and orthodoxy while it ranks second in factors such as equality, freedom, revolution and empowerment hence this cluster can be categorized as traditional family. The second cluster ranks first in four factors such as equality, freedom, revolution and empowerment and is ranked second in the remaining four factors such as conservatism, submissiveness, conditioning and orthodoxy. Hence this cluster can be suitably labeled as modern family.

Table 3: Number of Cases in each Cluster

Cluster	1(Traditional family)	124
	2(Modern family)	93
Total		217

More number of respondents falls in the first cluster of traditional families.

Table 4: ANOVA (Analysis of Variance)

	Cluster		F	Sig.
	Mean Square	df		
Conservatism	39.106	1	77.701	0.000
Submissiveness	54.457	1	160.105	0.000
Conditioning	29.253	1	226.714	0.000
Equality	0.856	1	11.059	0.001
Freedom	7.313	1	45.060	0.000
Revolution	8.037	1	24.509	0.000
Orthodoxy	0.729	1	10.083	0.002
Empowerment	3.588	1	12.960	0.000

The final cluster centers table shows that the two clusters differ in mean value of all the eight factors. The ANOVA table indicates that the difference exists among the two clusters in the mean values are significantly different. The significant value for all the eight factors is less than 0.05. This means that all the eight factors have significant contribution on dividing the families into two segments based on gender role attitude.

Relationship between Gender role attitude segments and Demographic Variables

It is necessary to analyse the factors that determine gender role attitude based segmentation. First demographic variables are considered. The demographic variables used in the study are age, education, family income, number of years been married, number of children, number of dependents and family life cycle stage. The chi-square analysis was done to find out whether the demographic variables have impact over gender role attitude.

Table 5: Chi-square Value for demographic variables

Sl. No	Variable	Chi-Square Value	Significant Value	Significant or Not
1	Age	155.750	0.000	Highly Significant
2	Education	68.056	0.000	Highly Significant
3	Family Income	104.067	0.000	Highly Significant
4	Number of years been married	83.248	0.000	Highly Significant
5	Number of children	14.995	0.005	Significant
6	Number of dependents	8.148	0.148	Not Significant
7	Family Lifecycle stage	19.076	0.000	Highly Significant

From the above table it is clear that age, education, family income, number of years been married, number of children, and family lifecycle stage have significant association with gender role attitude segments.

Table 6: Percentage of Influence of various family members in Purchase Decision Making

Influence	Traditional Families			Modern Families		
	A/C	PC	Car	A/C	PC	Car
Stage 1: Brought up an idea of purchase						
Husband had more influence	32	19	31	36	19	29
Joint decision of husband and wife	27	15	17	38	15	22
Wife had more influence	4	0	17	0	0	0
Children influence	0	44	4	21	47	16
Husband, wife and children altogether	37	22	31	5	19	33
Stage 2: Decided how much to spend						
Husband had more influence	37	26	25	60	56	68
Joint decision of husband and wife	51	33	48	30	29	27
Wife had more influence	4	4	9	5	1	5
Children influence	4	22	9	5	9	0
Husband, wife and children altogether	4	15	9	0	5	0
Stage 3: Gathered information regarding-Price, brands & features						
Husband had more influence	50	26	44	48	38	52
Joint decision of husband and wife	46	37	39	21	9	16
Wife had more influence	0	0	0	16	11	16
Children influence	4	30	13	10	33	5
Husband, wife and children altogether	0	7	4	5	9	11
Stage 4: Visited stores or showrooms						
Husband had more influence	18	7	22	33	38	27
Joint decision of husband and wife	64	41	52	31	20	29
Wife had more influence	0	4	0	10	9	11
Children influence	0	18	4	10	5	6
Stage 5: Decided on style or type						
Husband had more influence	27	7	26	42	33	33
Joint decision of husband and wife	45	38	35	37	5	12
Wife had more influence	0	0	4	5	6	5
Children influence	5	33	4	16	42	5
Husband, wife and children altogether	23	22	31	0	14	45
Stage 6: Decided on size						
Husband had more influence	36	22	26	42	33	49
Joint decision of husband and wife	41	26	39	43	11	24
Wife had more influence	4	0	0	0	0	5
Children influence	5	22	4	5	47	5
Husband, wife and children altogether	14	30	31	10	9	17

Stage 7: Decided on specific brand						
Husband had more influence	32	30	30	47	28	44
Joint decision of husband and wife	32	22	30	33	14	29
Wife had more influence	4	0	0	10	6	5
Children influence	0	26	0	5	38	5
Husband, wife and children altogether	32	22	40	5	14	17
Stage 8: Decided on a specific store/showroom						
Husband had more influence	41	37	53	53	56	62
Joint decision of husband and wife	36	15	30	26	5	17
Wife had more influence	0	4	4	0	6	0
Children influence	0	26	0	16	28	10
Husband, wife and children altogether	23	18	13	5	5	11
Stage 9: Decided on when to buy						
Husband had more influence	14	22	35	36	43	33
Joint decision of husband and wife	55	38	35	39	15	45
Wife had more influence	14	11	4	10	9	5
Children influence	0	7	0	5	19	0
Influence	Traditional Families			Modern Families		
	A/C	PC	Car	A/C	PC	Car
Husband, wife and children altogether	17	22	26	10	14	17
Stage 10: Decided on mode of payment (cash or installment/credit)						
Husband had more influence	32	52	39	63	66	67
Joint decision of husband and wife	59	44	53	27	25	23
Wife had more influence	0	0	0	5	9	5
Children influence	0	0	4	0	0	0
Husband, wife and children altogether	9	4	4	5	0	5
Stage 11: Actually went and made the purchase						
Husband had more influence	18	7	22	48	33	27
Joint decision of husband and wife	55	52	48	31	15	29
Wife had more influence	4	0	0	0	5	0
Children influence	0	11	0	0	9	0
Husband, wife and children altogether	23	30	30	21	38	44
N	88	108	92	77	85	73
Note: A/C= Air Conditioner; PC= Personal Computer						

Inferences from the Table

Air-Conditioner

Joint decision of husband and wife was predominant in case of traditional families in most of the stages of purchase decision making process whereas in case of modern families, husband domination was more observed.

Personal Computer

Though joint decision of husband and wife was more visible, children's influence was more prominent in terms of initiating the idea of purchase, deciding on the style/type as well as the brand of the computer. The role of the wife was passive in most of the purchase decision stages in both traditional as well as modern families.

Car

The influence of all the family members that is husband, wife and children altogether was quite high in case of car purchase.

All the three products

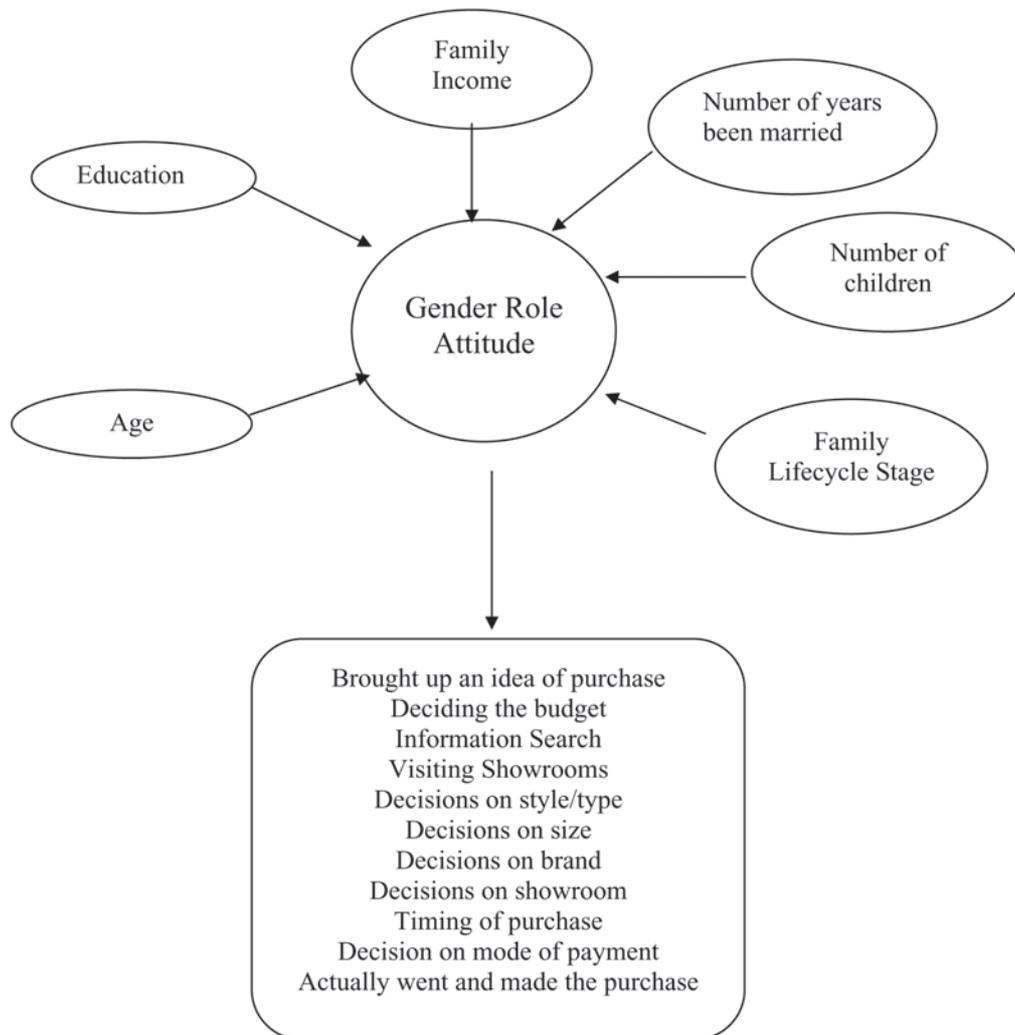
The influence of wife and children was negligible in terms of deciding the mode of payment for the purchase. Joint decision of husband and wife was prominent in traditional families whereas the entire family went and made the purchase especially in case of Personal Computer and car in modern families.

Table 7: Chi-square Analysis (Traditional and Modern Families)

Decisions	Chi-square Values (df=5)		
	Air Conditioner	Personal Computer	Car
Brought up an idea of purchase	46.461**	1.348	20.058*
Decided how much to spend	14.690*	23.378**	33.928**
Gathered information regarding-Price, brands & features	32.144**	29.711**	28.370**
Visited stores or showrooms	35.332**	38.518**	17.258*
Decided on style or type	34.872**	48.800**	21.750*
Decided on size	8.365	27.259**	18.326*
Decided on specific brand	28.345**	12.911*	20.016*
Decided on a specific store/showroom	29.629**	17.610*	18.005*
Decided on when to buy	22.273**	22.315**	3.572
Decided on mode of payment (cash or installment/credit)	27.588**	21.237**	23.315**
Actually went and made the purchase	24.530**	41.799**	6.886
Note: **Significant at 0.00 level. *Significant at 0.05 level.			

In case of air conditioner, the two types of families did not differ statistically regarding decision on size while in case of personal computer both traditional and modern families did not differ statistically with respect to initiating the idea of purchase. Decision regarding timing of purchase decision as well as who actually went to the showroom and placed the purchase order showed no significant difference between traditional and modern families in car purchase. In all other purchase decisions all the three durable products showed statistically significant differences between traditional and modern families (Chi-square values were significant). Hence, the null hypothesis that traditional and modern families do not differ in making product purchase decisions is rejected for all the three durable goods under study.

Gender Role Attitude Model



Conclusion

There is an increasing trend of egalitarianism in Chennai families. The comparison of gender-role modern and gender-role traditional suggests that a family member's gender-role orientation affects the degree to which families interact and the perceived pattern of influence for various family decisions. The tendency is for gender-role modern family members to perceive a more egalitarian distribution of family decision influence and thus increased interaction between family members. Modern families are clearly exhibiting the influence of the entire family i.e. husband, wife and children in the purchase of durable goods especially that of personal computer and car. Children are playing an important role in family purchase decisions. No more the family purchase decisions are dominated by husband and wife only. Alternatively, gender-role traditional oriented family members are showing joint purchase decision making of husband and wife. Its no more husband dominated purchase decisions.

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Resistance over shift system

R. Krishnaveni ¹ and Ravi Chinnathambi ²

Abstract

This case explains in detail the work environment prevalent in health care services. The nature of working is well brought out. Due to environmental and business changes, the related measure undertaken by the management leads to resistance among the employees.

¹. Professor, PSG Institute of Management, Coimbatore. rmkrishnaveni@gmail.com

². Student, Executive MBA program, PSG Institute of Management, Coimbatore. cravi@seyyone.co.in

Background

Boss Back-Office Services Pvt. Ltd is a 100% export oriented unit established in the year 1998 at Coimbatore by two academicians who turned out to be entrepreneurs after decades of teaching in a Government aided college in Coimbatore. The company was started with three employees with an aim of offering IT Development & Consultancy. Within one year the company diversified into offering back office services to health care facilities primarily in the United States, and later it started extending the services to Australia and Canada. When the recession in US hit the IT industry in 2001, the organization ceased to offer IT development and Consulting but continued to develop kiosk application for domestic market, especially the Government enterprises. The unclear focus of Government officials and delayed payments made the activity financially unfeasible. However the focus on the health care services (transcription) gained strength year after year.

The transcription is one of the back office services rendered to the healthcare facilities in the ¹US. The doctors must maintain a detailed medical report / record of every visit of each patient due to the following reasons:

1. as a legal requirement
2. to claim money from the insurance company for the treatment or consultation given for future reference purpose
3. information to be passed on to the referred doctor in needy cases regarding the treatment given to the referred patient
4. to safeguard himself / herself from any legal suits
5. To make the patient information available electronically as per Federal Government's Healthcare policy.

The company has over 100 people working for them both in-house and from-house. When the company diversified into healthcare BPO, there was a proliferation of similar companies all around Coimbatore and the skilled manpower had too many choices to choose from. To gain competitive advantage and attract talented manpower, the company took a policy decision and announced the following as Unique selling proposition (USPs) to attract the human resources.

1. Only General shift (Regular working hours as in banks, colleges etc)
2. Flexible working hours to suit the married women and to-be-mothers.
3. Split shift (Another flexible option that allows staff to work few hours in the morning and the remaining hours in the evening with a large break in between)
4. Subsidized lunch etc

These measures made Boss Back-Office Services the best place for the human resources to work with while most of the companies insisted on 2-shifts, if not 3-shifts.

The company offered free training with performance-linked incentive. While many companies offered training by getting money from the potential candidates, Boss Back-Office Services and a few companies offer free training to all the selected candidates. Additionally, during the training programme the trainees are paid attractive performance-based stipend. As a result the organization invests heavily on each individual to make them a good transcriptionist. In turn, all the trainees are expected to sign an agreement to stay with the company for a minimum period of 2 years. Every candidate must undergo a 6-month long, strenuous training programme with very high performance targets. Candidates who could not withstand the pressure to meet the high standards dropped out and only around 60% of the trainees used to get into the production. Since both the whole-time, founder Directors were academicians, their flair for teaching made the company known for the best training among the host of companies located in and around Coimbatore. One of them primarily took charge of the training and the other directly managed the Operations and HR

The per person productivity used to be very high as a result of good training. Within 6 months of experience, the transcriptionists used to type 600 lines per day with an accuracy ranging from 80% to 90%. As the salary was also linked with the productivity and there was no time restrictions, staff used to spend longer hours, as high as 12 hours in the company to type more. Some of them earned incentive equal to 50% of their salary or more. Also working at Boss Back-Office Services was fun and there used to be a lot of parties and celebrations. All the staffs used to take interest in all the get together and other activities in which they actively participated.

Few years after the establishment, when the strength increased considerably, separate managers were employed to take care of Training and Operations who reported to the Directors directly.

Current situation

After the entry of many American companies, the Boss Back-office Services started facing relatively high attrition rate. This was because the salary offered was relatively a bit higher by the American companies but the working conditions were also a bit stringent. Another troublesome trend faced by Boss was the per-person productivity was also reduced to 450 lines per day with average accuracy around 75 percent. The lower productivity ultimately brought down earning per seat and also loyalty was found to be waning out. The employees who left the company quoted longer-working hours as the primary reason. The rupee appreciation against the dollar was also another concern that had directly affected the profit margin of the company. The situation seems to be more or less the same in other Coimbatore-based companies as well.

Issues

In this current scenario, there is an increased pressure for the company to improve the per-seat earnings. The top management, in one of the board meetings, discussed the need for bringing in shift system as one of the measures intended at improving the earnings, which incidentally helps in other ways as well. When the board wanted to know how the shift system is going to help, Director (Operations) mentioned that the shift system would be beneficial in the following ways.

1. The resources are put into efficient utilization.
2. Make the staff complete the work without wasting anytime with in the stipulated time of say 7 or 8 hours instead of extending it to 10 or more hours.
3. With 100 machines, instead of 100 staff working in general shift, by moving to shift system, 200 staff can work and there is no need for expansion of infrastructure when the candidates recruited on the campus join the training programme during the ensuing summer and thereafter.
4. The productivity per machine would be more.
5. Ultimately it results in increased earnings per machine. Each machine in general shift yields on an average 500 lines but in the shift system (two shifts), it is expected to yield 800 lines.

6. There will be an increase in the overall productivity by about 60%, which is expected to result in an increase of 40% in the overall billing. 55% of this difference in billing gets directly added to the profit margin. (There is no tax for 100% EOUs in India till 2009)
7. The concern expressed by the staff in the exit interview about long work hours could also be addressed.
8. The staff shall go back home much early and have better work-life balance.
9. Reduces the fatigue of staff
10. Focused and concentrated work results in better quality
11. Staffs are hard pressed for time and hence there will be less internal politics.

Action initiated

The Operations Manager was entrusted with the responsibility of introducing the shift system. He was also promised an attractive cash incentive upon implementation. He was instructed to come out with recommendations and a detailed plan and make a presentation to the Director on the first Monday of March 2008 at 5 PM. The Director (Operations) initiated the initial round of discussion with the team leaders along with the Operations Manager. There seemed to be a bit of enthusiasm among the team leaders. It was suggested that the team discuss the plan with the individual members. After discussions and deliberations, the issues raised by the team members must be brought up for follow-up discussion.

In the meantime few concessions were also simultaneously announced: A reduction in the monthly targets to accommodate the reduced time and a few other welfare measures. The Operations manager had 4 or 5 rounds of discussion with the team leaders and the team over a period of two-weeks.

It was close to 5 p.m. on March 3, 2008, Monday; the Director (Operations) was looking for the Operations Managers through the glass window in his cabin. He was found to be involved in an active discussion with a group of staff even after five past five. The Director turned his attention when the Voice over the Internet Protocol (VOIP) phone chuckled. When he was talking to the client on the other end of the globe, he could hear foot steps approaching his door. As he kept on talking, he could see him standing with his shoulders stooping down, eyes without any usual glittering and lips dry. When he switched-off the speaker phone, The OM said to him, "Sir! I'm extremely sorry. I could not convince or motivate the staff to fall in line with our idea." Even after the announcement of concessions he was unable to convince the staff to move to shift operations and was forced to postpone the decision on account of heavy opposition by the members of the staff and even there was an indication that some of the key people might leave.

Resistance

He listed out various reasons that made them resist: The main aspect for resistance among the employees was due to the following reasons. Many of them who may have to work in the afternoon shift would be forced to go late and parents never liked it, as most of the staffs are unmarried girls. They preferred neither to be dropped by call taxies. Staff who may have to come in the morning said that they have difficulty leaving home so early and also some of them said they have health problems like asthma, allergies etc. Some others feared that their productivity would come down as a result of restricted working hours and hence their ability to earn more salary and incentive.

Many married women found general working hours comfortable as they can take care of their children / diseased in-laws. Some feared that their growth may be hampered as they could not spend extra time to learn. While others felt that they may be forced to learn about new clients to get sufficient productivity.

After listening to him keenly, the Operations Director took a deep breath, closed his eyes in deep thinking for a few moments and said to him firmly, "Let me try!"

Deposits Repayable By Banks Through Equated Monthly Installments (EMIs)

A Proposal for an Innovative Product and its Potentiality Study with particular reference to the benefits for the Senior Citizens

Vipin Desai *

Abstract

When a person retires, the first thing that he loses is a regular source of income. The interest on the accumulated funds generally refuses to promise the same standard of living as before. The ever rising inflation and rising medical bill add fuel to the fire. Reverse Mortgage loan scheme was introduced to help senior citizens by offering regular monthly cash flows against own home allowed to be self-used during life time .The loan would be recovered by the bank from the sale-proceeds of the house after his death when the house would no longer be useful to the owner. But a large number of senior citizens not having own house cannot avail the aforesaid loan. In this article the author has floated an idea to help this class. A homeless senior citizen depends only on the limited interest income without touching the principal amount any time during the whole life. But this principal amount, too, would no longer be useful to him after his death. A deposit scheme can be devised which considers rational disbursement of principal amount being paid in terms of regular monthly installments along with payments of monthly interest. With findings of a sample survey of 200 senior citizens undertaken at Vadodara in Gujarat, the author contends to establish that if properly designed the scheme with its basic reasoning can convince sufficient number of people to accept the same without getting affected by socio-economic issues like traditional mentality to leave a legacy, disinclination of sons/daughters towards the scheme etc. The number of people accepting the scheme can makes viable proposition to have the scheme accepted by the bankers, too.

The product can become an additional social welfare tool .It can also offer a good avenue for business for the Indian and foreign banks operating in India

Key words: Senior Citizens, source of income, standard of living, interest, use of principal amount after death, socio-economic issues

*Sr.Faculty Member (Banking & Finance), INC Vadodara E-mail: vipindesai2002@yahoo.co.in

Introduction

The proposed deposit scheme is based on the popular concept of annuity. The term Annuity is used to describe a series of periodic flows of equal amounts which can be either receipts or Payments. Such flows will be in form of receipts coming to the depositors as repayment of their deposits with interest so far as the proposed deposit scheme is concerned. If you have a certain amount of money and you want to place it in a bank, you have only one option to get regular periodic income: place the money for a certain period under a fixed deposit scheme of a bank and get regular interest every month. At the end of the chosen period the principal amount will remain intact. You can again renew the deposit and continue to get interest leaving the principal amount intact. This can happen till the end of your life time but ironically the fact remains that you will never be able to use the principal amount which after your death would go into the hands of your legal heirs. You do not use the principal amount because that will reduce your deposit amount and you will get lesser regular income that is interest. Is it possible to use the principal amount even during the life time without sacrificing the interest otherwise receivable? The proposed scheme comes with an affirmative answer. As known to every one, the EMI in the context of any bank loan recovers from you not only the interest part of the loan but also the principal amount on pro-rata basis over a period of time leaving zero balance at the end of the period. Here in the context of proposed deposit scheme you are recovering not only the interest from the bank but also a part of the principal amount of deposit every month. This means higher liquidity in your hands. Of course, at the end of the life you will have zero balance in your deposit account. But does it matter? To find an answer to this question first it would be interesting to compare the proposed deposit scheme with the Reverse Mortgage Loan Scheme as there are certain commonalities.

Comparison with the Reverse Mortgage Loan Scheme

The Reverse Mortgage loan scheme introduced by many banks following the proclamation of the government in the 2007-Budget of its desire to have the scheme taken up by the Indian banks. As we know now, the Reverse Mortgage Loan Scheme is a loan against own house given to a senior citizen. He can continue to occupy the house through out his life and use the borrowed money coming his way from the banks in form of regular monthly cash flows for maintaining his standard of living without botheration of repaying the loan or interest any time during his life time. The bank will recover the loan with interest only after his death or the death of the last surviving spouse by selling the house. This is a broad idea about the Reverse Mortgage Loan scheme. The acceptance of the loan scheme largely depends upon whether a person possesses emotional attachment with the home and the kids and whether he has the traditional Indian mentality to leave a legacy behind him for the kids. If there is no such attachment and the mentality, it would also matter whether the kids would come in the way of making a decision to take the loan by mortgaging the house. Again, we have to see as to what extent the fast erosion in the social values and how the kids are treating the parents in the modern times have a changing impact on the traditional mentality. Since the acceptance of the proposed deposit scheme is also likely to be influenced by almost similar factors a comparison of both products has been considered as useful to clear these points. It may not be out of place to mention here that the findings from

survey on potentiality study of the Reverse Mortgage Loan Scheme were quite in favour of success of the scheme in form of viable number of people likely to accept the same. There may be some additional features coming to fore once we start thinking more about the proposed deposit scheme .We will have to take an overall view . But before we talk about the other implications let us start first with the comparison.

Both the schemes are basically aimed at enhancing the purchasing power of a senior citizen with the use of some asset on the premise that the asset in each case is no longer useful to him after his death and any additional liquidity that can be generated during one's life time is certainly beneficial.

The apprehended obstacles in acceptability of the Reverse Mortgage Loan Scheme are discussed above .While some of the obstacles apply also to the proposed deposit scheme, whether the degree of attachment to home is equal to the attachment to other own assets like bank deposit is a question. The author feels that the Indians' emotional attachment to home may be greater than the attachment to any other asset. If this sounds true, the things go more in favour of the deposit scheme getting accepted by many people including even the home-owners who might reject the reverse Mortgage Loan Scheme due to their strong emotional attachment to home.

Another obstacle which was apprehended in respect of Reverse Mortgage Loan Scheme was: what would happen, if the senior citizen outlives the loan period. Although, the scheme promised to allow the senior citizen to continue to occupy the house till death of both the spouses , the monthly regular inflow would be discontinued .This feature is also applicable in case of the proposed deposit scheme. We shall discuss this later when we critically analyze all the features of the scheme. One remarkable feature which can also be drawn from the comparison is that a person is not averse to the Reverse Mortgage loan Scheme but he cannot accept it simply because he does not have any home of his own .This individual having some amount of savings will have no difficulty in readily availing the proposed deposit scheme.

Both the schemes generally come without the obstacles discussed above to the senior citizens who are unmarried, divorcees / married but having no issue, having male/female kids not needing/interested in parents' property .This is so because of irrelevance of the issues pertaining to attachment to home or other assets after death, leaving a legacy for the kids or likely interference of the kids.

Comparison with existing Pension Schemes

None of the existing pension schemes have the features matching with the proposed deposit scheme. It can be explained as under representatively.

1. Jeevan Suraksha (LIC): Pension continues to the legal heirs. Hence it does not repay principle like EMI.
 2. ICICI Pru forever Life: The maximum entry level age is 55.The purchase price is returnable to the legal heir. Hence it does not repay principle in EMI.
-

3. UTI Retirement Benefit Plan is a mutual fund scheme and does not match with the features of the proposed deposit scheme. The maximum entry level age is 58.
4. Jeevan Dhara and Jeevan Akshay (LIC): The corpus is passed on to the nominee after death. Hence it, too, does not repay principle like EMI.
5. Kothari Pioneer's Pension Plan: The corpus is kept intact. Hence it does not entail EMI-based payment.

The advantages of the proposed Deposit Scheme

It would be useful to enumerate the likely benefits that can be derived from the scheme. These can be enlisted as under with little repetition to have full list of benefits presented at one go.

1. The scheme will enhance the purchasing power of the senior citizen to combat the ever rising inflation with no matching increase in the interest rates.
2. The scheme will instill a sense of security as financial security has a considerable bearing on the overall security concerns.
3. The homeless people who could not accept the Reverse Mortgage loan scheme would find an alternative solution available.
4. The people who may not accept the Reverse Mortgage loan Scheme because of the strong traditional attachment to own home may not have problem to accept this scheme as the other assets like deposits may not fall in the category of the same degree of strong emotional attachment as in the case of home.
5. Some people may not accept the Reverse mortgage loan scheme due to the strong emotional attachment with own home .However some of them may not be able to actually stay in their own home .They may have to compulsorily stay together with the kids settled at some other place because maintaining two establishments may not be possible for the kids. These senior citizens may have a strong feeling to go back to their original place where they lived throughout their life if some alternative source of income is available. The proposed deposit scheme offers this.
6. The above advantage is also applicable to homeless people staying elsewhere with the kids .Although they cannot dream of staying in an own house at original place but can at least fulfill the dream to stay at 'own' town (may be in a rented house) with the help of additional liquidity coming their way through the deposit scheme.
7. The class comprising of unmarried people, people with no issue, people with issue but kids not interested /needing anything from parents, will find no problem in accepting the scheme unless there are some other reasons discussed later on.

8. The people who do not want to pass on anything to the kids because of latter's ill treatment may accept the scheme with no problem.
9. The people can get additional liquidity to the extent ranging from 15% to 61% depending upon their estimated residual life span as explained in Annexure I to this article which is based on presumption of interest rate of 10%p.a.
10. Despite the socio-economic obstacles in the Reverse Mortgage Loan Scheme, the survey came out with viable number of people in its favour. The obstacles having commonality with the proposed deposit scheme cannot deter the same from having equally viable number or even larger than that.

Likely effects of outliving on adopting the proposed Deposit Scheme and the proposed solutions:

The calculations in the table appearing at Annexure I is based on the deposit term chosen by an individual. This choice will depend on the expected residual life span in each case. The senior citizens in the age group of 80-90 years may choose a 5 years term. The people in the 75-80 years-age-group may choose a 10 years term. Those in the age group of 70-75 years may go for 15 years term. The people in the still lower age group may go for a term of 20 years or more .Longer the term, lesser will be the amount of EMI. Of course, whatever term is chosen, the EMI will always be bigger than mere interest

Life expectancy of an Indian citizen was just over 40 years in 1947 .Today it is 64 years .But this is a general average .A particular individual may live more than that. If the assessment for the expected residual life-span differs when it comes to reality and the person outlives the deposit term, he would be left with zero balance of deposit before death and the EMIs would stop coming his way. The similar problem can be visualized in respect of Reverse mortgage scheme, too. But looking to the popularity of the said scheme in the western countries it appears that the careful choice of the term and some additional protective measures can eliminate the problem in respect of the deposit scheme, too.

The possible solution to this problem in respect of the proposed deposit scheme can also be adding some reasonable cushion to one's expected mortality level and placing the deposit for a little longer period .Here, monthly annuity may go little lower than the one shown in the table. Again, it is certain that it will be always more than mere interest.

The choice of the term can be made only after seeking opinion of the medical experts.

Even the medical advice may not be 100% accurate. The risk of surviving can be mitigated by making it a subject matter of insurance .The insurance company can play a vital role to offer a fool-proof protection. It can become a viable insurance product considering that Insurance co. may have to pay in few particular cases as against large no. of cases which will fall in the zone of average longevity period.

If the government can see the scheme as an effective social security measure, it can play a constructive role in respect of the last two suggestions.

The government can also consider how the interest rates can be protected to ensure only positive and no negative impact of the interest rate fluctuations on the amount of EMI.

The Need and Objectives

Although the likely benefits of the scheme are discussed at length, how the people would weigh them in the context of the perceived problems was considered a subject – matter of a survey. The success or failure of the scheme in emerging as acceptable depends upon the size and scale of the problems. The best way to ascertain the same was to go to the senior citizens, ask them and find the facts. The survey was conducted with the following objectives.

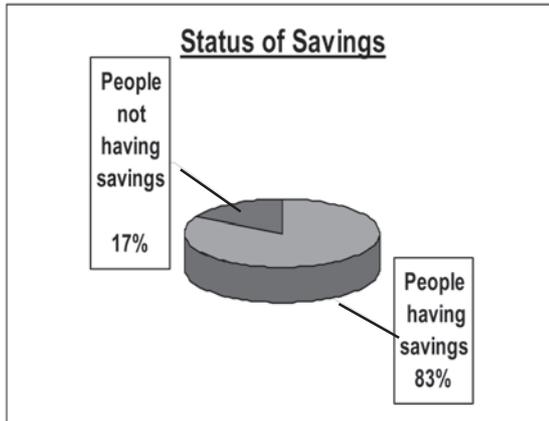
1. To estimate the magnitude of the senior citizens to whom the scheme can be prima facie beneficial.
2. To carve out the percentage of the people (out of the likely beneficiaries) who may actually opt for the scheme without any self-generated or external obstacles.
3. To derive conclusion about the potentiality of the scheme.
4. To put forth rational recommendations.

The Methodology and Limitations of the survey

1. A questionnaire based sample survey of 200 senior citizens in Vadodara , Gujarat after getting the questionnaire validated by first conducting a pilot survey of 25 senior citizens belonging to different socio-economic class.
2. Since the target location of the survey was city of Vadodara, the Vadodara-specific features may, to an extent, dilute the objectivity of the findings.
3. To minimize the impact of the above mentioned limitation the samples were chosen from different localities in proportion to their relative weightage in the total population of Vadodara. This was aimed at minimizing at least any area-specific impact on the findings.

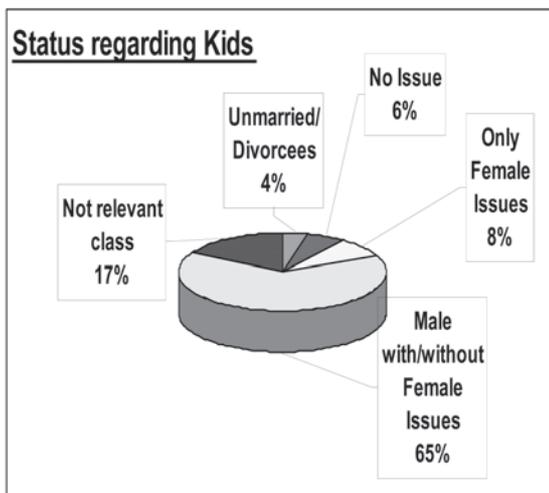
Findings

4.1.BASIC INFORMATION	
Chart 4.1.1	



- 83% people were having savings.
- 17% people were having no savings , and hence not considered relevant for the purpose

Chart 4.1.2	4% senior citizens	:unmarried
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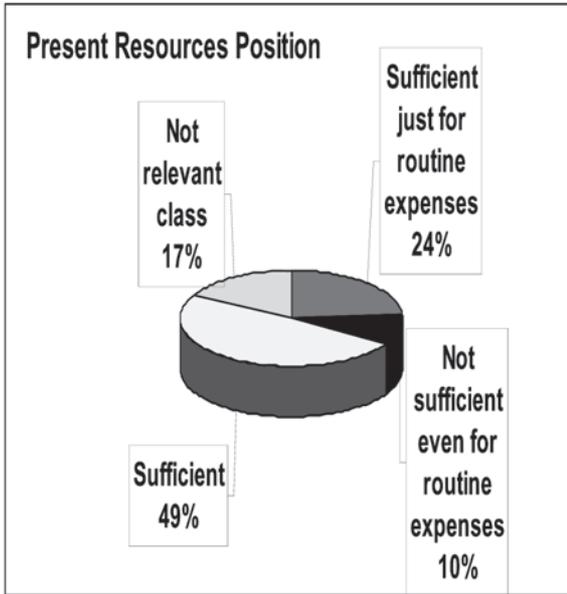


/Divorcees
 6% People having no issue
 8% People having only female issue/s
 65% people were having only male/ male + female issues.
 17% people were not eligible and hence ignored.
 This classification was later on useful to ascertain the percentage of people who were dependent only on their own income / only on kids' contribution/ both / living with kids spending for the parents .It was also useful to analyze which class responds how.

4.2.NEED IDENTIFICATION

Chart 4.2.1

Since the proposed scheme is basically



aimed at providing additional purchasing power to supplement the resources presently available with the senior citizens need analysis was done on that line.

-24% people said that they had funds enough just to meet bare minimum expenses for living but not for any comfort, entertainment or contingencies.

-10% people informed having funds insufficient even to meet routine expenses

49% people said that they were happy with their present financial status.

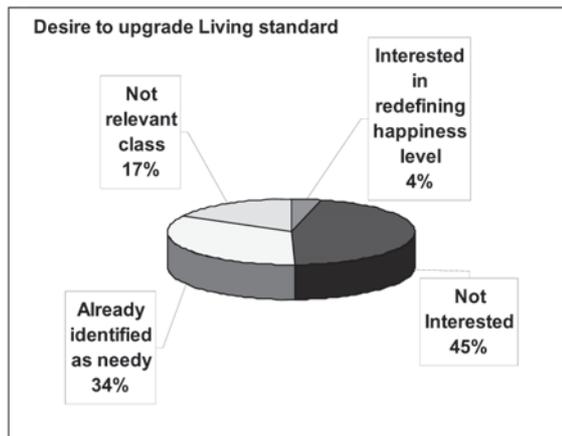
17% people: Not eligible for the scheme.

The 34%(24+10) people were identified as potential beneficiaries.

49% people who said they were happy with the present standard of living were further analyzed as follows.

Chart 4.2.2

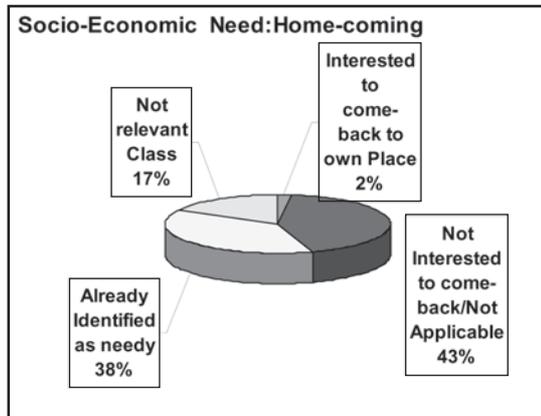
Out of the above referred balance 49% people some people may be presently at



a self-complacently perceived happiness level. But when asked whether they could think of raising their standard of living further, had they even more resources e.g. they can employ some workers to help them in domestic affairs or cooking, use auto rickshaw to go to temples etc.; 4% of them showed interest. Thus total percentage of likely beneficiaries got increased from 34% to 38%

The remaining 45% self-proclaimed happy people were put to further analysis as under

Chart 4.2.3



Out of the above mentioned 45% people, there may be people not staying at their original place in own home but with kids at some other place due to the reason that their kids can not manage double establishments but can manage well, if parents go to stay with them. These senior citizens may not have financial problems but they may not be comfortable with the climate of the new place or with the life style of the young generation or may be having emotional attachment with the original place where they lived throughout their lifetime .When asked whether they would like to be back to own home, if they find an alternative source of finance 2% of them showed interest. Thus total percentage of likely beneficiaries got increased to 40 % . This was the ultimate picture emerging out of the need analysis

But the big question was: Whether all these 40% people will really opt for the scheme? What about the apprehensions like strong mentality to leave a legacy, no-risk mentality at old age and likely interference from kids?? So we put all these likely beneficiaries through filtration process based on likely obstacles

4.3.OBSTACLES IN DECISION MAKING

Chart 4.3.1

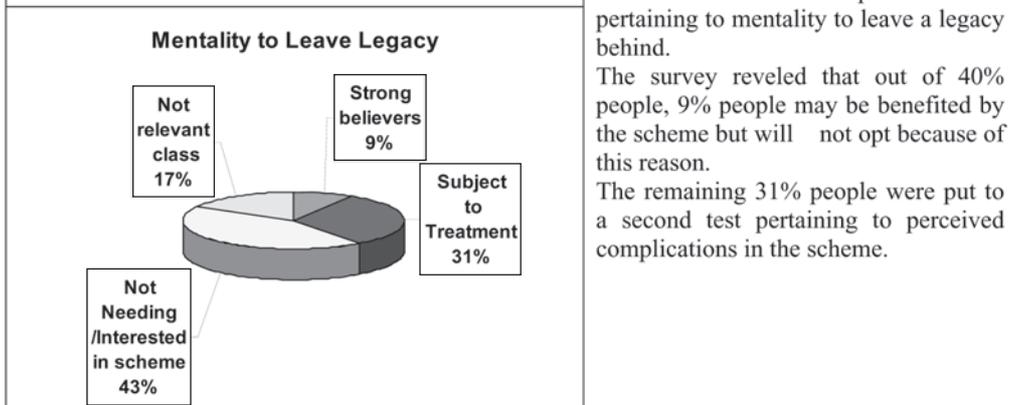
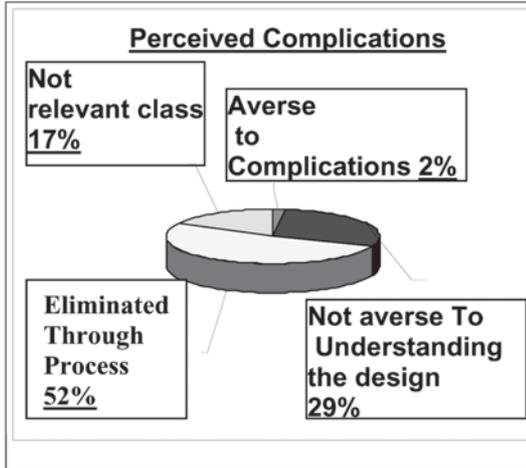


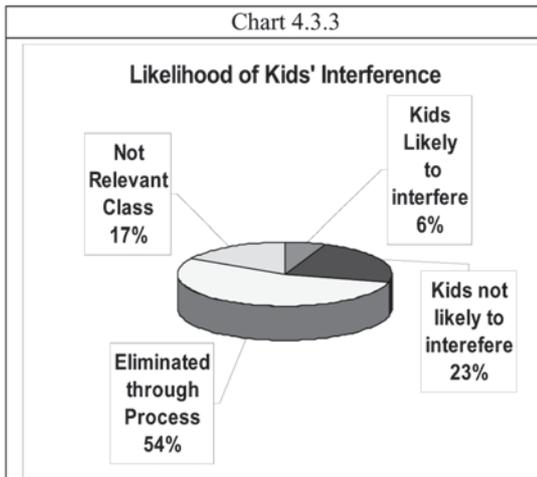
Chart 4.3.2

Even from remaining 31 % people



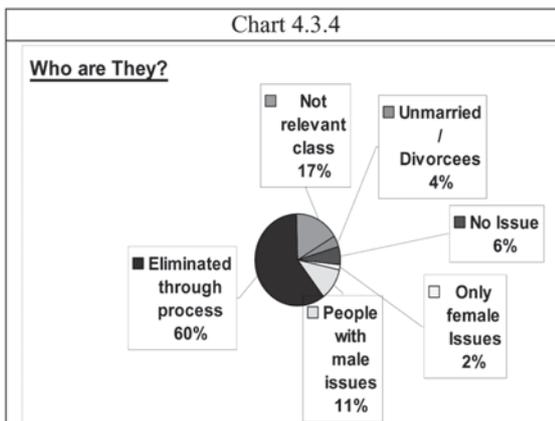
emerging as above, there were 2% people reluctant to opt for the scheme as they found the product complicated, reducing the percentage of potential takers to 29%. These 29% were put to one last test as under

Chart 4.3.3



As you can see here out of the balance potential takers comprising of 29% of the people, 6% people apprehended kids' interference and only 23% people were found to be representing the ultimate firm potential takers so far as present scenario is concerned.

Chart 4.3.4



If we look at the composition of the likely optees of the scheme we find that 50% of them are from unmarried, divorcees, people with no issues and people with only female issues. The remaining 50% people are from people with usual features.

Conclusion

The basic Scope of the Scheme

1. The groups containing almost confirmed takers form total of 23 % portion of the whole target group, which is not a negligible figure to start with.
2. There is a scope to market this scheme in India considering the viability emanating from the magnitude of the potential optees.

The Scope in Future

1. There is a group of people who need additional fund inflow but do not opt now because of reasons like desire to leave a legacy, no risk mentality or anticipated disinclination from kids etc. The needy people having kids but ill-treated are likely to have a second thought and become strong contenders of the scheme. This is a class which offers hidden potential in the medium to long run.
2. It is a human tendency not to accept any new thing immediately but to change the mind set over a period of time after watching others enjoying fruits of that thing

]Recommendations and Suggestions

The proposed deposit Scheme offers sufficient scope in India for the present to be taken up as a viable product by the banks, which can see enlarged scope in medium to long term. For this creation of sufficient awareness among the people and fine-tuning the terms of the scheme to suit both the ends are the major initiatives required to be taken by the government and banks.

The proposed scheme should be seen as an important social security measure and when it is a matter of striking a balance between feasibility/viability and social security, the government should take necessary supportive and motivational measures like insuring the risk as to timing of death in a specific time-slot to ensure additional protection in case of depositor outliving the deposit term.

The Senior Citizens' forums in India can play a constructive role in creating awareness among the people about the benefits of the scheme as also arranging for some medical consultancy services to help the senior citizens choose a right term and adequate cushion. They can also follow up with the government for relevant issues like insurance and interest rates.

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Annexure I : Table showing increase in Monthly Cash Flow based on EMI vis-à-vis monthly interest for X amount placed at the Interest rate of 10% p.a.

Usual Fixed Deposit Any Term		Under Deposits Repayable in terms of EMIs											
		5 years			10 years			15 years			20 years		
Deposit Amount	Monthly Interest @ 10% p.a.	EMI	Increase in monthly Cash flow	% monthly Increase	EMI	Increase in monthly Cash flow	% monthly Increase	EMI	Increase in monthly Cash flow	% monthly Increase	EMI	Increase in monthly Cash flow	% monthly Increase
		(c)	(d) (c)-(b)	(e) (d/b*100)	(f)	(g) (f-b)	(h) (g/b*100)	(i)	(j) (i-b)	(k) (j/b*100)	(l)	(m) (l-b)	(n) (m/b*100)
100000	833	2120	1287	61	1320	487	37	1070	237	28.45	960	127	15
200000	1667	4240	2573	61	2640	973	37	2140	473	28.45	1920	253	15
300000	2500	6360	3860	61	3960	1460	37	3210	710	28.45	2880	380	15
400000	3333	8480	5147	61	5280	1947	37	4280	947	28.45	3840	507	15
500000	4167	10600	6433	61	6600	2433	37	5350	1183	28.45	4800	633	15
600000	5000	12720	7720	61	7920	2920	37	6420	1420	28.45	5760	760	15
700000	5833	14840	9007	61	9240	3407	37	7490	1657	28.45	6720	887	15
800000	6667	16960	10293	61	10560	3893	37	8560	1893	28.45	7680	1013	15
900000	7500	19080	11580	61	11880	4380	37	9630	2130	28.45	8640	1140	15
1000000	8333	21200	12867	61	13200	4867	37	10700	2367	28.45	9600	1267	15

QUESTIONNAIRE

(It is not compulsory to write your name and address)

Your Name _____

Age _____

Address _____

Please tick (") against answer of your choice

Question-1: What is your status regarding the kids?

■ No. of sons _____

■ No. of daughters _____

■ There is no issue _____

■ Not Married _____

■ Divorcee _____

■ Any other answer (write here) _____

Question-2: What is your status regarding savings?

■ I have certain amount saved _____

■ No Savings _____

■ Savings passed on to kids _____

■ Any other answer (write here) _____

Question-3: Where are you staying presently?

■ I/couple alone in our own house _____

■ Rented house _____

■ With son in my own house _____

■ With son in son's house _____

■ With daughter in daughter's/her husband's house _____

■ At Old age Home (Vrudhashram) _____

■ Any other answer (write here) _____

Question-4: If you have savings, what do you believe about whether your kids are interested in it after you both pass away? (Sorry for asking this way)

- They may have interest
- They may not have interest as they are very happy with their present wealth
- Can't say
- Any other answer (write here)_____

Question-5: How can you describe your present place of staying?

- We are happy
- We have to live under compulsion/no option
- Any other answer (write here) _____

Question-6: What sort of regular income you are getting of your own?

- Pension
- Interest on bank deposit
- Rent
- Any other answer (write here)_____

Question-7: Do your kids contribute towards your maintenance?

- No
- We stay with them only
- We do not stay with them but they send money
- Any other answer (write here)_____

Question-8: If your kids are sending money for you, is it sufficient for your livelihood and expenses of your choice?

- Not applicable
- Sufficient for livelihood but not for expenses of our choice?Sufficient for both: livelihood and expenses of my/our choice
- Not sufficient even for livelihood
- Any other answer (write here)_____

Question-9: If you are depending only on your own income (pension/interest etc.), is it sufficient for your livelihood and expenses of your choice ?

- Not applicable
- Sufficient for livelihood but not for expenses of our choice
- Sufficient for both: livelihood and expenses of my/our choice
- Not sufficient even for livelihood
- Any other answer (write here) _____

Question-10: Are you covered under Mediciclaim?

- I am a widower/widow. covered under Mediciclaim
- I am a widower/widow. Not covered under Mediciclaim
- We both are covered under Mediciclaim
- I am covered but not my wife
- I am covered but not my husband
- None of us covered
- Any other answer (write here) _____

Question-11: Do you believe that the medical expenses are supposed to be more at this age?

- Yes
- No
- Can't say
- Any other answer (write here) _____

Question-12: Do you believe that parents must leave their savings after them for kids?

- Not applicable (No Issue)
- Yes, if kids are caring
- Yes, even if kids are not caring
- No, If kids are not caring
- Any other answer (write here) _____

Question-13: If under a new Deposit Scheme you can get more amount than only interest on savings now ,if you forego principle amount on death, how do you consider the scheme beneficial to you?

- For livelihood and medical expenses
- For additional luxuries
- For spending towards religious and charitable purposes
- For sense of security
- For living with self-respect
- I/we do not need this type of scheme
- Any other answer (write here)_____

Question-14:If you consider this scheme as beneficial, what can come in your way in taking a decision?

- My wife/husband may not agree
- My kids may not agree
- I see no difficulty
- I do not consider scheme beneficial/necessary one
- Any other answer (write here)_____

Question-15 Do you believe that although you may be happy you can still be benefited by the scheme for enhancing your happiness by purchasing of a car ,engaging a driver, buying a bigger TV ,going to pilgrimage etc.?

- Yes
- No
- Not applicable? Any other answer (write here)_____

Question-16: Do you believe that as compared to staying at the home old son/daughter at other city/in other country or at Old Aged Home only under financial compulsions, it is better to stay in our own home in our own city after investing in this type of deposit so that you can engage a cook and other staff, watch TV programs of your choice and enjoy a private life ??yes

- No
- Any other answer (write here)_____

Question 17: The monthly pension under this scheme is remitted for the chosen term and it will discontinue stopped after that. What do you believe about this?

- This condition should not be there because once we are habituated to a regular monthly income; it is not desirable to stop it at a very old age. Bank should make necessary provision by creating a reserve or through some insurance cover to see that income continues till death.
- A medical consultant who can guide on correct choice of term can be very useful.
- the government should do something to protect the senior citizens from this happening by way of insurance
- Any other answer (write here)_____

Question 18: Do you believe that one should not think of any scheme with the element of uncertainty at this age?

- No, nothing wrong if some extra care can be taken
- Yes, no risk should be taken at this age
- Any other answer (write here)_____

Question 19: Do you believe that the traditional social values pertaining to relationship between parents and kids have been changing and at least in cases where parents are not happy with the kids should also change their belief about living a legacy for them?

- Yes, if the situation has changed, beliefs should also change. If situation is positive, beliefs need not change.
- No, howsoever badly the kids may treat, parents should not change their traditional beliefs
- Any other answer (write here)_____

Question 20: If a senior citizen does not like to stay at his son's home at different place/ country, what can be the possible reasons?

- New generation does not fully understands the wants of the old parents
- The life-style and food habits of the new generation do not suit the old people
- The old people may not like to leave the native place and go to other city/country
- Any other answer (write here)_____

