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## *From the Editor's Desk*

Corruption that is rampant across Indian politics is spreading fast to the business community also. The image of the Indian corporate has taken a serious beating due to a spate of scandals that shook the nation. Satyam was a classic example where ethics were compromised and balance sheets manipulated and investor money swindled.

The role of some private companies in gaining profits involving huge sums of money in Common Wealth Games exposed the shady deals between corporate and government agencies. Influence wielded by influential corporate players in the 2G scam or the tapped telephonic conversations in case of Corporate Lobbyist Nira Radia case are few examples of the huge list of corporate frauds.

The good news is that companies are beginning to realize the significance of corporate compliance and that it helps garner the trust of the client thus helping the business to flourish. Kroll's annual global fraud report indicated that prevalent rate of fraud in India has fallen to 84% during 2010-11 as compared to a year ago. Recently, Tata Steel and Wipro have been named among the world's most ethical companies by the American think tank, Ethisphere Institute, the only two Indian companies that featured in their 2012 list.

Good Governance can be achieved due to strong policies and regulation. However, if every individual joining an organization has a strong value system it becomes easier for them to conform to the code of ethics specified by the policy makers. This is possible when educational institutions integrate ethics while imparting a high quality management education. India's business education market churns out about one lakh management graduates annually. Business schools usually focus on imparting knowledge and skills in key functional areas like Finance, Marketing or HR but ignore the 'character building' component.

These are some of the reflections on ethical challenges that managers might face. One way of teaching value system is by sensitizing them through direct experience. They can be involved as volunteers in CSR/ NGO activities working with the under privileged, exposed to ethical dilemmas and also made to work on finding solutions to various social problems.

Auroras Journal of Management is a quarterly journal designed to include research articles in the frontier areas of management that include Finance, Marketing, Human Resource, Operations and Technology. Also articles on social, economic and political environment that have a direct bearing on the business would be invited from scholars for publication. We do hope that our contribution to sharing research articles will be received well by the readers.

Ravi Kanth Ganti  
Associate Dean

## Guidelines for Authors

**Auroras Journal of Management (AJM)** invites original papers from scholars, academicians and practitioners pertaining to management, business, and organizational issues. *AJM* also welcomes articles dealing with the social, economic and political factors that influence the business and industry. Papers, based on theoretical or empirical research or experience, should illustrate the practical applicability and/or policy implications of work described.

The Editorial Board offers the following guidelines which are to be followed while contributing papers for publication in *AJM*:

### Manuscript

The Author should send three copies of the final manuscript. The text should be double-spaced on A4 size paper with one-inch margins all around. The Author's name *should not* appear anywhere on the body of the manuscript to facilitate the blind review process. The Author may send a hardcopy of the manuscript to Aurora's Business School or e-mail the MS Word Document at [ajm@absi.edu.in](mailto:ajm@absi.edu.in). The manuscripts should be submitted in triplicate and should have been proof-read by the Author(s) before submission.

The paper should accompany the following on separate sheets (1) An **executive summary** of about 500 words along with five **key words**, and (2) A brief **biographical** sketch (60-80) words of the Author describing current designation and affiliation, specialization, number of books and articles in refereed journals, and membership on editorial boards and companies, etc. along with their contact information.

*AJM* has the following features:

- **Research Articles** which present emerging issues and ideas that call for action or rethinking by managers, administrators and policy makers in organizations. Recommended length of the article should be limited to 7,500 words.
- **Book Reviews** which covers reviews of contemporary and classical books on Management.
- **Articles on with social, economic and political issues** which deal with the analysis and resolution of managerial and academic issues based on analytical, empirical or case research/ studies/ illustrations.

### Headings/Sub-Headings

The manuscript should not contain more than 2-3 headings. It is suggested that lengthy and verbose headings and sub-headings should be avoided.

### Acronyms, Quotes and Language

Acronyms should be expanded when used for the first time in the text. Subsequently, acronyms can be used and should be written in capitals only. Quotes taken from books, research papers and articles should be reproduced without any change. British English is recommended as compared to American English. Keeping the diversity of the readers in mind, it is suggested that technical terminologies should be explained in detail while complicated jargons may be avoided.

### **Tables, Numbers and Percentages**

All tables, charts, and graphs should be given on separate sheets with titles. Wherever necessary, the source should be indicated at the bottom. Number and complexity of such exhibits should be as low as possible. All figures should be indicated in million and billion. All graphs should be in black and not in colour. The terms 'and' and 'percentage' should not be denoted by their symbols (& and %). Instead the complete word must be used. All figures/numbers <10, mentioned in the text, should be written only in words.

### **Notes and References**

The notes and references shall be presented at the end of the text, with notes preceding the list of references. Both, the notes and references should be numbered in their order of appearance in the text.

**Endnotes, italics, and quotation** marks should be kept to the minimum.

**References** should be complete in all respects:

**(a) The reference for journals shall be given as :**

Hannan M T and Freeman J (1977), "The Population Ecology of Organizations", *American Journal of Sociology*, Vol.82, No.5, pp.929-964

**(b) The reference for books shall be given as :**

Hooda R P (1998), *Indian Securities Market*, Excel Books, New Delhi.

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### **Reprints**

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# Beyond Management: Some Conceptual Contributions of Prof. Udai Pareek to the Modern World'

T.V. Rao\*

**Abstract:** *"A man literally is what he thinks, his character being the complete sum of all his thoughts. As the plant springs from, and could not be without, the seed, so every act of a man springs from the hidden seeds of thought and could not have appeared without them"*  
James Allen

Honourable Dr. C. P. Joshi Union Cabinet Minister for Road Transport and High Ways; Prof. Ashok Bapna President NHRDN, Jaipur, Mr. N. S. Rajan, National President NHRDN, Dr. Ashok Agarwal, Mr. Vikramjit Singh, Mr. Basant Khaitan, President Udai Pareek HRD Research Foundation , Prof. Vyas, Members of Dr. Pareek's Family Sushma, Surabhi, Alok, Luv, Aanagat, Shilpa, Karan and Yash, and all the members present in the auditorium:

I would like to thank all of you the organisers of this event for asking me to deliver this first Udai Pareek Memorial lecture. I think it is very appropriate that Scholars and Great Gurus like Dr Pareek are remembered in a variety of ways, apart from memorial lectures like these. And I hope this becomes the beginning of a series of activities to initiate to chose and benefit from the legacy in the form of experiences and writings of Dr. Udai Pareek. Great Gurus like Dr. Pareek have spent their entire life time professing certain things by self example, and living in certain ways that spread desirable values for the good of the present and future societies. Dr. Pareek had done this for over 85 years. We are all fortunate to have had his presence and wisdom in this period from 1925 to 2010 and wish it was much longer.

I have chosen perhaps somewhat unusual way of delivering this first memorial lecture. I have taken a theme close to Dr Pareek's heart. The thoughts shared in this lecture are extracted largely from one of his books- Beyond Management. The thoughts expressed in this book are relevant not only for today's world, but also to the future of organizations (inclusive of public, private, governmental, non-governmental), to our country, other countries, the global society and the entire mankind at large. In my view what Dr. Pareek gave us through his books and writings, as well as his thoughts, and actions is of relevance and significance to the future generations of all - not only various organizations in this country but entire humanity at large.

For most of you who do not know Dr. Pareek, he did his B.A. from St. John's College, Agra (Agra University), 1944, B.T. Teachers' Training College, Ajmer (Agra University), 1945; M.A. (Psychology), Calcutta University, 1950; .M.A. (Philosophy), Agra University, 1952 and Ph.D. (Psychology), University of Delhi, 1956. He also did his diploma certificate in Research Methods from Italy. As his biography would indicate Dr. Pareek widely travelled and experienced living in most countries representing the

*Based on the Udai Pareek Memorial Lecture for the Jaipur HRD Network Foundation, Jaipur delivered on 23d March, 2011 by Prof. T. V. Rao*

modern world ranging from the USA to Europe to Asian and South Asian countries like Thailand, Indonesia, Singapore and Malaysia. His students are spread across continents of the world; Australia and Africa to name a few. He admired all cultures and people from different countries and for the same reason he had very close friends in all parts of the world.

I met Dr Pareek in 1968 for the first time at the Administrative Staff College of India after his return from the USA. Then he joined the NIHAIE at New Delhi. I was in correspondence with him as a student of Osmania University and tried unsuccessfully to get a fellowship to work with him in the USA. I was already in employment at the Andhra University, Waltair and started the Department of Psychology and Parapsychology with Prof. K. Ramakrishan Rao. The year 1968 was about half way in Dr. Pareek's professional life and was the beginning of my career. Since then, I am fortunate to have been associated with Dr Pareek for almost 42 years which constitutes my entire professional life. In these 42 years we had co-authored or co-edited 15 books and also edited two journals (Indian Behavioural Sciences Abstracts and Indian Psychological Abstracts).

There are many contributions Dr. Pareek has made. For this lecture, I would like to take up the themes that are dearer to Dr Pareek and his original contribution. The most important of them in my view are his concepts of Extension Motivation and Role Efficacy and his conceptualisation of Decision Making and Institution Building in Educational Institutions. Also are his related concepts of Dependency Motivation and other motives. His conceptualisation of the Principles Underlying HRD is more relevant even today and is certainly ahead of our times. I will deal with them one by one and draw implications for future emulation, action, research and dissemination.

#### **Extension Motivation and Extension Values**

As early as in mid sixties Dr Pareek proposed the concept of Extension Motivation in his seminal articles on the New Paradigm for Development published in the Journal of Social Issues and International Social Science Journal (Pareek, 1968).

To summarise, the concept extension motivation simply means a need or a desire to extend oneself or the ego to others and relate to a larger group and its goals. It means a motivation for helping others, working for larger goals that benefit larger groups or society. It also means an ability to sacrifice one's own comforts and desires for the sake of others. It is this powerful motivation that has led to many great people to make sacrifices for the good of the larger community. All great preachers and saints have led a simple life and taught people to lead simple life. Mahatma Gandhi said Earth provides enough to satisfy every man's needs, but not every man's greed- it elucidates that the nature earth has enough resources and means to meet the basic requirements of a man but it can't serve the endless greed of man. Here he also meant implied to help the needy people of the society. Dr Pareek proposed that it is extension motivation that causes any given society to develop. "A super-ordinate goal probably arouses this motive. Such goals may therefore be important not only in developing harmony but also in sustained motivation of people in development." (p 120 Effective Organizations, Pareek 2002)

#### **Super-ordinate Goals**

*(source: Managers who Make a Difference: IIMA Books, New Delhi: Random House, 2010)*

Super-ordinate goals are not ordinary goals. They are meant to serve a larger principle. In creating and working towards these goals, a person derives satisfaction from the feeling that he is existing for a cause. Perhaps he was born for that. As one starts doing good work, others begin to appreciate them. With every good deed the person gets more power, appreciation and recognition and this has a

tremendous force. Take the example of Sarath Babu, the IIMA graduate who decided to set up his own 'idly factory' immediately after his studies at IIMA instead of taking up a high paid, secure job. He has become a success story and a role model for many management graduates to emulate. Recently he narrated an incident about a troubled, young girl who was about to end her life. She came across Sarath Babu's story and was so inspired by his achievements that she decided to live and make something of herself. It is incidents of this kind that help build one's determination to work for super-ordinate goals even though they may be weak at first.

Super-ordinate goals give individuals a high sense of efficacy. Mahatma Gandhi worked for an independent India adhering strictly to the principle of non-violence. This was the driving force that enabled him to make several sacrifice and it was this ability to make sacrifices, not seeking power for him and leading a simple, immaterial life that made him the greatest leader on earth. He derived his values from his family and what he read when he was young. He was most influenced by the stories of Harischandra and Shravana Pitrubhakti Natak. He experienced the power of Ahimsa in the way his father reacted to his confession that he stole.

Dr. V Kurien is another example of a superordinated goal achiever. He worked single-mindedly to make India self sufficient in milk production and was the architect of Operation Flood, the world's largest dairy development programme. Mr. Narayana Murthy of Infosys started with a long-term goal of liberating information technology and generating wealth to be distributed among a large number of those who work for Infosys. After creating Wipro, Azim Premji started devoting his time to nation building and has been promoting education in rural India. They are all examples of super-ordinate goal seekers.

All organisations in the corporate or voluntary sectors are concerned about motivating their personnel to work for organizational or social goals, which go beyond an individual's own perceived interests, and to promote collaboration, and commitment to super-ordinate goals. Extension Motivation addresses itself to this. Extension Motivation is also reflected in co-operation with others for achievement of a common goal, faith and trust in members of a group, and involvement in goals, which concern not only oneself, but also large groups, community or society. Various dimensions of extension motivation may be: helping people who need it, collaborating with others, empathising, risking one's comfort or safety for others, sacrifice, patriotism, hospitality, etc. Experiencing, reflecting, hypothesizing, conceptualizing and experimenting are the chief ingredients of the process of learning in a laboratory setting. The EM Lab will utilize experience-based learning as the main training method. Dr Pareek had designed and conducted a few laboratories using this concept.

I consider this as very appropriate in today's circumstances when both India, at macro level and at micro level, and the world at large is witnessing certain events that threaten the mankind. These events include scams that have shaken the very basic fabric of a country, unethical and irresponsible dealings by some of the corporate sector leaders who sacrificed basic values and long term interests of the company or the country for immediate financial gains. Incidents like these result in confusion in the minds of people and loss of faith on professionals and professionalism. In my view the reason behind the scams and unethical activities like insider trading, fudging of accounts etc take place essentially because of greed and selfishness. This greed and selfishness is obviously on the increase. In my view, Extension Motivation and Extension Values are antidotes to such diseases. They work both as antidotes to cure and even prevent selfishness and unethical exploitation of others for short term gains of a few.

In this context I must mention that his long term friend and colleague Dr. Prayag Mehta has been doing a lot of work on similar lines. Dr. Mehta's conceptualisation of Social Achievement and Development Motivation are particularly relevant to note here (Mehta (1994 and 1995). Prayag Mehta has observed in his book on Social Achievement that the pace of development has been slow. "Studies emphasize that importance of organization, participation and motivation along with public action for achieving such development goals. People are motivated by the need for social achievement and for acting on the environment for obtaining better quality of life and work" (p 1, Mehta, 1994). I am not going into details but Prayag Mehta's writings are of great significance in promoting development motivation particularly among the government agencies and agents and social achievement among the poor. In both these concepts Dr. Pareek's Extension Motivation seem to be part, though Prayag Mehta's concepts go far beyond a single motive and have great implications for development interventions.

To give a few examples of persons who lived with extension values and motivation are Mahatma Gandhi and Mother Teresa and in recent times Abdul Kalam and Kiran Bedi also demonstrate extension values. See the box below:

#### **Extension Motivated Leaders**

We all know little bit of Mother Teresa. One incident that is narrated often is when Mother Teresa went to a bakery man for bread for her orphan children. The story goes that as she raised her arms, the bakery man just spat on her hand. Then Mother Teresa told him, I would keep this for me, but give me some bread for my children while holding her another hand. On that spot, the bakery man realized Mother Teresa's gentleness and become a main bread donor for her orphanage. She started *Nirmala Bhavan* to look after orphans and disabled, and now it is spread throughout India. All through her life she worked for the poor and destitute.

Mahatma Gandhi lived a simple living and worked for the country following non violence principles. When Mahatma Gandhi was travelling on a train, one of his shoes slipped off onto the track, and he could not have picked it up, he promptly threw the second one also on to the track. When asked why he did that apparently he answered that when someone finds the first shoe the second one will help him to have both and use them. That is reflective of extension attitude.

Dr. Kalam took up academic pursuit as Professor, Technology & Societal Transformation at Anna University, Chennai from November 2001 and was involved in teaching and research tasks. Above all, he took up a mission to ignite the young minds for national development by meeting high school students across the country. Dr. Kalam is an extremely simple man. He is above seventy and a bachelor. He is a strict vegetarian and teetotaler. He is a 'work alcoholic' who knows no holidays in the seven day week. He works 18 hours a day. He is fond of music and spends his leisure hours practicing the lute (Veena). He is a great lover of books. He is a voracious reader of both 'Bhagvad Gita' and 'Quran'. Dr. Kalam quotes, "for great men, religion is a way of making friends; small people make religion a fighting tool".

Kiran Bedi has been devoting her life during her working life as well as now for social causes working with NGOs. While in service wherever she was posted she showed high concern for larger causes and tried to serve the people courageously and assertively.

If I analyse the people behind the scams, insider trading, fudging of accounts or cheating the public, that has largely come from those who were born in early independent India – in 1940s and 1950s and



perhaps a few born in sixties. I believe those born around that time were born in an independent yet insecure India. They had high aspirations and a few of them perhaps did not have the patience to put in hard work. As an outcome of which, they started resorting to short cuts. They were perhaps born in a "subsidy" country, a country of reservations and a country where the government is supposed to "give" than "take". Their ambitions resulted in greed out of which they indulge in unethical activities. Such greed is not the property of some but unfortunately many. If this greed characterised the youngest and upcoming generation (gen Y or Gen Z) then the country has no great future. To prevent this epidemic from breaking out, we need a strong medicine. Extension Motivation is not only a good medicine to cure but a great medicine to prevent. We need to inculcate the same right from childhood, through schools, colleges and education and corporate training programs. I also like to propose the term "Extension Value" to be added to our list of desirable values.

Dr. Pareek had written his book "Beyond Management" in 1981. He revised it in 1984 and again in 2002 and re-titled as "Effective Organizations". He dedicated the first volume to Ravi J Matthai, the second one to T V Rao and the third to Rolf and Ronnie Lynton a unique couple engaged in institution building across cultures. It is not unusual for Dr Pareek to dedicate his books to his students. He dedicated one of his books to his disciples -Dr Mahindra Singhvi and Dr Narendra Dixit. This is something to emulate and speaks of the person.

#### **In what forms do Extension Motivation figures out in Dr Pareek's writings?**

Two articles of Dr. Udai Pareek "A Motivational Paradigm of Development" published in Journal of Social Issues 1968, 24(2), 115-122 (and also in Indian Educational Review, 1967, 105-111) and the second one on "Motivational Patterns and Planned Social Change" published in International Social Science Journal, 1968, 20(3), 464-473. Both appeared in the book on Effective organizations. In his article on Motivational paradigm for development, Dr Pareek gives simple formula that Development = (Achievement Motivation X Extension Motivation) - Dependence Motivation. If you want socio economic development to take place, increase achievement motivation and extension motivation and decrease dependence motivation.

Motivation occupies an important position in the dynamic process of social change. The paradigm Dr Pareek suggested is:

*"Motivation causes human Behaviour, and to that extent "causes" changes in a community, like increased entrepreneurial activity or adoption of new methods. But I don't view it as a primary cause of change in human society. Motivation is a strong and important link in the dynamic causal cycle of human evolution" (p 117).*

*"According to this paradigm, a specific societal system generates a specific pattern of motivation and system of values which strengthen it, sustain it and ensure its continuity. Behaviour of people in the society is caused by dominate motivation in that society which in turn has been generated by the social system. This is perhaps a mutually confirming or reinforcing cycle".*

Extension motivation is defined as the need to extend the self or the ego and relate to larger groups and its goals. A super-ordinate goal probably arouses this motive. Such goals may therefore be important not only in developing harmony, but also sustaining motivation of people in development.

*Poverty: Using this paradigm Udai Pareek explained poverty as a consequence of low achievement motivation, low extensional and high dependence motivations. He explained further to say that low*

*achievement results in disproportionate risk taking, interest in chance and not control, lack of interest in feedback, high interest in friends and not experts, and low activity and initiative. Similarly low extension results in lack of regard for others, lack of trust and faith in others resulting selfishness or self centeredness, and lack of cooperation. High need for dependency results in avoidance, fear of failure, seeking favour from supporters, and aggressively rejecting authority.*

Lessons from Dr. Pareek's extension Motivation for Future of Nation Building and Institution Building: We must create an extension culture in India where (a) people value sacrificing their own conveniences for the sake of others and the larger goals; (b) they are willing to sacrifice short term gains for long term good; and (c) they become considerate about future generations and leave the planet for their safety and healthy living of future generations.

- We make policies that are driven by extension, motivation and future.
- Extension values and related family of values should be promoted and taught in schools, colleges, families everywhere.
- Extension motivation and value based films & stories that promote the work done by social reformers and others should be made available to the public at large. Some industry groups are already making efforts in this direction.
- Corporate sector is genuinely motivated by concern for the welfare of the larger society and undertake CSR activities out of such genuine concern and values than as a business strategy.
- The government and various ministries make policies that truly reflect concern for the welfare of the society and long term thinking rather than short term goals. For example, the Finance Ministry should look at the extent to which tax laws are promoting the development of the country than merely increasing tax collections in a particular year somehow to meet immediate needs. Other governance systems are made extension friendly.
- Award ceremonies to felicitate those who help others to be organized.
- Extension motivation and extension value to become a core value of the country and the education system.
- Recruitment to teaching, health and other social service professions is based on extension value.
- Scholarships are instituted for that exhibiting extension motivation.

### **Institution Building**

In his book Beyond Management, Dr Pareek postulated, while tracing the history of management and differentiating it from Institution Building, the following: Administration was replaced by Management. Management should be replaced by Institution building. Administration has been concerned with successful maintenance of an organizing, and its running according to laid down rules and regulations.

Management brought in changed emphasis and is primarily concerned with efficiency, i.e. accomplishing tasks with minimum resources. In recent years, in addition to concern for efficiency, organizations are striving for two other aspects: continued growth and development (self renewal) and creating a larger impact on a segment of the society or the entire society. For public systems the importance of both these aspects is too obvious. The first edition of the book had 13 chapters, the second edition had 36 and the last one expanded to have 43. The intention of the book is to help transform organizations into institutions. While Management is concerned with getting results, stability, quality, effectiveness, strategy, achievement motivation and competence; Institution building focuses on vision, future, trend setting, networking, culture building, mentoring, extension driven and empowering.

Dr. Pareek differentiated Institutions from Organizations. To him "Institutions are distinguished by their mission, values and impact on society".

Institutions should be agents of change in the society and the community. Knowledge utilisation is a focal point of Institution impact on the community. Institutions have self renewal process.

One main contribution of an institution is to generate new values in the society or into the field of its operation. The nine criteria suggested by Dr Pareek for Institution Building are:

1. Attention to process
2. Significance of goal or uniqueness of the filed- urgent social needs
3. Innovative nature
4. Autonomy
5. Generating new values
6. Impact
7. Multiplication of know how
8. Linkages and
9. Development of people

**Udai proposed a new value framework as:**

- |                               |   |
|-------------------------------|---|
| 1. From elitism to populism   | 3. Centralism to decentralisation       |
| 2. From Percolation to growth | 4. Isolated professionalism to dialogue |

Udai identified the following frameworks for decision making:

1. Feudal framework which is based on ownership by a few and dependency is the main motivation.
2. Bureaucratic framework which is based on rules, procedures, control and the likes. Main motivations are control and affiliation; and relationships are political and clique formation.
3. Managerial framework is focused on efficiency. Relationships are task driven; motivations are achievement and power driven.
4. Institution building framework where health and organization's growth are primary concerns. Collaboration, extensions and creativity are the motivations patterns.

**Institution Builders**

In my view the physicist and founder of ISRO (Indian Space Research Organisation), Vikram Sarabhai, and Ravi Matthai, the founder of IIMA, are two great institution builders. Sarabhai built a number of institutions in different fields, most importantly in space and management. Ravi Matthai promoted his belief of professionalizing management and actively demonstrated in his own life how management should enter all sectors.

Take IIMA. The symbols that differentiate people and communicate that you work for a team or group are minimal here. Every faculty member gets the same-sized room and each one, irrespective of their designation, shares the same secretary and privileges. You charge the same consulting fee irrespective of the designation. You are addressed as professor, irrespective of whether you are a professor or assistant professor. There are no departments and there are only areas. The term 'area' signifies a broad categorization. You may be a member of more than one area, group, or centre. You may also change areas. All these are organizational mechanisms to create a larger identity and bring down the overheads or transaction costs associated with management of the system. IIMA follows most of the principles Udai enumerated.

(Reproduced from T. V. Rao. "Managers who Make a Difference": IIMA Books: Random House, 2010. )

### **Lessons for Future**

Heads of educational Institutions, Vice Chancellors, MDs, CEOs, Ministers and all those heading Government and Non-Governmental agencies should understand these principles of Institution building.

First they should respect and imbibe this Institution building role as a part of their role. Their appointments, socialisation, performance reviews, incentives and continuance in office should be subjected to a review of the extent to which they understand and follow the above conceptualisation and values of Institution building.

They should be super ordinate goal driven, less dependency driven, and more achievement driven. Then only will we have great Institutions built.

As recommended by Dr Pareek, Institution builders and heads of Institutions should be assessed and trained on the following roles and the extent to which they are discharging their roles:

1. Identity creation role or the extent to which they promote unique identity for their organizations and at the same time ensuring societal contributions of the institution;
2. Enabling role in which they develop a variety of resources in the institution including human resources;
3. Synergising role in which they ensure collective contributions and collaborative culture make the organization integrate various resources systems and achieve more than the sum of its parts;
4. Balancing role where they balance conformity with creativity and short term with long term goals and activities;
5. Linkage building role where the CEOs create linkages required with external agencies and subsystems;
6. Futuristic role where they develop the capability to anticipate the future and future changes and prepare the institution to meet these needs or creates its own future;
7. Impact making role where the institution makes both internal impact through its achievements and climate it creates as well as the external impact in terms of influencing the policies in the field in which it operates; and finally;
8. Super-ordination creating role where the top executive gives a sense of fulfilment to its members by deeply connecting what they do to the larger good of the society.

### **Role Efficacy**

Extending the concept of Sense of Efficacy to the role Udai Pareek formulated a term called "Role, Efficacy" (Pareek, 1983). According to these formulation individuals with high degree of role efficacy, carry with them different perceptions and feeling of their role. Role efficacy is defined as the potential effectiveness of an individual occupying a particular role in an organization. It consists of making your role the way you like (role making), feeling important and central in the organization through your role (role centering) and linking various aspects of the role to make it stronger (role linking). The various dimension of role efficacy include:

1. *Self Role Integration*: Where the role provides individual with greater opportunity to use his/her special strengths. Integration between Self and the Role leads to higher role efficacy while distance between the Self and the Role leads to low role efficacy
2. *Proactivity*: Proactive Behavior (taking the initiative) contributes to higher efficacy. While reactive behavior (merely responding to the expectations of others) contributes less to efficacy. Lack of opportunity to take initiative leads to low efficacy
3. *Creativity*: Opportunity for creativity and innovation increases role efficacy while performing only routine tasks becomes harmful for high role efficacy.

4. *Confrontation*: Confronting problems and reaching a relevant solution contributes to higher role efficacy while avoiding problems or shifting problems to others leads to low role efficacy.
5. *Centrality*: A person's perception of the role as central to the organization contributes to high role efficacy while a person's perception of the role as peripheral is likely to lead to low role efficacy.
6. *Influence*: The more influence/power a person is able to exercise in the role, the higher the efficacy.
7. *Personal Growth*: Person's perception of the role as providing opportunity to grow and develop leads to higher role efficacy while a perception that the role does not provide the opportunity to develop contributes to low role efficacy.
8. *Inter-Role Linkage*: Linking one's role with others' increases efficacy. Joint efforts in identification of problems, problem solving etc, increases role efficacy
9. *Helping Relationship*: Person's perception that help is available when needed, leads to higher role efficacy. while a perception that respondents are hostile leads to low role efficacy
10. *Super ordination*: Opportunities to work for super ordinate goals have the highest role efficacy while a perception that performance in a role is of value to the organization, leads to higher efficacy.

Factors contributing to role efficacy include: A participative Climate, Higher job satisfaction, Climate promoting concern for excellence, use of expertise, and concern for larger issues and an Innovation-fostering environment.

Consequences of high role efficacy are: Less role stress, less anxiety and work related tension.

Persons with high role efficacy tend to rely on their own strengths to solve problems, use more purposeful behavior, are active and interactive with people & environment. They persist in solving problems, inclined to growth, exhibit attitudinal commitment while adopting a positive approach. They have a high degree of satisfaction with their jobs and role in the organization.

Of all the things that make a manager successful is the self image the person carries with him/her. The self image is like a shadow. It is known by different terms and ways. The related concepts are self respect, self confidence, ego, sense of efficacy, self concept, self worth, sense of inner worth etc. People with high sense of values and super ordinate goals share a feeling that they exist for others etc.

### **Efficacy**

*(Source: Managers who make a difference by T. V. Rao: IIMA Books: Random House, 2010)*

Consider the following responses by two of IIM graduates, both IITs toppers and IIM rank holders. Both were employed as executive assistants to the marketing director of two different organizations in two different cities. Both of them were working in similar companies. When the author visited them six months after they were employed and asked them to describe their job and how they were enjoying it, the conversation was something like this:

Person A: I am not sure what to say. I must admit that I am not at all comfortable doing what I am doing. I am not doing anything significant. When the HR head and one of the line managers came to the campus for recruitment they drew a great picture about this company and my job. I was promised a number of things and none of that has happened. I came here with the expectation that I will have an opportunity to use my talent. Being an IIT topper and an IIM rank holder I came with eagerness to participate in strategy formulation, making marketing policies, influencing pricing, deciding marketing budgets, and helping the company and the director of marketing implement them. I was given a nice office next to the senior vice president (SVP). It was a good cabin and had all facilities. I was happy in the beginning but soon I was quite disillusioned to discover that my job has nothing to do with policies

and strategies. I sit next to the SVP to act more like his secretary than as a manager. I am supposed to maintain his appointments though a secretary assists him, and it almost amounts to my doing the job. I am supposed to coordinate the visits of various customers and vendors. You know what that means. It means booking their hotels, arranging their transport, making their appointments, arranging their meetings, settling their bills, etc.—all clerical jobs. Then I am supposed to arrange the weekly and monthly marketing meetings for the department as well as the other departments. It means booking the meeting rooms, setting the agenda, circulating the agenda, taking down the minutes, getting them approved by the boss, ensuring that coffee and tea are served during the meetings and incurring the wrath of the boss in case of delays, etc. There is no strategy and there is nothing here to learn. I get my salary on time which is of course a great thing. However, Professor, I am wasting all my talent and keep feeling what a gap there is between what you all taught and what we are doing here. I feel that I should get out of this place after a year.

Person B: Thank you Professor. I am quite happy here and am learning a lot. I sit next to the SVP Marketing. He is a person with twenty-five years of experience and has worked in three companies before he joined here. He is not an MBA but more than an MBA in terms of his experience and thinking. However, he is not exposed to systems and I help him a lot. For example, I am required to maintain his appointments. He does not have a secretary but I help him as his executive assistant. I have developed an electronic diary on Google and after two months, began to help him to analyse the way he was spending his time. It helped him a lot. He discovered that 30 percent of his time goes into unplanned activities. He now regularly consults me and asks for my feedback on how to make his role more effective and strategic. I have also begun to mentor some junior executives which he requested me to do after my analysis of his schedule.

I manage the customers and other visitors to this company. It was a little difficult in the first two weeks as I was new to this company but it gave me an opportunity to learn about it. I went to each HOD and asked them to give me a brief so that I could brief the customers who visit us about the various functions of the company. Now I know the company perfectly. I book the hotel accommodation and transport for the visitors and customers. Each one has their preferences. I have explored all the hotels in the city and now have all their details, the concession they give, etc. I also know the customers' preferences of hotels and have knowledge about the taxi system and various vendors of taxi services. This task of arranging their transport and hotels gave me an opportunity to explore the city. I am supposed to book the meeting rooms and ensure that the discussions are minuted. I kept quiet and observed for the first three weeks. After the fourth meeting I pointed out to the boss that the decision taken at the meeting is problematic as the pricing they decided on ignored some variables. My boss appreciated my input and started involving me in the discussions. Now he consults me on the agenda and also relies totally on me to maintain and manage the minutes and follow-up of the decisions taken. I have also gained a lot of his confidence. This company gives me a great opportunity to learn and use my capabilities. I am happy and am learning and almost feel that I am the SVP Marketing.

**Which of them is likely to be more effective?**

The answer is obvious. Person A views everything negatively and expects learning to come to his doorstep while person B takes initiative and sees an opportunity to learn in everything including administrative tasks. He is confident, takes initiative, applies his knowledge anywhere including minor issues like maintaining the schedule of his boss, booking hotel and transport for customers, and managing minutes of departmental meetings and booking meeting rooms and support services. The first one has a fixed mind and treats everything as a burden. Obviously the second person is likely to be more effective.

### Lessons for action

Corporations and Institutions should relook at the role efficacy of their employees to ensure that their role efficacy increases in order to create the right atmosphere in the organization. Particular attention should be paid to the dimensions of "Super-ordinate goals" and "helping", "Growth" "Proactivity" and "Creativity" parts of role efficacy.

As Robin Sharma in his recent book on Leadership observed organizations should link pay cheque with purpose. Organizations should interpret their goals and objectives properly and highlight for the benefit of their employees the larger impact they are trying to make on the society.

### Human Resources Development and OD

Udai Pareek identified the following Principles Underlying HR Systems (conceptualised in 1975 and I had the good fortune of doing this with him jointly for Larsen & Toubro)

1. **FOCUS ON ENABLING CAPABILITY:** The main focus of HRS should be to help the company increase what may be called its "enabling" capabilities. These capabilities would include development of Human Resources in the company, development of total organizational health, improvement of the problem solving capability, developing diagnostic ability so that the problems in the organization can be quickly, timely, and effectively located and solutions attempted without dependence, and developing a healthy open system so that maximum commitment of the employees can be obtained. HRS, in this sense, becomes an important system underpinning various other functions and strengthening them through its programme.
2. **INTEGRATING THE DEVELOPMENT OF PEOPLE WITH ORGANISATION DEVELOPMENT:** Any HRS should aim at the development and multiplication of Human Resources. Every human being has certain capacities and potential to do certain things. Human beings are not very often aware of their own strengths. It requires another human being to point out one's own strengths. HRS should provide enough opportunity for each individual to become aware of his potential and thus make maximum possible contribution in his various organizational roles. It is certainly not possible for any organization to provide scope for complete exploration of individuals' talents and potential. However, HRS should offer maximum opportunity through appraisals, feedback, counselling and experimentation in various roles. An organization like L&T offers enormous such opportunities.
3. **MAXIMISING INDIVIDUAL AUTONOMY AND GROWTH THROUGH INCREASED RESPONSIBILITY:** Learning experiences get maximized when individuals have opportunities to experiment and also hold the responsibility for outcomes. Such learning experiences on the job have a great value for the individual and the organization. Employees start enjoying their jobs more and develop themselves better if their jobs offer them some flexibility and autonomy to innovate. HRS should attempt to help employees assume more responsibility through autonomy in decision making and experimentation.
4. **DECENTRALISATION THROUGH DELEGATION AND SHARED RESPONSIBILITY:** People who work together or close to each other know each other better than those who do not have such opportunities to be together. HRS should be based in such a context. Identification and development of human resources becomes an integral part of every manager's job. The system can only maximize opportunities for managers to take this responsibility. In fact, the central office can only perform monitoring and service functions, and identification and development functions should be shared by every employee/ officer in the organization. The units/ regions should increasingly take the initiative in these matters, with the central office providing necessary monitoring, policy making, and system development facilities.
5. **PARTICIPATIVE DECISION-MAKING:** Dealing with human beings is a sensitive area for any organization to handle. No matter what innovations are made and what opportunities are

provided there are likely to be frustration. People tend to feel frustrated when they are not consulted in matters in which they have enough knowledge and information. Design matters in which they have enough knowledge and information. Design of HRS or any of its sub-systems must give adequate weightage to the ideas and existing resources of people. It should attempt maximum participation or representation of people who are likely to be involved in its implementation or are affected by it.

6. **BALANCING ADAPTATION TO AND CHANGING ORGANIZATIONAL CULTURE:** HRS does not have any standard form and has to be evolved for each organization according to its nature, recruitment and its culture. While designing HRS, it is necessary to take into consideration the nature and culture of organization for which it is being designed and at the same time it should be designed to suit the prevalent culture of the organization and the intended direction of change. The role of HRS is not only to perpetuate such culture but to modify it for increased effectiveness. There has always been a controversy between those who believe that HRD or any parts of HRS like appraisal system should be designed to suit the culture and those who believe that such systems should be able to change the culture. Both extreme positions seem to be less functional. HRS should not make the company stay where it is; it should take it forward. However, this can be done only if its design does not severely conflict with the prevalent culture, but at the same time has elements of change and evolution towards the future.
7. **BALANCING DIFFERENTIATION AND INTEGRATION:** With increase in expertise in HRS, the three distinct functions need clearer identity. These functions are: personnel administration, organization development and training, and industrial relations. Putting these three functions under one person may not do justice to them since there is a distinct identity of these three functions. Time has come that this differentiation is not only recognized but is built into the design of HRS. However, integration of these three functions is also necessary because they have inter-linkages and may require mutual support. This can be done, as we state in another principle, at a fairly high level. Such integration along with necessary differentiation would be necessary to make the function effective.
8. **BALANCING SPECIALIZATION AND DIFFUSION OF THE FUNCTION:** While HRS is a specialized function and should be treated as such in the organization, its special identity should not result in lack of involvement of line people in various aspects of HRS. Since action is the sole responsibility of line people, HRS should strengthen their role. This can be done by diffusing part of HRS amongst the line people. For example, simple personnel administration like sanctioning of leave, disciplinary action, dealing with conflict problems, etc. should be handled by the line people themselves. If necessary, they may have help from a personnel man. Without such diffusion, the personnel function may only be used for escaping the responsibility of administering personnel effectively. Certainly, specification of systematic practices would be necessary but this has to be supplemented by the participation of line people in some of the HRS activities.
9. **ENSURING RESPONSIBILITY FOR THE FUNCTION:** Unfortunately, in most companies, HRS does not have much credibility for several reasons. One main reason is that this function is at a very low level in the organization. Unless the HRS is introduced at a high level in the organization, its respectability will continue to be a very low. Moreover, unless a very senior person is in-charge of HRS, the insightful and creative leadership, which is required to make the function effective, may not be provided. For this reason, it is necessary that HRS be instituted at a very high level in the organization to increase both its visibility as well as its usefulness.
10. **BALANCING LINKAGES WITHIN AND WITH OTHER FUNCTIONS:** HRS should be designed to strengthen various functions which are important in the company. For example, it should have linkages with the budgetary and other information control systems. It should have linkages with long-range corporate planning, with marketing finance and production and other functions of the



company. Such linkages are extremely important. On the other hand, linkages amongst the various sub-systems of HRD are also necessary.

11. **BUILDING FEEDBACK AND REINFORCING MECHANISMS:** The various sub-systems in HRS should provide feedback to strengthen one another. Systematic feedback loops should be designed for this purpose. For example, performance and potential appraisal should provide necessary leads for training in OD and OD programmes may provide necessary leads for work redesigning etc. A systematic plan of flow of one subsystem to the other should be properly prepared.
12. **BALANCING QUANTIFICATION AND QUALITATIVE DECISIONS:** While quantification of various aspects in HRS is necessary, everything cannot be completely quantified. This applies as much to selection and recruitment as to performance and potential appraisal. Attempts should be made to continuously improve and quantify several variables and even to design computer storage of various kinds of data. But the qualitative and insightful decisions will always be necessary and desirable. For example, while promoting people, various quantitative data available and computerization of data may be useful. These may be used as necessary inputs, but some other factors which cannot be quantified will have to be taken into account while taking the decisions. Such a balancing is necessary.
13. **BALANCING INTERNAL AND EXTERNAL HELP:** HRS would require development of internal expertise and resources. However, the company should see the optimum pay-off in terms of employing their internal or external resources. Some highly rare expertise which may be available from external resources has to be used only occasionally in the organization. Thus may not be developed internally in the system. Such a balance is necessary. Similarly, the use of external resources in terms of training should be used minimally, but cannot be completely ruled out. A judicious planning for the use of both is necessary. A company which is completely closed to external resources and is doing everything internally may not be able to benefit from some of the latest developments in the field. On the other hand, a company which is merely relying on external help either in training or other aspects of HRS cannot develop itself effectively without necessary internal resources.
14. **PLANNING EVOLUTION OF THE FUNCTION:** HRS cannot be established overnight in a company. Some aspects can be introduced depending on the state and sophistication of the company. Some other aspects would require longer preparation before these are effectively introduced. Rushing the introduction of all the aspects of HRS may only result in ritualism rather than effective introduction of the system. Introduction of HRS, therefore, should be properly phased, and there should be enough thinking about how these phases will be completed and build one over the other.
15. **CONTINUOUS REVIEW AND SELF RENEWAL:** The environment and the organizational culture keep changing with time. However innovative a system may be, there is always a danger of it becoming ritualistic and dysfunctional after sometime. Therefore it is necessary to plan any system in such a way that it has mechanisms of self renewal. HRS should provide in it mechanisms for continuous review and change.

### **Greed and OD**

*(Excerpts from a key note address at the M. S. University Baroda, February, 2011)*

Divisiveness continues. It spreads from caste and religion based divisiveness, to political divisiveness to linguistic, regional, colour, education, health, batch, sector, section, department etc everywhere. Some divisiveness for improving the disadvantaged is fine but divisiveness leading to self destruction of a large part including that of the Nation is not acceptable.

We seem to live today in a scam driven world. Every day morning you wake up to hear what new scam has been unearthed. Starting with Satyam in the corporate world to CWG, 2G, Adarsh Housing, Mining and Land grab to everywhere. The nation's time is taken away for protesting MPs, MLAs and various other agents who should be spending their time in Nation Building.

Are the Indian corporations saved from this? Has OD brought in certain amount of integrative outlook in our corporations? In a world where organizations are built and developed to sell than to build more, has OD done some good? Organizations built by the sweat capital of many people suddenly get sold and the employees discover that they belong to a new management and a new organization that they have not heard before and they need to learn a new culture. . This has become the world order and India is no exception. Sometimes it appears that we are truly in the business of business and not that of service. In the past, organizations used to be set up to serve others and in the process make some money to sustain themselves and grow. Today it appears that some organizations are being set up to make money and money alone. Even hospitals' performance is being measured by the numbers in monetary measures rather than patients served and benefits to society. Government performance is also being measured by the numbers of schools and hospitals set up rather than what they are doing after they are set up.

In other words, short term orientation emerging out of greed has become the order of the day. The concept of service to society and working for larger cause is being forgotten except occasionally when we talk of corporate social responsibility. Even this CSR gets reduced to projects to take care of the neighbourhood rather than getting integrated into everything that we do in our corporations.

I have argued that Udai Pareek's OCTAPACE (Openness, Collaboration, Trust, Authenticity, Proactivity, Autonomy, Confrontation, and experimentation) values should now be expanded to include Extension Value. And all HRD and OD work should be reoriented to this in view of the need to build a strong and healthy world for our future generations.

### **Lessons**

It is high time that organizations of all forms conduct an HR Audit or Social audit of themselves, and their programs to renew themselves. This may extend to the political parties and particularly youth wings of political parties and various government agencies and nongovernmental development agencies and agents.

It is also high time we understand and assimilate the OCTAPACE values always so intensely promoted by Dr. Pareek.

*In the end I like to conclude from a quotation from James Allen, "Man is made or unmade by himself, in the armory of thought he forges the weapons by which he destroys himself; he also fashions the tools with which he build for himself heavenly mansions of joy and strength and peace. By the right choice and true application of thought, man ascends to the Divine Perfection; by the abuse and wrong application of thought, he descends below the level of the beast. Between these two extremes are all grades of character, the man is their maker and master".*

Let all noble thoughts descend on us characterise our being with inspiration from the writings of great Gurus like Udaiji.

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# Managing Resettlement and Rehabilitation of Families Affected by Development Projects - Some Reflections

Dr. K S Ramesh

***Abstract: Development and industrial projects require lands for construction of infrastructure facilities and this land acquisition process result in displacing the land owners after taking possession of the land. This causes impoverishment risks to land owners and mitigating the risks call for resettlement and rehabilitation of project affected families. A set of concerns currently faced in managing projects that involve land acquisition, displacement and relocation are discussed in this paper. Based on a consultancy assignment undertaken for a Special Project Vehicle (SPV), the approach adopted to make the operations less painful and ultimately gainful to every stakeholder.***

## **Preamble**

Involuntary resettlement or relocation of families affected by development projects has been a major concern that every country developing infrastructure facilities has been facing. Involuntary displacement is a resultant of a decision taken by a development agency of the Government and imposed upon the population residing in an area over several years. The necessity for displacement and relocation might become inevitable when there is no scope or possibility for the families to stay in their settlements any longer. For instance, when a super thermal power project comes up in an area, ash dykes and ponds would be constructed and the residents in that area can no longer continue to reside there. This could also be caused by environmental degradation, natural disasters, conflicts or development projects of the type mentioned above. It is invariably associated with the loss of shelter, income, land, livelihoods, assets, access to common property resources such as grazing land and burial grounds. Displacement affects the families to be re -located. It causes disturbance to not only those physically displaced but also to the resident population. They are the ones who might not be directly affected and thus do not move but feel the impact due to loss of their people and resources. Apart from these two categories of population, the host population who receive the new settlers, also would be affected positively or adversely, by such a changed situation.

Resettlement is a process to assist the displaced persons to replace their housing, assets, livelihoods, land, access to resources and services and to restore their socio-economic and cultural conditions. This has become a topic of interest to students of sociology, anthropology, economics and management. Also termed as displacement, it can be caused by wars, religious or communal conflicts, natural disasters such as earthquake, tsunami, cyclone or construction of infrastructure projects like irrigation, power, roads and others. One of the earliest studies on displacement was by Muthayya and Mathur(1). The findings of their studies showed how and why the displaced families became poorer even after they were paid compensation for the land acquired from them.

During the last twenty years researchers have paid attention to displacement and resettlement of millions of people whose livelihood has been adversely affected by development projects as brought out by Cernea and Christopher. The overwhelming majority of them have been forced to face hardship, meaning that the affected people have been forced by the authorities to shift, whether they were willing or not, and, after mere resisting they have effectively had no say in the matter. The last two decades have also seen a series of resettlement guidelines and resettlement policies drafted in a number of countries and states, which have in some cases - most notably, in some projects in China as quoted by Yan Tan - led to some improvements in outcomes in Development Induced Displacement and Resettlement (DIDR) projects. Successful resettlement operations do require resettled people being economically better off and living in socially stable and institutionally functional societies, in a sustainable manner. However, in most of the cases, a significant percentage of the people displaced or resettled by development projects are still left worse off than before and suffer socio-economic impoverishment risks.

### **Displacement Due to Mega Projects**

Since the dawn of development era in India, that coincides with the launching of the first Five-year Plan in the early 1950s, several projects to create irrigation dams and canals, establish power generation stations and lay transmission lines, construct roads and water supply systems have been implemented. An estimate arrived at, on the size of population displaced, by Walter Fernandes show that 15 million people have been displaced due to development projects between 1950 and 1989. This process, known as involuntary resettlement, is termed as development induced disaster particularly for the families affected by development projects. The pre-planned development efforts do result in gain for some and cause pain for several. For instance, an irrigation project would require thousands of acres of land to create a reservoir that would submerge the land acquired from land owners. These owners would be put to severe hardship and face impoverishment risks. Michael Cernea, citing several of his studies spread all over the globe, has listed out a set of risks that displaced families tend to face after their relocation. Is displacement inevitable to achieve development through projects? How can development agencies make relocation process less painful for the families displaced? These are the questions that anyone managing development projects is posed by, researchers, affected families themselves as well social activists.

### **Development and Displacement: Two Sides of a Coin**

Development efforts to bring about socio-economic transformation require physical infrastructure. Promoting tourism would require construction of new airports or expansion of an existing airport, creating holiday resorts and other facilities. All these would require land for construction of these infrastructure facilities. Efforts to enhance agricultural production would need irrigation facilities to transform dry land farming to irrigated agriculture that in turn would lead to increased yield per unit area, besides generating employment opportunities. It is a known fact that irrigation dams and canal systems would require vast area to be submerged and creation of water courses. Similarly all other infrastructures such as roads, power generation stations, industries require land. Over the last one century the land under the control of the Gorges in China displaced more than a million families before its construction. The process adopted by the Chinese Government to construct this project has been studied and presented by Yan Tan in his recent work.

The examples cited only show development projects that require land acquisition and cause displacement, in every sector. Anyone who opposes displacement will have to put an end to development process, which is not a convincing argument. For instance, during the British Colonial rule and even for some years after independence, in rural India the literacy level was low. There used

to be educated people waiting in front of the Collector's Office, Post Offices, Sub Registrar's Office and other Government offices, for illiterate people who would approach them for writing letters, petitions, affidavits or documents. For such services they rendered, the clients used to pay them and this would be a source of livelihood for those educated persons. Since the literacy level has increased considerably the need for educated persons to help drafting documents has either dwindled or totally got eliminated. Since by promoting literacy in the country these educated persons have been rendered jobless. Therefore could one argue that the Governments should not invest on promoting literacy? In the same way one should view the hydro power projects, as these projects would require a large area to be acquired for creating reservoirs and constructing canals, distributaries and minors which in turn displace a large number of families. Development and displacement are two sides of a coin and both need to go on simultaneously. What is needed to convince those who are members of the civil society, activists groups or voluntary organizations, is that displacement has to be managed without causing severe pains for many and contributing to gains to few. This could be achieved only by effectively planning and efficiently executing resettlement and rehabilitation operations for the affected families.

A glance at the table given below furnishing the global data on the number of projects and size of population displaced by them would indicate the size of the problem development agencies are facing. These relate to only the ones implemented with the World Bank loan.

**World Bank projects active including number of people displaced (source: WBED, 1996)**

	No. of Projects	Percentage	Population	Percentage
Africa	34	23.3	113,000	5.8
South Asia	29	19.9	1,024,000	52.1
East Asia	58	39.7	588,000	30.0
Europe/Central Asia	5	3.4	27,000	1.4
Middle East/North Africa	7	4.8	32,000	1.6
Latin America	13	8.9	180,000	9.1
Total World Bank	146	100	1,963,000	100

Source: *Economic Development Institute (presently known as World Bank Institute, Washington, 1993).*

### Indian Scenario

The projects since the dawn of development era in India have displaced population and estimates on the size by sector arrived at Walter Fernandes and his associates (5) are furnished below. Coal and other mining projects have the major share in this. Table below gives the sector-wise estimates.

**A Conservative Estimate of Population Displaced by Development Projects (Between 1952 and 1989)**

Sector	Size of Population Displaced	No. Rehabilitated	Backlog
Coal and other mines	1,700,000	450,000	1,250,000
Irrigation Dams and canals	11,000,00	2,750,000	8,250,000
Industries	1,000,000	300,000	700,000
Sanctuaries and Game Parks	600,000	150,000	450,000
Other Development Projects	1,200,000	300,000	900,000
<b>Total</b>	<b>15,500,000</b>	<b>3,950,000</b>	<b>11,550,000</b>

Source: *Walter Fernandes, J C Das, Soma Rao, Displacement and Rehabilitation – An Estimate of Projects, Indian Social Institute, 1989.*

In all these projects the backlog is high and the consequences of displacement would have been serious. It is a common feature in forced or involuntary displacement. There are examples of voluntary relocation for promoting development in Indonesia and Malaysia in the early 1970s and 1980s.

The Narmada Sardar Sarovar Dam Project in India, which has displaced 127,000 people, has perhaps been one of the most widely discussed projects involving forced resettlement. The Morse and Berger(6) in their final report of the Morse Commission, the World Bank constituted for internal review of the project, found systematic violations of Bank policies and loan agreements, particularly with respect to environment and resettlement issues. That report recommended to the World Bank to withdraw funding from the project and has been cited as an important factor in pushing the Bank to create its Inspection Panel, a body tasked with investigating claims from citizens in cases where the Bank has failed to enforce its own policies, procedures, and loan agreements. Narmada Bachao Andolan, an organisation promoted by social activists took up the cause of affected families and protested against the project for displacing families without any concern for their social safeguards. This is a major milestone in the history of Indian development, as it paved for resettlement and rehabilitation of families affected by development projects.

### **Consequences of Involuntary Displacement**

Displaced families when uprooted from their place of habitation and resettled in new colonies tend to face the risk of impoverishment arising out of various reasons. As to how displacement and relocation leaves them worse off, empirical evidence shows a set of major recurrent themes that contribute to impoverishment. Based on studies compiled from field data of several countries Michael Cernea(6) identified eight major factors which contribute to impoverishment risks associated with displacement and involuntary resettlement.

These are:

- A. Landlessness
- B. Joblessness
- C. Homelessness
- D. Marginalisation
- E. Morbidity
- F. Food insecurity
- G. Loss of access to common property assets
- H. Social disarticulation

The impoverishment risks are not unavoidable. They must be seen set of risks that become real, or can be avoided if known in advance and suitably counteracted. There is abundant evidence that these risks are inherently present in any displacement operation. In the following section, examples are cited for each of the factors:

#### **A. Landlessness**

Land acquisition takes away the foundation upon which the family's economic production base is constructed. Agricultural land provides food grains for household consumption and economic security to its owners. Even if the size of the land owned is not viable to ensure dietary requirements of the households round the year, it provides the base for establishing one's economic and social status in the society.

Consequent to displacement, the size of landholdings had declined in most of the projects involving involuntary resettlement. In Kiambere Hydropower Project in Kenya, the average size of land holding

dropped from 13 ha. to 6 ha. In Upper Krishna Irrigation Project in Karnataka, several land owners became landless. By displacement, in the Central Java province of Indonesia, the land holding dropped to 47 percent of the size of lands owned prior to resettlement. Closer to Hyderabad city, a study carried out during the mid-seventies by Muthayya and Mathur(7) on the families displaced in Pattancheru near Hyderabad city in Andhra Pradesh to establish the International Crop Research Institute for Semi-Arid Tropics (ICRISAT), showed that land owners eventually turned to depend on daily wages. However, well formulated compensation packages will avert reduction in the land holdings as found in Upper Indiravati Irrigation Project of Orissa. But such examples are not many to quote.

### **B. Joblessness**

Joblessness affects both urban and rural resettlers. For several categories of persons whose very existence depends on employment, the effects of displacement are far more severe through loss of jobs than the loss of home. Those who are landless and employed in farms owned by others, lose access to employment, and also forego access to common property resources. Many field studies have found a significant increase in non-productive time of persons in the displaced communities. However, a well-designed resettlement and rehabilitation package such as the one formulated by the National Thermal Power Corporation (NTPC) for its Singrauli Super Thermal Power Project, can minimize the risk of project affected persons forced to become jobless after they are displaced.

### **C. Homelessness**

Losing the roof over one's head may be a temporary phenomenon for most of those who are displaced, but for some households this may remain a chronic problem. In some places, project authorities have resorted to violent demolition of houses to speed up the process of eviction. There are also instances where the authorities have provided temporary shelters to overcome the problem of resistance from the oustees. But such fall-back solutions have led to making homelessness chronic, rather than a temporary problem. If resettlement policies do not explicitly provide for housing facilities, the risk of homelessness is bound to increase. In Tehri Hydro Development Corporation's project in Uttarakand and Upper Indiravati Irrigation project in Orissa, the resettlement package includes adequate compensation for construction of residential houses. The oustees have better housing in the resettlement sites than the one they had prior to displacement.

### **D. Marginalisation**

Marginalisation occurs when the displaced families find it difficult to restore, in full, their economic strength lost after they are resettled. Farming households dispossessed of fertile cultivable lands in the valley when resettled in the hills, suddenly face a sharp decline in their productivity, and thereby income. Marginalisation also occurs through loss of off-farm income sources.

### **E. Morbidity**

Families forced to relocate become vulnerable to serious and acute illnesses. Adverse effects on their health after displacement have been reported in many studies on resettled population. The study on level of living of Project Affected Persons in eight project areas in India by Savitri Ramaiah is a recent testimony to prove that the prevalence of acute and chronic illness is higher in resettlement groups. The average duration of acute illness phase is also longer after resettlement. Similar evidence is available from research studies conducted in Ghana, where the prevalence of water-borne diseases such as diarrhoea and dysentery as well as vector-borne diseases such as malaria increased from 1.8 per cent prior to displacement to 75 per cent after resettlement. All these were due to inadequate care and mitigation measures.



### **F. Food Insecurity**

Undernourishment is both a symptom and an outcome, of inadequate resettlement packages provided by the project agencies for the resettlers. Involuntary resettlement has been found to enhance the risk of food insecurity among resettlers. Sudden decline in food production during the transfer from old to new sites is a high probability event. Reduced food intake ultimately results in malnutrition, particularly among women, lactating mothers, and children under five years of age. Such cases have been reported by nutrition scientists on the oustees in eight development projects in India. The studies also found 50 percent of the children belonging to displaced families to be underweight due to inadequate food intake. These can also be attributed to changes in the dietary habits after displacement and insufficient time provided by the lactating mothers for their children.

### **G. Loss of Access to Common Property Resources**

The displaced households prior to their resettlement generally would have had access to common property resources such as grazing land for their cattle, and forest areas from where they would normally collect minor forest produce for their livelihood. After resettlement, if such resources are not available in their neighbourhood, their livelihood may be jeopardized. Likewise, if facilities for education are not provided in the resettlement sites, these families cannot send their children to schools, a problem acutely faced by displaced families in the resettlement sites of the Upper Krishna Project area. A study on Bengali Dam Project in Orissa shows that the families after they were resettled, only 18 per cent had access to the burial ground. In the same area, access to grazing land was available to only 24 per cent of the resettlers, and places from where fodder and fuel wood was collected was restricted to only some. All these facilities and resources were available to all of them in the original place of habitation.

### **H. Social Disarticulation and Disintegration**

The disintegration of social support systems has far reaching consequences. Resulting loss of social capital and status, it would invariably accelerate economic losses. Social organizations which mobilize people for actions around common interests and for meeting any of their pressing needs can never be rebuilt easily once they are dismantled. Such loss is greater when families get scattered after displacement rather than resettled in groups and social units. Studies on displaced persons have shown that lack of consideration by the resettlement planners for retaining the social units have become part of the complex causes of impoverishment. Sociological study of the Rengali Dam Project oustees in Orissa found various ways in which the social disarticulation is manifested. These include among others: growing alienation, loosening of intimate relationships among the households, weakening of control over inter-personal behavior, and lowering of cohesion in the family structure. Many households had to face problems arising out of unusual demands for increased dowry for getting their daughters married. Since many of the households had received cash compensation, the bridegroom's party demanded more dowry (gifts and cash given to the bridegrooms at the time of marriage) and expected them to spend a large sum of money on the marriage ceremonies. By and large, the social and cultural activities the households used to organize before displacement were gradually given up by the community, sequel to dismantling of social organizations.

### **I. Exploitation Risks**

The displaced families are paid compensation for the land acquired from them and there are chances of middlemen exploiting those who are illiterate and found with a large sum of money, that some of them may have for the first time in their life. When the families try to purchase productive assets with the money they have received as and compensation the chances of exploitation turns out to be more. Those families who utilise the money to get their girl children married the dowry demanded increases.

### **Painless and Successful R&R Operations**

Indonesia is one of the many countries facing the burden of high population density in some regions, while others have sufficient land to accommodate and contribute to development. The Indonesian government systematically planned to move landless families and others from the crowded central islands of Java and Bali to the outer islands of Irian Jaya, Borneo, Sumatra, and Sulawesi. The strategy was to establish infrastructure such as schools, roads, drinking water supply schemes and hospitals to attract the migrants and utilise them to transform otherwise unutilised and wasted lands to productive use. In the past two decades the government has moved more than six million people from the crowded central islands. These migrants were not forced, but on the contrary their willingness to shift to outer islands was ascertained first prior to moving them. The required basic infrastructure facilities mentioned earlier, besides, housing were established and then the families were transported to their new places and resettled. There were employment opportunities generated based on the skills they possess. The process was painless and there was no scope for the families facing impoverishment risks.

Between 1977 and 1988 the Federal Land Development Authority (FELDA) in Malaysia planned to promote development by undertaking development schemes in low population density but high development potential areas. This was accompanied by shifting families to those scheme areas, supporting their livelihood programme and creating social infrastructure facilities offering services for education, health, postal and tele-communication, water supply and environmental sanitation. The resettlement undertaken was entirely voluntary and hence successfully carried out. As Keith Sutton(8) in his contribution observes, “.....it might seem churlish to question Malaysia's Federal Land Development Authority (FELDA) as anything other than a success story”.

### **Land Acquisition**

For constructing infrastructure projects Government Corporations or Special Project Vehicles have to acquire land as per the Land Acquisition Act 1894 (amended in 1984). The land could be acquired for public purpose for a school, hospital, water supply system or constructing a road, which can be justified as public purpose land could be acquired. Land acquired after paying compensation to the owners was the end of the association between the owner and the Government. There was no further interaction between them. However, in the last thirty years numerous projects that have displaced the owners caused risks after they handed over their lands to development agencies and in certain cases their residential houses as well. By this process they would get uprooted and relocate themselves in a different place on their own. However, the need for resettlement for rehabilitation of project affected families assumed significance after the international agencies supporting development process like the World bank, United Nations and others included resettlement and rehabilitation as a mandatory component of the project plans required to be approved by them prior to sanctioning the loan. Only since late the 1980s, the concept of helping the families to regain their pre-acquisition economic status gained wide currency among the development agencies. Although the process was initiated in the early 1990s by many of the corporates in India, particularly the Public Sector Undertakings like NTPC, Coal India, Powergrid and others besides several agencies in the various states. However, there are a number of concerns that remain even today to be attended to by the policy makers and planners.

### **Current Concerns**

One of the chief concerns is the absence of a well laid down policy guideline that would be applicable to all regions and sectors. Initiatives were taken by the Ministries of Water resources, Environment and Forests and Rural Development to draft policy guidelines to resettle and rehabilitate families

affected by the projects in their respective spheres of operations. The guidelines formulated by the Ministry of Rural Development paved way to serious considerations on the need for policy guidelines to restore the livelihood that the affected families loose due to acquisition of their land for development. This draft was circulated among those who show concern for affected families, social activists, voluntary organisations and academics. Though series of consultations have been organised with these groups the final version is yet to be brought out. The National Advisory Council (NAC) came out with a set of recommendations for making resettlement and rehabilitation of project affected families more effective.

The point of time when the relocation of affected families ought to be initiated remains undefined in any of the draft policy guidelines. The zero date for the project construction would be specified in the plan document but commencement date for resettlement and rehabilitation operations remain not mentioned. It is imperative that a detailed schedule must be formulated and the affected families have to be informed the same. This would ensure transparency and accountability.

#### Approach to Ensure Smooth Implementation

An illustration is presented below from a project that was planned to provide drinking water in a town. The project warranted land acquisition and resulted in displacement. The data on the area acquired, number of families and size of population affected are furnished in the table below.

No. of Families Displaced	585
Total Population Displaced	3,423
Land Acquired	912.6 ac.

The R&R Team decided to plan the implementation of R&R Operations systematically, monitor the progress closely and manage the tasks with the involvement of affected persons. Project Management approach was selected and the following steps were taken as follows:

- A detailed list of activities was prepared.
- Order in which they need to be executed was specified.
- Time duration for each of the activities was worked out.
- Activities were assembled in the form of PERT Network.
- The Network was analysed to arrive a time schedule for implementation.

#### Activity List

The list of activities with the logical sequence in which they were to be executed, by indicating the immediate predecessor activity and time duration worked out for each activity are furnished in the table below:

Activity Code	Activity Description	Immediate Predecessor	Activity Duration (in weeks)
A	Socio-economic Survey	None	12
B	Tentative list of eligible PAPs	A	2
C	Establish Grievance Redressal Cell	None	4
D	Consultation with families to finalise the list	B	4
E	Assessment of PAPs' preference for resettlement colony	D	4
F	Selection of rsettlement site	E	2

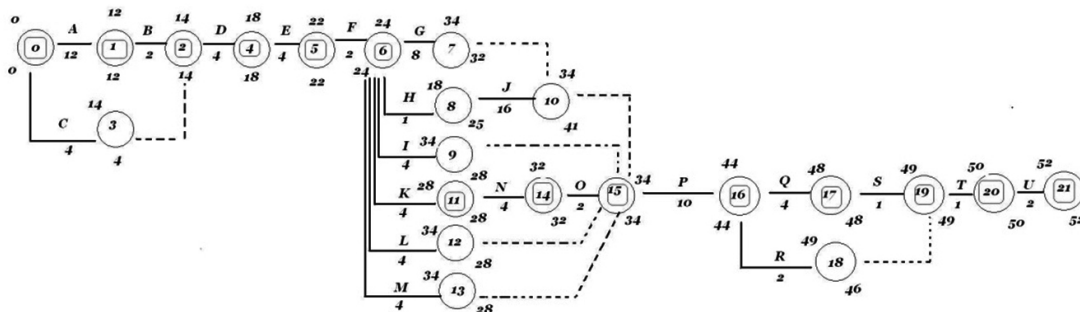
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Activity Code	Activity Description	Immediate Predecessor	Activity Duration (in weeks)
G	Design houses in resettlement colony	F	8
H	Discussion with PAPs on housing	F	1
I	Discuss and finalise rehabilitation options	F	4
J	Construction of houses	H	16
K	Laying road in resettlement colony	F	4
L	Establish water supply system	F	4
M	Lay drainage system	F	4
N	Electrification of colony	K	4
O	Transfer PAPs and their belongings to resettlement colony	I,J,L,M,N	2
P	Training in IGS	O	10
Q	Facilitate bank loan for PAPs	P	4
R	Constitute PAPs' Association	P	2
S	Mounting of IGS	Q,R	1
T	Disband Grievance Redress Cell	S	1
U	Prepare Project Completion report	T	2

Using the data a PERT Network was developed and on analysing the plan an implementation schedule was formulated. In the schedule thus arrived at, the earliest and latest starting time as well as the earliest and latest finishing time of the activities were estimated. A PERT developed for the R&R operations is presented in figure 1.

Figure 1 : PERT for Execution of R&R



The following table provides the activity oriented time schedule for implementing th R&R Operations.

Time Schedule for Implementation of R&R (Duration of Time in weeks)

Activity Code	Activity Description	Earliest Start	Earliest Finish	Latest Start	Latest Finish
A	Socio-economic Survey	0	12	0	12
B	Prepare a Tentative list of eligible PAPs	12	14	12	14
C	Establish Grievance Redressal Cell	0	4	14	18
D	Consultation with families to finalise the list	14	18	14	18
E	Assessment of PAPs' preference for resettlement colony	18	22	18	22
F	Selection of resettlement site	22	24	22	24

contd...

Activity C	Activity Description	Earliest Start	Earliest Finish	Latest Start	Latest Finish
G	Design houses in resettlement colony	24	32	24	32
H	Discussion with PAPs on housing	24	25	49	50
I	Discuss and finalise rehabilitation options	24	26	46	50
J	Construction of houses	32	50	32	50
K	Laying road in resettlement colony	24	28	42	46
L	Establish water supply system	24	28	46	50
M	Lay drainage system	24	28	46	50
N	Electrification of colony	28	32	46	50
O	Transfer PAPs and their belongings to resettlement colony	50	52	50	52
P	Training in IGS	52	62	52	62
Q	Facilitate bank loan for PAPs	62	66	62	66
R	Constitute PAPs' Association	62	64	64	66
S	Mounting of IGS	66	67	66	67
T	Disband RC	67	68	67	68
U	Prepare Project Completion report	68	70	68	70

### Monitoring Progress in R&R

The team constituted for execution of R&R developed a monitoring system to track and review if the tasks listed get as per the schedule, ahead or behind the specified dates. It was carried out using a reporting system that contained information on the actual starting and finishing time of the activities, if behind schedule reasons for delay and suggestions from the personnel to overcome the delay in those activities that were behind schedule. The progress monitoring also included the report on the number of families in each of the eight villages in the project area relocated, given assistance for rehabilitation and the number of families who were able to restore their pre-resettlement income level. A sample of the report is presented below.

Activity Code	Name of Village	No. of Families Displaced	No. of Families Relocated	No. of Families Received Assistance for Rehabilitation	No. of Families who Restored their Pre-displacement Income	No. of Families Using additional income for development of their families
1	<i>Village Names are not mentioned, since the illustration narrated is from a Consultancy Project and it is unethical to mention them</i>	92	29	19	11	2
2		67	32	23	8	4
3		95	45	31	17	4
4		62	24	18	8	1
5		73	45	32	23	12
6		94	33	24	14	6
7		26	14	9	4	1
8		76	32	21	12	5
<b>Total</b>		<b>585</b>	<b>254</b>	<b>177</b>	<b>97</b>	<b>35</b>

Using the data made available in the format presented above, the team could develop three indicators to assess the progress made in each of the affected villages in the project area.

## Conclusions

Development and displacement accompanied by resettlement and rehabilitation have to go hand in hand. As more and more infrastructure projects are being taken up and Special Economic Zones are promoted, acquisition of land is inevitable. The families owning land can approach the Courts seeking higher compensation, but can not prevent acquisition of their lands. Making appeal to the court of law the land owners can at best delay the process but can not prevent it from happening. The agencies acquiring land have to support their economic rehabilitation to restore the economic and social status of the affected families. By adopting the systems and procedures discussed above, coupled with constant consultations with the families to be displaced, the process could be made less painful.

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# Corporate Social Responsibility among Indian Organizations – An Empirical Analysis

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**Abstract:** *The last century witnessed a metamorphosis in the business environment worldwide. In addition to the business challenges, giving back to the society has become a major concern for the businesses. Corporate Social Responsibility (CSR) as it is termed, has occupied an increasingly significant component in the strategic planning process and also, has found a place in the day-to-day operational decisions of the business. As such, CSR finds a natural home within corporate strategy. It was the management guru Peter Drucker who said that the proper social responsibility of business is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth. Today, it is the very foundation of strategic CSR. Overall, a firm has three groups of stakeholders –organizational stakeholders (internal to the firm) and economic and societal stakeholders (external to the firm). Firms have pledged resources and supported initiatives for the stakeholder for long. The culture of philanthropy has been in existence and still holds strong in the US and Europe It is not that CSR is an alien concept in India. It has been reflected in approaches akin to corporate philanthropy and the Gandhian trusteeship model. India too has a rich history of philanthropy, and the contributions have built some of India's most iconic institutions – the Indian Institute of Science, funded by Jamshedji Tata; the Birla Institute of Technology and Science, founded by G.D. Birla, etc. These early examples ought to serve as guiding lights for the contemporary Indian companies to widen their scope of CSR practices and embed CSR into the main business strategy and organizational values. In a country with vast numbers of poor, this is a necessary investment for sustaining India's growth. Against this background, this study identifies the approach, strategy of CSR and initiatives in selected Indian companies. The study is an empirical analysis of the current Indian organizations and assesses the major CSR themes that the organizations incorporate in their businesses. The study will be relevant for the industry as well as academia as it discusses the major focus areas of corporate social responsibility and contributes to the organizations, in terms of their CSR programs and the overall business strategy to achieve all-round performance.*

## Introduction

Corporate Social Responsibility (CSR), can be described as, the continuous commitment by corporations towards the economic and social development of communities in which they operate. The concept of corporate social responsibility of large industrial groups has occupied a prominent place in the greater national discourse on economic issues since the pre-independence era in India.

Gandhi described large business as 'trusts' of the 'wealth of the people' and thus emphasized on the larger social purpose that industrial wealth should serve in independent India. In the early days of the post- independence period, the Indian state under the heavy influence of Nehruvian socialism

encouraged private industries to play an active role in the economic and social development of the backward sections of the society, while at the same time setup a mammoth public sector for serving larger societal interests. As Nehru's gentle socialism gave way to the more radical policies of nationalization and extensive state regulation of the Indira Gandhi era, industrial groups desperate to avoid the draconian state policies and regulations in economic affairs resorted to large scale corporate welfare programs to demonstrate that private wealth also played a important role in poverty alleviation and the socio-economic development of the nation and was not anti-people.

An impending crisis in Indian economy led the Rajiv Gandhi and Narashima Rao governments to dismantle the license raj and introduce the much-needed economic reforms in the country, which marked the beginning of the economic liberalization and the free market economy in India. The major impact of these economic reforms has been the increased presence of transnational corporations in the country and transformation of Indian businesses into large global enterprises. In this scenario, there is an increased focus on the social role of these private enterprises by both the proponents and opponents of liberalization in India.

Hence, over years there are fundamental changes in paradigm of corporate social responsibility and the new innovative practices being applied for its implementation in the last decade in India, in the context of the liberalization of the Indian economy.

#### **From Philanthropy to Stake Holder Participation: The New Paradigm of Corporate Social Responsibility**

The conceptualization of corporate social responsibility until the 1990's was purely in terms of philanthropy or charity. Welfare programs or initiatives were introduced not as a duty or a responsibility but as a form of charity that was supposed to indicate the virtues of the company or the organization. Many industrial groups like the Tatas or Birlas setup charitable trusts that provided financial grants for various worthy causes. Although there were some cases where the corporation took up a more active role like the establishment of the Birla Institute of Technology, Pillani by the Birlas or setting up of primary schools by several major industrial groups for their workers 's children but even in these cases the approach was philanthropy. The philanthropy –based model has several problems

- The corporation does not commit its resources fully behind such a project and often confines itself to one-time or periodical financial grants.
- Since it's an act of charity, the corporation does not feel the need for community participation in the designing or management of such initiatives and people participation, if any, is restricted to limited implementation aspects reducing the efficiency and effectiveness of corporate social responsibility measures at the ground level.
- The lack of involvement from the primary resource provider i.e. the corporation leads to low levels of accountability and transparency at the implementation level.

However the post-liberalization phase has seen a fundamental shift from this philanthropy-based model of corporate social responsibility to a stakeholder- participation based model. . The change is evident in the statements made by India's leading industrial groups like the Tatas, “over the years, the nature of the company's involvement with the community has undergone a change. It has moved away from charity and dependence to empowerment and partnership”.



In the stakeholder model the community in which the corporation is present in is seen as a stakeholder in the company and therefore, the company has certain obligation and duties towards it like it has towards its other stakeholders (customers, employees, shareholders). It is a recognition of the fact that companies perform in non-financial arenas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues and company should be held accountable for its 'triple bottom-line' that includes social, environmental, and financial performance and not just the financial aspect.

### **The New Innovations in Implementing Corporate Social Responsibility: The Revolution At The Grass Roots Levels**

With the shifting of the corporate social responsibility paradigm to a stakeholder centric approach, practices at the ground level have also undergone a radical transformation. In every aspect of corporate social responsibility measures the last decade has seen corporations innovating to increase efficiency, effectiveness and accountability. The focus has been on initiatives that are people-centric with active community participation at all levels. Further, the corporations themselves have moved away from the charitable initiatives like giving financial grants or sponsorships to providing products and services in a manner that would make a real difference in the target communities.

The first perceptible change has been the introduction of a host of innovative programs and schemes in several areas like education, healthcare, rural development, environment protection, protection of artistic and cultural heritage and disaster management that are customized to meet the specific needs of the target group and corporations devote not only financial resources but expertise, manpower, products and services for the successful implementation of these schemes. Examples of these are :

- Lupin India Ltd, India's third largest manufacturer of pharmaceuticals has started a project for providing sustainable development in 154 villages across Rajasthan. The scheme instead of providing for piece-meal assistance that does not lead to effective alleviation of poverty or adequate development is designed as a holistic action plan that includes an Agricultural Income Generation Scheme, land cultivation and fruit plantation programs, fodder preservation schemes, sericulture and water-recycling programs, establishment of medical and educational centres, adult literacy programs and credit schemes.
- Cipla, another Indian Pharma major has found a novel approach to fulfil its corporate social responsibility obligations by offering to sell a cocktail of three anti-HIV drugs, Stavudine, Lamivudine and Nevirapine, to the Nobel Prize-winning voluntary agency Medicine Sans Frontiers (MSF) at a rate of \$350, and at \$600 per patient per year to other NGOs over the world. This offer has led to a significant decrease in the prices of these drugs worldwide increasing the accessibility of these drugs especially in the developing countries.
- Ranbaxy, one of India's major pharmaceutical firms operates seven mobile healthcare vans and two urban welfare centres that reach over a hundred thousand people in various parts of northern and central India as part of its corporate social responsibility initiative.
- Tata Consultancy Services (TCS) has set up a fully-equipped computer training laboratory for children from the Society for the Welfare of the Physically Handicapped and Research Centre, in Pune for imparting basic computer knowledge. NIIT has launched a highly popular 'hole-in-the-wall' scheme where it places a computer on a public wall in urban and rural areas so that neighbourhood children can learn computer basics using the play-way method.
- Bharat Electronics Ltd built cyclone proof houses for the victims of the super cyclone in with the help of the victims themselves so that the houses are built according to their needs.

- Ion Exchange has founded a profitable venture for environmental protection through water treatment, afforestation and organic farming

Along with innovation, corporations have worked hard at integrating corporate social responsibility into their core practices. There is now greater evaluation and stricter accountability and transparency norms for social initiatives along the lines of norm set for mainstream projects and ventures. Sudha Murthy of the Infosys Foundation, the social initiative arm of the IT major Infosys, explains the great efforts that corporations are going into ensure that the projects they are involved with are actually genuine and serve a purpose, "We get a lot of projects, so we do a round of elimination....make a shortlist, as to which are the good ones, after a lot of verification. Then we supervise the implementation part by visiting the area. But we have to work very hard, during all holidays, weekends and 18 hours every day,'

### **CSR Guidelines**

The Ministry of Corporate Affairs, Government of India, brought out a set of voluntary guidelines to enable businesses to focus as well as contribute towards the interest of the stakeholders and the society. The CSR policy should cover core elements such as care for all stakeholders, ethical functioning, respect for worker's right and welfare, environment and activities for social and inclusive development. Thus based on these guidelines every company has formulated a CSR policy, implementation schedule, a structure and year marked resources for the same since 2001 when the CII mandate came into force.

### **Literature Scan**

Social responsibility among business expresses the idea that business firms should help solve social problems as they perceive economic goals. The stakeholders in this process expect businesses to be socially responsible and hence many companies have responded by making social goals a part of their overall business operations. Generally referred to as Corporate Social Responsibility (CSR) Business Social Responsibility (BSR), it refers to the accountability of corporations / businesses for its actions affecting people, community and the environment. While social responsibility has figured in commercial life over the centuries, it has recently been a subject of academic attention as a concept (Carroll, 1979). Literature on CSR also evidences scholarly work in 1950's, in the work of Bowen when he analyzed the social responsibilities of Business Men (Bowens, 1953). Bowens work specifically highlighted businesses as moral agents with in society. Economists looked at it as the compatibility of political / cultural systems with the economic system (Jones, 1983). The economic model was carried further by Friedman (1970) who said that the social responsibility of business is only profit of its owners. This was challenged by the others who visualized social responsibility towards both natural and human resources as a social contract of the firm. (Donaldson 1983). Thus, organizations not as private institutions but as social institutions was accepted by many scholars later (Fredrick, et.al, 1992). The stakeholder perspective was highlighted by Epstein (1987). Thus opinions differed in terms of the basis and scope of CSR including the very definition of the term. Moreover, it has been studied at the theoretical level across geographies, and at the operational level insights are scarce, thus requiring case studies / best practices / success stories for both the practitioner use and theoretical sophistication. This paper is an attempt in this direction and seeks to examine the CSR practices in the Indian context. More specifically the strategy, approach and activities of Indian companies are studied to arrive at a pattern of CSR in the Indian organizations.

### Objectives of the Study

Broadly, the study seeks to examine the CSR practices of organizations in the Indian context. More specifically, the focus is

- To examine the nature and extent of corporate social responsibility (CSR) initiatives undertaken by Indian organizations
- To identify the major themes/activities and strategy of CSR in Indian companies
- To identify the challenges to the CSR initiatives undertaken by the Indian organizations

### The Method

Since the study emanated from the workshop that was organized for the participating companies both in the public and private sector, an attempt was made to collect information from them regarding the CSR activities in their respective companies. Data has been collected from both the primary and secondary sources. A workshop was organized for the companies to brief on the CSR policy, guidelines and the possible activities that they can undertake as part of the CSR activity. About 70 companies participated in the workshop at New Delhi. A sample of 10 companies have been identified for a detailed study based on a set criteria. The criteria included the following:

- These were the organizations which were in existence for about 50 years and have witnessed the three generations of CSR.
- All of them represent different sectors, like Textiles, Automobiles, Software, Paper, etc.
- Moreover, these are the organizations which have a strong foothold in the market.

Primary data was collected both in terms of the facts and activities that they have undertaken through a structured questionnaire. Facts relating to the year of establishment, industry category and the financials i.e., Annual Sales, Profit Before Tax (PBT) and Profit After Tax (PAT) along with the location have been collected and collated in an excel sheet. (Table – I). The CSR activities and the strategy along with the location were also collected to provide them information on where they stand and the possible activities that could be taken up by them towards the social responsibilities of their businesses. The secondary data was collected from the various publications of the central and state governments, reports, and the web based information hosted by the companies in the public domain.

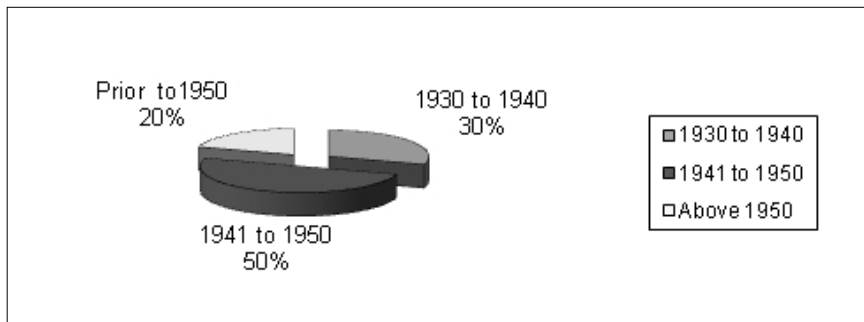
SNo	Company name	Year of Estd.	Industry Category	Annual Sales (in Rs. Crore)	Profit Before Tax (PBT) (in Rs. Crore)	Profit After Tax (PAT) (in Rs. Crore)	State
1	Aditya Birla Nuvo Ltd.	1956	Textiles	1,715.04	312.61	271.46	Gujarat
2	Ballarpur Industries Ltd.	1945	Paper	3794.6	279.4	197	Maharashtra
3	Hindustan Unilever Ltd.	1933	FMCG & Consumer Durables	17,725.33	2,891.10	2,202.03	Maharashtra
4	Hindalco Industries Ltd.	1958	Metal	5917.5	578.48	460.34	Maharashtra
5	Larsen & Toubro Ltd.	1945	Heavy Engineering	11,413.08	4,648.20	3,071.18	Maharashtra
6	Mahindra & Mahindra Ltd.	1945	Automobiles	6,121.09	2,807.16	2,048.16	Maharashtra
7	Tata Chemicals Ltd.	1939	Chemicals	1,778.32	616.79	463.44	Maharashtra
8	Tata Motors Ltd.	1945	Automobiles	11,519.55	2,010.95	1,421.49	Maharashtra
9	Tata Steel Ltd.	1908	Iron and Steel	7,397.35	6,305.81	4,137.31	Maharashtra
10	Wipro Ltd.	1945	Software & ITES	6,623.40	5,247.70	4,456.90	Karnataka

**The Analysis**

The data collected has been analysed on each of the parameters which provided information on their relative standing and the CSR activity. Thus, the year of establishment, the category, the financials and their activities were analysed and presented in graphs. 3

**1. Year of establishment:** Organizations with a long standing in the industry must have contributed to the economy in several ways. It is clear from Figure – 1 that the companies had been in existence for more than 5 to 6 decades with most of them even belonging to the pre-independence era. Evidence suggests that they have contributed to the industry and the community building as well, for quite long. CSR naturally occurs to them though it has been mandated of late.

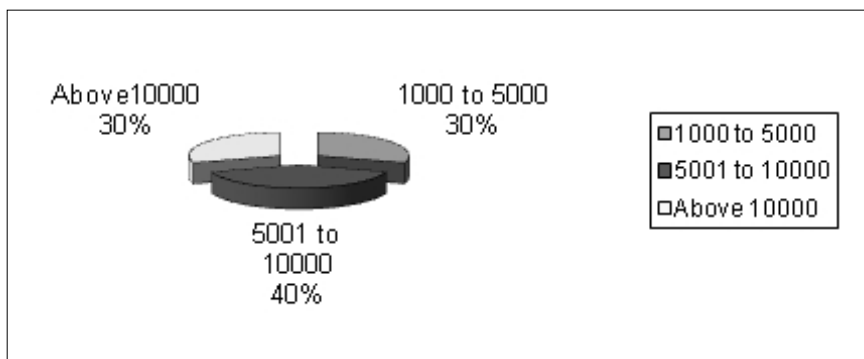
**Figure-1: Year of Establishment**



**2. Sectoral Distribution:** Organizations normally look for opportunities around those sectors that pay them well. Since these organizations have been established decades ago, the sectoral distribution revolves around automobiles, heavy engineering, iron and steel, textiles, metal and paper. These organizations did diversify their businesses as per the changing demands of the time and opportunities but they continued with the earlier businesses too ( Included in Table-1)

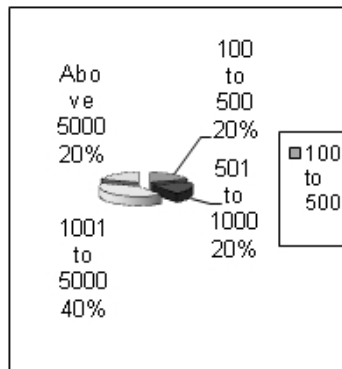
**3. Annual Sales:** The annual sales of a majority of the companies are quite high, which shows that they not only survived the different periods of time but succeeded in their businesses ( Figure-2).

**Figure -2: Annual Sales (in crores)**

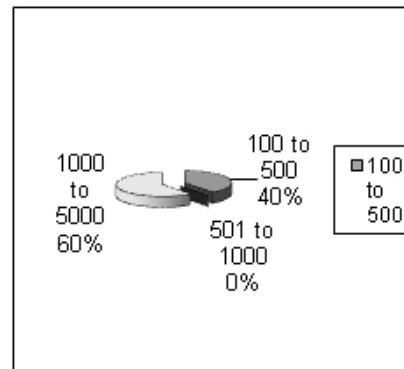


**4. Profit Before Tax:** The high sales volume also brings a high profit for the company. It is quite evident that a majority of the companies (60%) had earned profits before they were taxed (Figure – 3). A similar trend continued in profit after tax (Figure–4).

**Figure -3: Profit Before Tax**

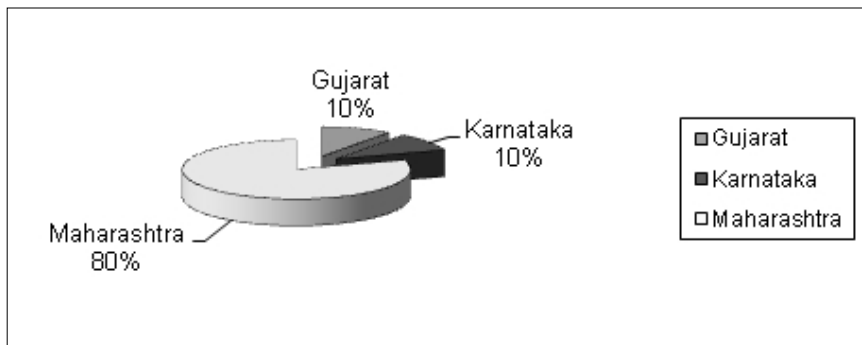


**Figure -4: Profit After Tax**



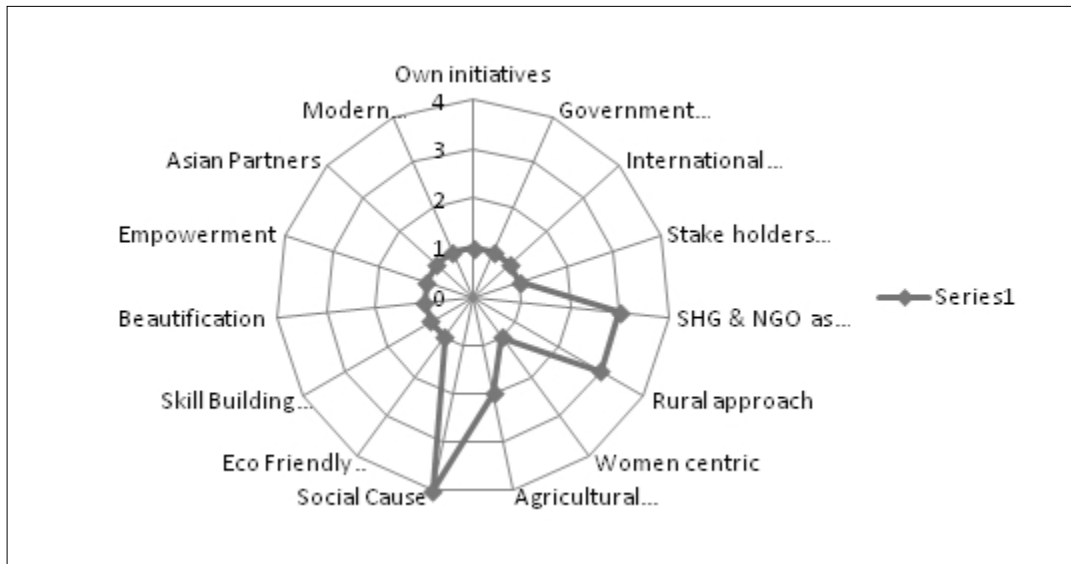
**5. Location:** A majority of the companies are headquartered in Maharashtra. Since these companies were established long before, there were very few business capitals in India. One of them being erstwhile Bombay, businesses have started and remained there as days progressed (Figure – 5).

**Figure - 5: Location**



**6. Strategy:** Businesses operate with strategic concerns. The strategic model of CSR believes in accomplishing strategic business goals as it is based on philanthropy aligned with profit motives (Quester & Thompson, 2001). Customers as stakeholders in the processes, of late, are looking for the good deeds done by the companies before purchasing their products / services. Thus, organizational strategy plays an important role in the CSR activity. Figure – 6 reveals the company's' strategic concerns. They are so diversified that each company follows a unique strategy in terms of their CSR. While some partner with NGO's in their activities, others partner with SHG's, government and international partners. CSR activity appears to be more rural centric and aimed at social development and agricultural development (Annexure-1).

Figure – 6 : Strategies of the Companies



**7. CSR Activity :** There appears to be a convergence on the CSR activities. **Community welfare** is found to be the priority area for the companies (22%). It involve activities that focus more towards the under-privileged community that lives around the vicinity of company plants, facilitating education and health care and supporting projects that lead to employment generation.

The second most sought after CSR initiative followed by Indian Inc. is towards providing **education**. CSR initiative for education carved out a share of 19 per cent. The corporate sector helps in imparting education to the deprived kids in the urban areas along with the children from rural areas that do not have any access to medium of information. They provide funds that help in setting up local schools, colleges and centres for learning and education.

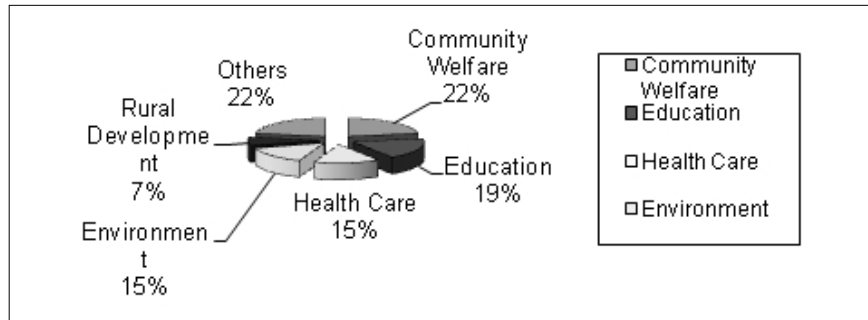
Since, global warming is the buzz word heard quite often, Indian corporate sector has initiated their efforts to preserve and save it. Thus, **environment** is the third most prioritized area undertaken in CSR activities, with a share of 15 per cent. CSR projects in this area deliver solutions that are both environmental and business friendly, providing financial benefits as well as improving the firm's image as an environmentally-aware company.

The fourth most popular area, that corporate sector gets involved in is the **health care**. They offer mobile medical services with medical help along with organizing regular medical camps to eradicate diseases, creating awareness on preventive health care among others (15%).

The Indian conglomerates are equally extending their support in the **development of the rural areas**. They are providing both financial and infrastructural assistance towards agriculture, animal husbandry, cottage industries by developing local skills, using local raw materials and helping create marketing outlets. Thus, it is the fifth most prioritized area under CSR initiatives contributing a share of 7 per cent.

Other than these major themes, organizations also involved themselves in other types of areas like road safety awareness, assistance to physically challenged, activities of poverty eradication in addition to main focus areas. This is usually related to the kind of sector that the company belongs to. Figure -7 illustrates these findings.

**Figure – 7 : CSR Activities**



### Conclusion

Corporate Social Responsibility is no longer a collection of discreet practices or occasional gestures motivated by marketing or public relations. It is not a fad or a passing trend, it is a business imperative that many Indian companies are either beginning to think about or are engaging with in one way or another. While some of these initiatives may be labelled as corporate citizenship by some organisations, their basic message and purpose is the same. A successfully implemented CSR strategy calls for aligning these initiatives with business objectives and corporate values thereby integrating corporate responsibility across the business functions and enhancing business reputation. It is rather a comprehensive set of practices and policies that should be integrated into the organizations operations and activities. Evidence from the study of Indian organizations suggests that notable efforts are being made towards CSR.

The Indian organizations have a long history and have survived different periods of time thus contributing to both the industry and the society through their sheer survival in business. The sectoral distribution includes their presence in almost all the sectors – the IT and ITES being a recent phenomenon. They have grown in size, sales, volume as can be seen from their sales and profits, thus enabling them to contribute to the challenges of India and the Indian economy. CSR is new in terms of the concept as mandated by the global and Indian agencies, but occurs naturally to the companies in letter and spirit in view of their long standing in business. The 2010 Forbes Asia list contains four Indian names in 48 heroes of philanthropy. India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asian Sustainability Ranking (ASR), released in October 2009.

Despite this, there are challenges that India Inc. has to face and conquer. The organizations do not bother to measure the impact of CSR activities or disseminate the results of these to stakeholders. Thus, reporting on CSR is still very uncommon. Not all the organizations release their Sustainability Reports also. Consequently, issues of transparency remains a challenge. In the final analysis, it could be said that CSR as a concept is new to the Indian organizations but it has always been a part of the Indian organizational practice.

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## Annexure-1- Strategies and CSR Activities

S.No.	Company name	Strategy	CSR Activities
1	Aditya Birla Nuvo Ltd.	Own, government schemes, international partners	Community Welfare, education, rural development and others.
2	Ballarpur Industries Ltd.	Stake holder centric, NGO as partners	Community Welfare, education and others.
3	Hindustan Unilever Ltd.	Rural approach, SHG & NGO as partners, women centric	Community Welfare, environment and health care.
4	Hindalco Industries Ltd.	SHG as partners, agricultural development, social cause	Environment, health care and others.
5	Larsen & Toubro Ltd.	Eco friendly approach, community approach	Environment, health care and others.
6	Mahindra & Mahindra Ltd.	Skill building approach, beautification	Education and environment.
7	Tata Chemicals Ltd.	Agricultural development, rural approach	Community Welfare and education
8	Tata Motors Ltd.	Empowerment ,social institutions as partners	Community Welfare, education and rural development.
9	Tata Steel Ltd.	Rural approach – tribal's, Asian partners	Community Welfare, education and rural development.
10	Wipro Ltd.	Social development, modern approach	Education, environment and others.

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# Green Printing: Formulating a Marketing Program

Pingali Venugopal, Aurobindo Saha

## Introduction

Printer companies are facing a major challenge in recent days due to a number of environmental protection factors – green protection, chemical disposals, reduction of paper made from wood, global warming, non bio degradable material dumping, high energy consumption and so on. For instance, usage of paper, which is an essential component for print media, is being curtailed everyday. The reason being - paper is primarily made from wood and it is an environmental threat to destroy trees. Similarly, usage and disposal of chemical inks and cartridges and printer body and parts have their share of environmental concerns.

While, “green printing”, “print less” are highly publicized by printer companies, the paradox is how these companies can sell printers in spite of the anti-printing campaigns. The companies need to devise unique marketing strategies to cope with the environmental issues. This paper presents a case of a printer company which developed its marketing plan to promote green printing.

## Need for Green printing

Over 100 million trees are cut each year to supply fiber for writing and printing papers in the United States (Hart 2005). This is not only detrimental to forests, but to air quality and water reserves as well. Again, the production of virgin, uncoated paper requires a bleaching and chlorination process which is linked to cancer-causing water pollutants (Makower 2006).

As the use of virgin paper and the process by which paper is produced is dangerous to the environment, environmental groups have been promoting green printing among the general public.

## Green Printing

There is no standard definition of what is green printing (Makower 2006). The generally accepted characteristics and standards as listed by the “Bay Area Green Business Program” website (2004) include:

- Use of 'treeless', recycled paper and energy efficient computers and equipment;
- Digitized or computerized pre-press operations;
- Recycling excess or waste materials, such as paper, inks and solvents;
- Utilization of inks that are free of alcohol, toxins and other volatile organic compounds;
- Use of paperless communication procedures; and
- Educate clients on the merits of green printing.

Green Printing techniques try to address these concerns and mitigate the issues partially so as to protect our environment. Green printing involves the use of more natural inks, recycled papers and energy conservation.

### **Benefits from Green Printing**

The concept of green printing has been around for a number of years now, and while an increasing number of companies are embracing the practice, there still exist a number of myths and misconceptions about it (adopted from Cook 2005).

**Myth:** recycled or PCW (post consumer waste) paper is not as good in quality as virgin paper, nor is it as durable.

**Reality:** There are types of processes that can make them appear as white and as durable as virgin paper.

**Myth:** Recycled or PCW will not yield high-quality printouts, unlike those made with virgin paper.

**Reality:** A printout made with recycled or PCW paper can be virtually indistinguishable from a printout using virgin paper.

**Myth:** Green printing is more expensive than regular printing.

**Reality:** Going green can help reduce overall printing costs besides being environmentally conscious.

### **The Case of ABC**

ABC India (name disguised) is a multinational company selling products in more than 150 countries. From 2002 to 2006, ABC sold its products in India through their subsidiary - ABC International (India) Private Ltd. Thereafter its sales operation was transferred to Singapore. Till date ABC is selling products in India through its Singapore office. In the last 8 years, ABC gained experience in understanding the Indian market and is now planning to re-launch its sales from its Mumbai office. It is trying to position its products and create its brand value in a competitive market.

### **Consumer insights**

Review of literature showed that there was no study in India to identify variables that either promote or inhibit the successful implementation of green printing. So, the company surveyed (a) the household and organizational buyers in India to understand their buying behavior and (b) the printer companies to understand their marketing strategies.

Secondary data was also collected from company websites to understand the steps they take to address the environmental issues pertaining to printing and identify areas that need to be considered for developing the marketing program for green printing.

Primary data was collected from a sample of high income households and companies. They were administered a questionnaire to understand their purchase behavior for printers and printer supplies as well as their practices towards green printing.

### ***Product Need for Home Consumer***

The survey conducted among individuals of varied work groups in India shows that 86% of them do not have a printer at home, and 83% of them do not want to have it either in the future. Unlike in western countries where printings from public stores are costly and people mostly rely on their home printers; in India these services are by and large available at a low cost in stores within easy reach.

Those who possess printers use them for –

1. convenience – easy to get a quick print at home
2. entertainment, leisure, hobby – printing family photographs, greetings
3. project for schools, colleges

The study also revealed that printer and printer supplies satisfy the 'status need' of the household buyers. Though there is some awareness of green printing movements, only one among the sample uses eco printing behavior at home.

#### ***Product Need for Office and Industrial Usage***

The demand for printing solution depends largely upon of economy for a country – whether a developed or a developing nation. In developed nations usage of printers and copiers are compulsory parts in office environment. In contrast, printers are not a basic necessity in offices in India. For a small scale business, there are generally not more than 1 to 2 printers in office, if at all there are any. However large organizations depend on multifunctional printers. Office printers are used in many cases for bulk prints, mass publications, brochure, pamphlet, and circular distribution apart from the official documents. Education and Government sectors in India are also heavy consumers of print materials.

The survey indicates that some companies are aware of techniques of eco friendly printing but they do not practice it. Moreover, the advancement in electronic movement of information is making executives print multiple copies whenever they travel to different locations.

For large business organizations printer can be considered as product of

1. Convenience
2. Basic necessity
3. All in one solution
4. Easy maintainability
5. Cost Saver
6. Efficiency enhancer
7. Status Enhancer

#### **Competition**

The printer companies manufacture devices and provide services that help in communication in black and white. Their product lines can include –

- Printers
  - Multi Functional (MFCs)
  - Photo Printers
  - Laser, Inkjet and Dot Matrix Printers
- Scanners
  - Text scanners
  - Bulk material scanners and code readers
  - Film and Transparency scanners
- Fax Machines
- Photocopiers
- Work Flow and Print Management Services
- Printing supplies like toners, inks, cartridges, print heads, etc

The marketing strategies in the printer industry were found to focus on:

- Better print quality at a lower price
- Technology up-gradation to integrate printers, scanners, copiers and fax machines into single all-in-one devices
- Printing digital images on distributed output devices

### **Marketing plan**

ABC is committed to reducing the environmental impact of its products through all phases of the product life cycle—from manufacturing to distribution to use to end of life.

Every year, ABC targets millions of dollars in investments with the objective of delivering innovative design solutions that not only enhance the function and value of their products but their environmental attributes, too.

The company used this approach to create a niche for itself by marketing solutions that help the companies to reduce the print wastage. The positioning has been to get the Indian market accept ABC's green printing as a cost effective option.

### **ABC Designs Products with the Environment in Mind**

ABC's Design for Environment program is a formal part of new-product development process. ABC has built specific checkpoints into their product release system to ensure that every new product they introduce meets ABC's Product Environmental Specification. Moreover, they review and update their specification annually to ensure it remains current with the requirements set forth by international governing bodies and regulatory agencies.

### **Energy Efficiency**

Cutting energy use is one of the most effective ways to reduce greenhouse gas emissions, a major contributor to climate change. ABC is committed to designing energy-efficient products. This is evident by the number of ABC products that are Energy Star® qualified. Launched in 1992, Energy Star is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy. It is a globally recognized symbol for energy-efficient products and practices. As a charter partner of Energy Star, ABC stands behind new program guidelines issued by the EPA in 2007. These new guidelines require "increased duplex capabilities and reduced power consumption for all Energy Star qualified products". Worldwide, many currently available ABC laser products also meet the power consumption requirements of Germany's Blue Angel eco-label. By focusing on key hardware components, such as fusers and external power adapters, as well as electromechanical systems and controls, ABC's design engineers continue to make significant improvements in the energy efficiency of their products.

### **Acoustics**

Designing products for the environment includes the workplace environment, too. ABC printers offer an ideal combination of performance and quiet operation. In 2006, for example, ABC introduced a feature on the ABC E series of monochrome laser printers that allows users to adjust the sound level of their printer. By selecting Quiet Mode, the already low operating noise level of ABC E series printers can be lowered another three decibels. Germany's Blue Angel eco-label was one of the first to include noise levels in its criteria for certification. Today, all of ABC's laser printing products meet the noise requirement in the Blue Angel specification.

**Printless solutions**

ABC offers innovative ways to print less, save paper, and conserve toner and ink. The company specializes in designing solutions that make it easy for customers to reduce the number of pages they print and the number of cartridges they use over the lifetime of their printers.

**Document Scanning**

While the paperless office is far from reality in most organizations, ABC's multifunction and all-in-one products can help reduce the amount of information that must be distributed in hardcopy format. The scanning technology on these devices allows paper documents to be captured digitally and the information automatically routed to a network folder.

**Duplex and Multi-Up Printing**

Two-sided printing or copying (known as duplexing) or printing or copying multiple pages to a sheet (sometimes called multi-up or N-up), can significantly cut paper usage, saving money as well as reducing paper waste. Integrated duplex is now standard on most of ABC's business-class products, and optional duplexers are available for many others. To maximize savings and convenience, customers can set their ABC printers to automatically print all their print jobs in duplex.

**Quick Print, Draft Modes**

ABC's Quick Print and Draft modes can be used to print documents using less ink or toner than normal, and are ideal for printing documents that are mostly text.

**Customer-Selectable Print Properties**

ABC laser printers let the customer select a darkness level that is less than the printer's default setting. Lower darkness settings are ideal for printing documents that do not require optimum quality, for example, documents meant for temporary or personal use, such as e-mail or daily schedules.

**High-Yield and Extra High-Yield Cartridges**

ABC toners and inks are available in high-yield and extra high-yield cartridges, enabling the company to print more pages with fewer cartridges. For example, ABC's Extra High-Yield Toner Cartridge for popular ABC W60 and Q60 workgroup laser printers (model names also disguised) has an industry-leading ISO yield rating of 32,000 pages. That's more than five times the page yield of 6,000-page standard yield cartridge. Over the life of the printer, regular use of extra high-yield or high-yield cartridges can add up to considerable savings in the amount of materials that are consumed.

**Reliable Performance with Recycled Papers**

ABC supports the use of recycled office paper, which requires less energy and fewer new materials than paper manufactured from virgin pulp. ABC printers are design tested with recycled paper stocks that have been sourced from around the world to ensure satisfactory performance.

**Reusing and Recycling ABC Products**

ABC wants to provide their customers with a satisfying ownership experience, which includes helping them, feel good about disposing their ABC printers and cartridges when they have reached end of life.

ABC's goal is to push "up" the environmental hierarchy. At the bottom of the hierarchy is landfill disposal, the least desirable option. At the highest reaches are recycling and reuse, which offer the greatest sustainability benefit.

#### ABC Cartridge Collection Program

- The ABC Cartridge Collection Program diverts millions of ABC toner and inkjet cartridges from landfills annually by making it easy – and free – for ABC customers to return used print cartridges to ABC for reuse or recycling.
- ABC's extensive cartridge collection network has made them an industry leader in the recovery, remanufacturing and recycling of empty toner cartridges. The percentage of inkjet cartridges collected is growing steadily each year, too. ABC began collecting and recycling inkjet cartridges in 2004 and by 2007 and has achieved 500 percent growth.
- ABC Return Program is offered on many popular printer models. Here toner and inkjet cartridges are sold at discounted prices in exchange for agreeing to return the empty cartridges only to ABC for remanufacturing, reuse or recycling.

#### **Charitable tie-ins**

ABC has initiated 'Charitable tie-ins' like the CRIB (Cartridge Recycling Initiative for Babies) program in South Africa. For every empty toner and inkjet cartridge recovered, ABC makes a donation to the CRIB. Similarly, since 2002, ABC has collected more than 55 tons of empty cartridges and donated more than 33,000 "Baby Days" to Cotlands, a charity organization that offers housing and care to abandoned, abused, neglected and HIV-positive children.

#### **Packaging**

Designing packaging that is strong yet eco-friendly has been another area of ABC strategy. For example:

- The corrugated cardboard outer cartons of all ABC printers, options, parts and supplies now contain 10 percent to 25 percent recycled materials and are fully recyclable.
- ABC toner cartridge boxes are designed to be used twice – once when the cartridge is shipped new and again when the empty cartridge is returned to ABC for recycling.
- Cushioning materials for ABC toner cartridges are made from easy-to-recycle corrugated cardboard whenever possible.
- In 2007, ABC eliminated polyvinyl chloride (PVC) in inkjet cartridge twin packs, reducing the total package weight 26 percent. Switching to a packaging design comprised of high-density polyethylene (HDPE) also led to a 52 percent savings in the amount of energy that is required to produce the packaging.
- Printed materials included with ABC products, such as user manuals and setup guides, are now provided online or on compact disc. This reduces paper waste as well as packaging weight, reducing transportation impacts.

#### **Market performance**

Innovations around printing solutions have been the key point of ABC's success. The company has invested heavily in research and development to come up with solutions that help to protect the environment and elevate the customers' values.

The company has targeted specific market segments - big enterprises in sectors like retails, banks, healthcare, logistics with its customized solution and helped them to "Print Less, Save More". They have proved printing less does not necessarily means a threat towards their business. In contrast, by helping them to save cost they have created a long term relationship and customer loyalty with their clients.

### **Testimonials**

A Real Estate firm cuts costs and refines its image with ABC. A Consulting company keeps its employee productivity up and costs down with ABC. A travel company saves thousands of dollars with a new invoice and itinerary printing system based on ABC's multifunction printer. A school could reduce costs by about \$30,000 by using ABC laser printers. ABC also designed a unique testing application to print bubble-sheet standardized tests, eliminating costly and cumbersome, pre-printed and distributed test forms.

In conclusion it can be said that a noble philosophy and an honest marketing techniques for ABC printers has created a trust and respect in the eyes of its customers and helped ABC gain a high valued customer base for future.

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Names of organizations/persons are camouflaged in interest of the organizations and individuals.

**Disclaimer:** All reference made in this paper are made from publicly available information in internet or direct interview/survey. Information collected does NOT leverage on the job knowledge or take any employment advantages of the authors.

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# Customer Cultivation in Retailing - An innovative Approach to Win Markets

Ajay Kumar Yaleru, Pradeep Kumar

*Abstract: One can never stop appreciating the act of harvesting bountiful from a garden after all the weeding, fertilizing, watering and controlling it from pests and other diseases. All this requires proper planning, demands resources and time and lots of discipline.*

*Don't we find a similar pattern in our customer relationship management practices today, particularly in retailing? Business firms, today, are struggling to evolve suitable ways and means to harvest a good return from their market / customer investments, returns that not only signify their bottom-line but also create a platform for quantum growth with customer growth, customer retention, and customer satisfaction being the three pillars of strength.*

*Marketing discipline, over the years, has evolved numerous methods, tools and techniques to lure their customers in order to feed their growth strategies. However it is also an established fact that these methods and techniques become obsolete much quicker than the products and services for which they are being adopted. The demand for innovative practices is ever increasing to remain competitive in the marketplace as well as create a differentiation in the marketplace to gain customer loyalty.*

*It is always a matter of concern for marketers to determine their target audience for their marketing investments, do they target new customers or go after the existing clients in order to maintain consistent growth, and satisfaction rates. This issue becomes even more critical for highly competitive industries like Banking, Retailing and telecommunications. These industries operate in a highly complex, extremely volatile and value driven environment wherein it is a challenge for marketers to look for rewarding solutions.*

*Customer cultivation management, an emerging approach towards gaining higher customer retention rates can be seen as an effective tool for marketers for these industries, as traditionally cultivation is seen as an effective tool to enhance the fertility, productivity and yield of a field. Customer cultivation management draws inspiration from the same principles and is aimed at building and sustaining lasting relations with customers.*

*This paper attempts to expose the reader to the various aspects of customer cultivation management and is based on the article by Velitchka D. Kaltcheva, Robert D. Winsor, and A.Parasuraman. It further relates various practices of customer cultivation to the field of retailing. Its aim is to list down the ways and means adopted as an integral part of customer cultivation management and map their appropriateness to the field of retailing, particularly in enhancing the customer loyalty rates and in turn customer retention rates for the marketers.*



### **Retailing – Why is it catching the limelight?**

Though India is ranked 44 in the preferred list of destinations for retailing by the CB Richard Ellis Report 2008, facts and trends narrate a different story.

India ranked first in A T Kearney's global list of emerging markets for retail investments consecutively for three consecutive years in a row. India is the second fastest growing economy in the world, the third largest economy in terms of GDP in the next 5 years and is rated among the top 10 FDI destinations. Total FDI (foreign direct investment) inflow in 2007-08, was to the tune of USD25 billion – up 56% over previous year - with investments in infrastructure development, Retailing and Capital market continuing to flow in at a rapid pace.

Given this rapid pace of growth, Retailing in India (estimated at current prices) will be in excess of Rs.1,810,000 crore by year 2010 ; Organized retail would likely to have 13% share of the total retail market size, in excess of Rs. 230,000 crore. However this growth demands greater availability of quality retail space in the country. The shopping center business alone is expected to be Rs. 140,000 crore by 2010-11, and the number of operating shopping centers is expected to increase three fold in the coming two years. Malls alone will provide an additional 200 million square feet of gross leasable quality retail space (GLA) by 2011.

In addition, the foreign direct investment (FDI) flow into Indian retailing has been on the rise and the extent of technology deployment through various retailing applications has made retailing one of the most happening sectors today.

### **RETAILING - The Rural side of the story**

One of the interesting trends affecting Retailing is the emergence of Rural Retailing, with India's rural consumer spending accounts for nearly 55% of the private retail consumption. The growth of organized retailing in the rural markets is also seen as a major path breaking trend, affecting not only the marketing but supply chain processes as well for business organizations.

This 'bottom of the pyramid' market is for sure now looking attractive and has already witnessed the entry of major corporations like Hariyali Kisan Bazaars (DCM) and Aadhars (Pantaloon-Godrej JV), Choupal Sagars (ITC), Kisan Sansars (Tata ), Reliance Fresh and others, to name some.

Given this backdrop, it is a matter of time for retailing to emerge as one of the fastest growing sectors in the Indian economy, from the socio-economic and employment generation perspective.

### **Customer Cultivation – Innovation driven process management**

Before we venture into the concept of customer cultivation, let us gain few insights into the trends that are affecting the marketing function and how they are impacting an organization's ability to build three pillars of strength, customer growth, and customer retention and customer satisfaction rates. The following lists the trends that are affecting the marketing function and in turn its ability to produce a rewarding performance, as illustrated by the industry profile published by Data Monitor. A shift from 'command and control' mind set to 'connect and collaborate' mind set of the marketers with their customers, vendors and channel partners

- Highly integrated value and supply chain activities, enabling marketers increase their operational efficiencies

- Shorter product life cycles, putting pressure on marketers to adopt more process innovation tactics
- Increasing complexity in adopting marketing tools, with multiplicity of options and media explosion
- Fast depleting customer base putting pressure on loyalty rates, with additional impact from competitive intensity
- Increasing new product introduction rates, thereby increasing the cost of retaining and servicing customers
- Increasing complexity or difficulty in replicating successful models of one industry to the other

These trends invariably have a profound impact on retailing, as it is seen as a converging point for all marketers and also seen as a last leg of the value chain. In addition, they realize that unless their marketing efforts are properly aligned with that of the retailer it is difficult to retain not only the healthy customer loyalty rates but also the confidence of the retailer to stock and sell their product lines. Though it is easier said than done, it has few complex issues that need to be addressed.

The size and complexity (product lines being offered, centers served, SBUs managed, etc) of the retailer determines the negotiating power and influence in decision making & implementation of business integration plans.

The marketing investments and efforts made by the retailer for its branding and promotions. The retailing space (physical infrastructure) that can be provided by the retailer across strategic locations catering to the target segments.

- Number of SKUs being managed by the retailer and its churn rate
- Retailers' in-store marketing efforts that are targeted at attracting and retaining customers
- Retailers' customer management models that enables them plan for up-selling and cross-selling of products and services to their targeted customer groups

Having considered the macro trends affecting the marketing function and the micro environmental effects, retailers have to craft a strategic course for winning customers. For years, retailers have been debating and implementing "Customer Centric" Strategies to win their target markets, however few of them only have established a process of creating "Customer Centric Marketing" function that enables them not only identify and service customers effectively the first time, but also every time.

As retailers operate in a volatile and dynamic environment, there can never be a single solution to address all the relevant marketing issues and in turn there can never be an everlasting model or an approach that can emphasize the critical elements of a retailing business. Each of these innovative models or strategies is considered to be appropriate for the given situation and the related business objectives.

**The focus of these customer centric strategies can be summarized as under:**

**Relate:** Relate retailers' business with their customers through regular and meaningful contact, observations, and ongoing interactions

**Retain:** Retain retailers' customers by creating barriers to switching to a competitor and create an atmosphere of exclusivity

**Expand:** Expand retailers' relationship with their customers by offering complimentary products and services on an ongoing basis

**Innovate:** Keep customers excited and engaged by surprising them with new product innovations or special bundles that are customized just for them

**Analyze:** Analyze customer behaviors and cultivation activities to predict and anticipate future wants and needs

These strategies are found to be inadequate to cater to the present demand of retailers for an integrated approach that not only is aimed at meeting their profitability goals, but also enables them win their markets effectively and efficiently. It is also expected to deliver favorable customer retention, growth and satisfaction rates.

### **Customer growth, satisfaction and retention – Why are they important?**

The ends of any marketing program will invariably include achieving a desirable customer retention, growth and satisfaction rates. These three metrics have been the core of any marketing audit and have proved to be the determining factors in evaluating the success of any marketing program.

Customer growth refers to the rate at which new additions are made to the existing customer base. It indicates the effectiveness of retailer's current marketing programs to lure customers to try once. Customer satisfaction refers to the extent to which retailer is able to meet the expectations and beliefs of customers with their products and services. It is the indication of customers' willingness to re-visit and make a repeat purchase from the retailer.

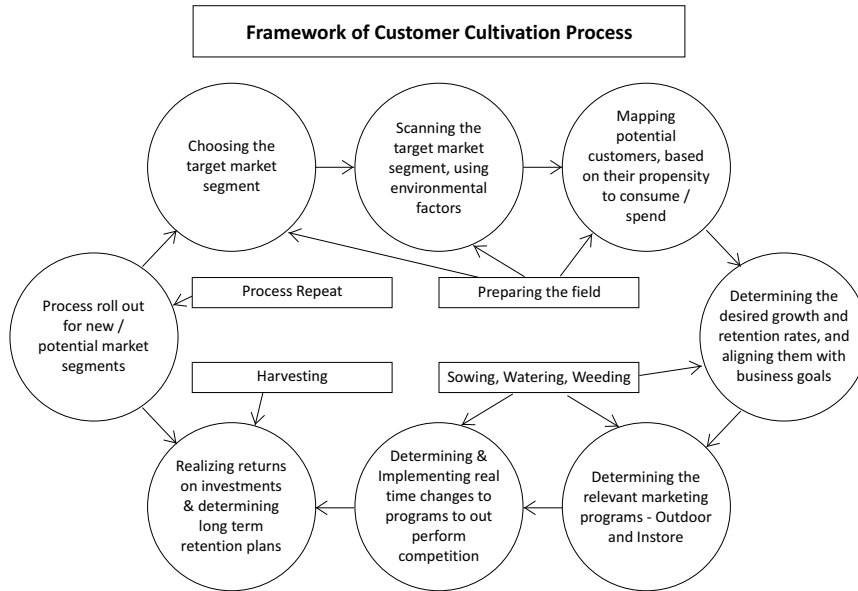
Customer retention refers to the rate at which the existing customers are retained. It refers to the differential between the existing customer base and degree of its continuity.

These three metrics signify the process of attracting, retaining and satisfying customers through their lifecycles. Many models like "Churn Analysis", "RFM", and "Market-Basket Analysis", and a host of others are a result of analyzing these metrics. However these models are targeted at identifying the best possible options that can be provided based on the past experiences of customers buying from a retailer. They fail to identify the future trends that a retailer has to study in order to design programs that are aimed at achieving desirable performance in these metrics, not only for the current periods but for the years to come as well.

Falling in line with the tradition, customer cultivation process also emphasizes the significance of these metrics. However in deviating from the previous studies, these metrics are not only mapped for their effectiveness but also their efficiency in terms of realizing investments made to achieve them.

Based on the study of above mentioned models and the factors included in each of them, this paper attempts to depict various process steps involved in customer cultivation process and describes the significance of each of the process steps.

The following depicts the framework of customer cultivation process.



**Customer Cultivation – Stage 1 - Choosing the target market segment**

The choice of the target market segment is based on a pyramid analysis, which is listed here under.

The target segment chosen should be aligned with the corporate strategy and profitability targets as well as store level and product category level targets set by the retailer.

This helps them to align each identified target customer segment to their entire business vertical and also map their marketing efforts.



In addition, a comprehensive understanding of customers' consumption and spending pattern would help retailer to further categorize them into small clusters so that their promotional efforts can be more focused on each identified cluster. It also helps in product bundling / unbundling at regular intervals in order to make effective offerings to the target market segment.

An important point to note at this stage is to identify the potential of differentiating the product bundling / unbundling for each target customer segment based on their socio-economic strata as well as their buying patterns. This helps retailers to potential map their strategic locations to the target market segments as well as in determining the appropriate SKU mix at each location.

### Customer Cultivation – Stage 1 - Scan the segment

Though numerous models are proposed for scanning environment and customer segment it is important to relate the scanning inputs to the store location and its predominant demographics. The scan should also focus on the dominant competitive forces targeting the same segments and their promotional spend to gauge their marketing efforts.

The following questions related to scanning might lead the analysis in an efficient way.

Which of the environmental factors will work favorably for the target customer segment and which of them will not? And why?

Which of the factors will have a bearing on the customers' behavior and / or on company's operations in the near term as well as long term?

Will the competitive landscape be more intensive in the future than what it is today?

What are the potential economic indicators that will impact the company's performance as well as customers' behavior?

On what extent technology deployments will influence customers' choice for a particular product or service?

How will be the cost function for servicing this segment and how does it affects the company's bottom lines?

### Customer Cultivation – Stage 1 - Mapping Potential customers

Having identified the target customer segment, marketers tend to overlook the finer aspects of their buying process as well as specific factors that drive their behavior before and during the buying process. For the benefit of planning and developing marketing programs it is important to split their behavior into two parts – behavior before and after the purchase process and the second, behavior during the purchase process.

The first stage helps retailers to adopt specific marketing programs that are targeted at attracting customers as well as assuring them that their earlier buying decisions are been rewarded. These efforts include promotions through mass media, online and direct marketing efforts, and a host of other programs that are aimed at both pre-purchase and post-purchase stages of customers' behavior.

The second stage helps them adopt specific in-store marketing programs to optimize their buying spree and / or their spend. These efforts may include intensive sales promotion campaigns, loyalty programs, product bundling strategies and others.

The following picture depicts the categorization of customers based on their intentional or impulsive spend<sup>6</sup>. It helps retailers to group their target customers accordingly and identify specific marketing programs for each group at product / category / and store level

		Product Level	
		Impulse Spend	Intentional Spend
Impulse Spend		"I just decided to buy a camera and this brand."	"I planned to buy this brand, but just decided to buy a camera now."
Intentional Spend		"I planned to buy a camera and just decided to buy this brand."	"I planned to buy this brand of camera, and I did."

The impulsive customer at the product as well as category level is the easiest to target but it primarily depends on the effectiveness of retailer's in-store marketing efforts whereas the intentional customer at product and category is the ideal one a retailer would like to retain as he / she keeps adding to the retailer's bottom line.

It may be useful to further categorize customers using the latest techniques like cluster analysis, forecasting customers' lifetime values, or their repeat purchase behavior.

#### **Customer Cultivation – Stage 2 - Determining the desired growth and retention rates**

Having made investments it is quite normal to evaluate the efficiency of the investments in terms of returns. However it is equally important to evaluate the effectiveness of these investments and determining the customer growth and retention rates have been the most sought after measures in this regard. These metrics need to be evaluated in relation to the target customer selected, store location, competitive intensity and the extent of marketing investments made to attract the selected segment.

While determining the growth and retention rates, it is needless to say that the targets are to be aligned to the corporate, store and product category levels discussed earlier. Any deviations in actual growth and retention rates from the targeted rates leads us to craft exclusive strategies to attract new customers as well as designing programs to retain existing ones.

#### **Customer Cultivation – Stage 2 - Determining the relevant marketing programs**

Retailers are provided with numerous options today to adopt multiple marketing programs simultaneously that are aimed at not only attracting customers but also pre-empt them to make purchase decisions. However retailers need to exercise caution in choosing the appropriate marketing program mix that is aimed at achieving

- Customers' satisfaction
- Competitive advantage and
- Company profitability

These three critical measures form the basis for designing any marketing mix as well as timing and duration of marketing programs. Retailers should create the appropriate mix of marketing programs that enable them maintain balance of these objectives.

Few of the recently popularized models like market basket analysis and customer churn analysis help retailers in determining the extent to which they can adopt both outdoor and in-store marketing programs to achieve optimum results.

#### **Customer Cultivation – Stage 2 - Determining and implementing real time changes**

Wal-mart is experimenting with one of the most advanced "real time discount analysis" that enables them calculate customer spend while buying and estimating the discount he / she is getting from their purchases. This real time information helps both retailer and the customer to optimize their profits and spend respectively.

In addition, retailers need to differentiate between new and existing customers and adopt value addition proposition appropriate to the audience. This calls for real time analysis of new and regular customers being present in the store and providing loyalty benefits to the regular ones and offering attractive discounts to lure new customers.

Today technology is evolving to address these issues and retailers are looking for avenues to gain both customer and competitive advantage by making real time changes to their marketing programs.

### **Customer Cultivation – Stage 3 - Realizing returns on marketing investments**

Harvesting is one of the most critical tasks of customer cultivation process, particularly after having made effective marketing investments that are aimed at enhancing customer satisfaction. Retailers need to factor in both near term as well as long term benefits to realize optimum returns on their investments. While planning for organic or inorganic growth in their business, it is imperative for them to consider critical factors that affect customer decision making process and how it impacts its business.

### **Customer Cultivation – Stage 4 - Process roll-out for new segments**

No customer cultivation process is complete if it is not taken up as a continuous process, adopting it from one potential segment to the other. However it is necessary to make amendments to their process based on their previous experiences as well as their evolving business goals and objectives. It is needless to say that business makes profits as long as the fertility and cultivation process for each of their target segments is well planned and organized.

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## Case Study

# Enhancing Productivity in Life Insurance

Prof. Venugopal R

### **INSURANCE SECTOR IN INDIA**

In India, the concept of insurance was never given a serious thought, as compared to other countries. People still are under insured, life insurance premia to Gross Domestic Product (GDP) ratio is a mere 1.4% as compared to 8% amongst other developing countries, the reason being lack of awareness and opportunities combined with poor quality of services rendered.

The Union Government issued an Ordinance on January 19, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The Life Insurance Corporation (LIC) absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. With the passing of General Insurance Business (Nationalization) Act in the Parliament General Insurance business was nationalized with effect from January 1, 1973. Since then the insurance sector was governed by the acts that were in vogue. Thus, the insurance sector had gone through a series of policy changes, from being unregulated to completely regulated and currently being partly deregulated.

While LIC provides life insurance, GIC is concerned with non life insurance like - motor, marine, fire, health and personal accident insurance. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector with a Bill passed in the Parliament to form the Insurance Regulatory and Development Authority (IRDA). This Bill has changed the whole scenario. With the passage of the bill, entry of private domestic as well as foreign companies, along with existing players, is facilitated in the insurance sector. This has led to adding more variety and improving quality to the insurance services that are available presently. The other positive impact has been creation of new employment opportunities.

### **Formation of a Joint Venture Insurance Company**

ACE-SURAKSHA INSURANCE COMPANY is a joint venture of SURAKSHA Financial Services Group, India and ACE insurance co. UK. SURAKSHA is a reputed financial services group with over 25 years standing in India. The company has a strong brand image and an excellent network of over 200 branches spread all over India. ACE Insurance is having over 100 years standing and is a Fortune 500 company. The company has assets under management to the tune of over \$ 300 billion and is operating in over 30 countries. ACE Insurance Company realised Indian market as an excellent opportunity and decided to form a joint venture company in collaboration with SURAKSHA Financial services group in India. The CEOs of both the groups felt that the synergy of the SURAKSHA Company's brand image in India their extensive network with that of the ACE Company's solid capital resources, long experience and expertise in insurance business, could yield excellent results and the JV Company corner a significant market share. The JV Company was formed after duly complying with local laws and regulations of the regulator, IRDA.

The JV Company was incorporated with an Initial capital of Rs.150 crores and commenced building the sales, actuarial, administration and HR teams. The company started off the business in early 2002. The



company has focused on both the traditional sales methods of selling through agency force and also the alternative channels like bancassurance, corporate broking channel and direct sales channels. Under the traditional agency channel, Insurance Agents help individuals and companies in selecting the right policy for their needs. They plan for the financial security of individuals, families and businesses and advise them on insurance protection. They also help the policy holders at the time of settlement of the claim. The job of agents is quite challenging as selling a product like insurance policy is not easy. For being successful, agents, apart from understanding the products and process, should be outgoing and social. They should have the necessary skills to convince people. Recruitment of agents is done by the Corporation after a written test and an interview followed by a training period, in compliance with IRDA guidelines. Graduates in the age group of 21 to 35 years are preferred.

### **Insurance Sector in a Competitive Environment**

With 25 life insurance companies in the market selling almost similar products insurance sector is operating in a severe competitive environment. The only distinguishing factor that could make an insurance company to emerge as a winner could be the competence level of agents who are hired to sell the products. The company Life recognised individual agents as its primary channel of distribution. The Company places considerable emphasis on its selection process, which comprises four stages – initial screening process, candidates going through psychometric tests, career seminar and final interview. These tasks are undertaken by staff designated as agent advisors who would after selection conduct in-house training programme for the selected candidates.

The company under study makes a sizable investment on its training programmes. Each agent is trained for development of skills and knowledge through a structured programme before they start their career selling in the marketplace. The agents are offered good incentives both in monetary and non-monetary form. Besides these agents also have opportunity to participate in the international events like MDRT (Million Dollar Round Table), an exclusive congregation of the world's top selling insurance agents. Those who perform well and get such opportunities would then be internationally recognized as the icons of excellence in life insurance business. MDRT is a global and autonomous organization of sales experts in life insurance sector. Though members have to meet a range of stringent morale and productivity requirements to qualify, MDRT membership has global recognition and denotes sales expertise in life insurance. In a nutshell, an insurance agent from India will have to achieve a sales target business close to US \$ 60,000 or earn more than US \$ 15,000 as commission to be qualified and recognised as a member of MDRT.

### **INSURANCE AGENTS AND THEIR ROLE**

An insurance agent is a person who takes up an agency from the insurance company to sell their policy on a commission basis. They act as an intermediary between the insurance company and the policy holder. But before doing so, one has to undergo training and get a certificate of proficiency from the insurance company. Mostly insurance policies are bought through agents. An Insurance Agent is licensed under Section 42 of Insurance Act, 1938.

An agent receives payment by way of commission or other remuneration for procuring insurance business. Every agent is accountable to the insurance company and the policy holder from the day the policy is issued to payment of premium till the claim is settled in the event of policy holder or final settlement on maturity. An agent is not an employee of the company.

### **Role of IRDA**

The regulator IRDA has the following role to play in ensuring certain norms presented below:

- IRDA will issue a license to an Agent under Section 42 of the Insurance Act 1938, which would be valid for a period of 3 years.
- Only IRDA licensed agents are legally allowed to sell insurance policies in the market.
- IRDA will ensure that the agents are at least 18 years of age
- It will be mandatory that an agent has a minimum academic qualification of Intermediate passed, if the agent is appointed in a place with a population of 5000 or more; the qualification could be lowered to 10th standard for those who are appointed to operate in the rural areas.
- Should have undergone at least 50 hours of training from an IRDA authorized training institute

### **Insurance Agents' Problems and Constraints**

While insurers across the board talk of the best training levels, industry-specific studies indicate that productivity per agent perhaps needs a boost.

According to the study, monthly commissions earned is low, so much so agents prefer to work only part time for insurance companies, with a tendency to sell non-insurance products of more than one insurance.

Improving productivity should also reflect in higher commissions for agents. The company has recognized this and focused on recruiting and developing people in agency channel who are committed to devoting the required time to this profession. The company conducts both internal and external surveys to ensure complete compliance with the sales process.

The Training Head of the Company also convinced the management that “Training holds a lot of significance, especially as the industry faces a lot of rejections. Training that is high on motivation and inculcates meeting habits with clients is of significance. We induct a training programme KASH (knowledge, attitude, skills and habits), which incorporates continuous inputs for training, retention of employees and sales force, and improving productivity”.

The company with a strong focus on the agency business made a good progress in the Initial 5 years of the operations. The New business premium which was Rs.200 Crores in the first year grew to Rs.2000 crores by the end of the 5th year. The contribution of agency channel is a healthy 70% to the overall sales. The company has developed certain niche products in Child plan and endowment plan segments which are well received in the market. The ULIP sales contributed significantly i.e. almost 60% to the sales of the Company. The agency force has grown from 3,000 in the first year to 20000 by the end of 5th year.

The opportunities in the industry also made other major industrial houses to enter into the life insurance sector. The competition grew. The industry major Life Insurance corporation also came up with new strategies, increased the agency force and started to make efforts to maintain its leadership position. Meanwhile the 2nd half of the decade saw lot of regulatory changes brought in by the regulator IRDA. The Unit Linked Insurance Plans (ULIPS) have undergone lot of changes in regulatory guidelines. Due to the stringent regulations laid down by IRDA the sales from the ULIPs have come down. The agents have found it increasingly difficult to market ULIP products. The fall in the equity market returns also contributed to the fall in ULIP sales. The productivity levels have taken a dip in the 2nd half of the decade.

The company has also observed that there is a heavy turnover of the agents. The average retention period of the agents has come down to below one year as compared to over 2 years in the earlier part of the decade.

The market share of the company also dipped from 5% to 4%. The JV partners have started questioning the management on these aspects. The management has been asked to take immediate steps to stop the slide and take effective medium to long term steps to put the company back on the growth path.

The management held meeting to discuss the various challenges faced by it and steps to be taken to tackle it effectively. The management also hired the services of a marketing consultancy firm to list out the challenges and suggest solutions, probe into the fall in productivity levels and high attrition levels of the agency force.

The consulting firm carried out the survey and listed out their findings, the challenges of the industry and solutions as under:

**Challenges faced in Insurance Markets in the later part of the decade are:**

1. The following are Industry related Challenges
  - (i) Commoditization in personal line products.
  - (ii) Shifting consumer requirements (everyone wants products tailored to them, customization)
  - (iii) Heightened competition.
  - (iv) Global economic meltdown.
2. Business related Challenges  
The key business challenge for most of the insurers is to reduce the turnaround time and improve their speed to market their products.  
Distribution Channel pressures and emerging consumer demands for mass customization and hybrid products are moving rapid product development from being a competitive advantage to a necessity.
3. Process Based Challenges  
Lack of stream lined processes, change management, automated processes, and central repository
4. Low productivity of the individual agents
5. Low retention period of the agents

The company selected for the present study realised that low productivity of individual agents, a high policy lapse rate and lack of experienced personnel are among the key challenges that private life insurers in India will have to reckon with over the near future.

On the positive side, industry players expect the sector to grow 10-20 percent over the next three to five years. According to the survey done by the company marketing consulting firm, low productivity of agents is a major concern and improving that would involve significant efforts in training and ongoing agent management activities.

The survey said: "It is refreshing to note that most of the respondents expect an 'improved' tied agency channel to dominate the distribution scene in the industry, whereas none of the respondents expect the 'current' form of agency channel to survive for too long. If this is indeed achieved, there is hope for improvements in areas such as mis-selling, persistency levels, productivity levels and high cost ratios etc."

The four-year retention rate for insurance agents was 19 percent. This low retention rate may indicate two conditions (1) the failure rate for agents is high, and (2) successful agents frequently become dissatisfied and seek employment from another insurance company.

Failure to retain agents can be an expensive proposition. An estimate made by the company estimated that turnover among salespeople in 2008 approximately Rs.50,000 per salesperson. Sales managers want to retain their best salespeople through positive strategies that do not at the same time retain the poorer performer

One way sales managers might combat the high attrition rate is to keep insurance salespeople satisfied. However, before emphasizing salesperson satisfaction, sales managers might want to ask the following questions (1) What is the relationship between satisfaction and performance; and (2) What is the relationship, between satisfaction and tenure?

Lack of organizing/time management on the part of the independent insurance agents is another area identified as a factor instigates low productivity. This hampers profitability and customer service for the agency.

#### **Suggested Solutions**

The following suggestions are offered to overcome the problem of low productivity, high attrition rate among the Agents and others listed above.

1. New approaches and technology are needed to manage and develop insurance products which reduce the cost and time to market.
2. Speed, quality, efficiency and capacity are different dimensions to counter the above challenges.
3. Product Solutions: Deliver new products/product customizations efficiently, quickly and in a flexible manner.

Making change to existing products quickly.

Meeting demand for combination products i.e. developing products that encompass multiple features in today's products.

Speed to match the competition (If market embraces a particular product feature launched by the competitor, other insurer tend to quickly follow suit to meet competition. Example: Conservative LIC introduced Unit Linked Plans to meet competition.

Real time underwriting based on customer segmentation.

#### **Organisational Solutions**

For robust performance and growth empower front-line staff and equip them with multiple skills.

#### **Technology Solutions**

Quickly respond to business needs by deploying new technologies and applications.

#### **Training solutions**

Organising effective training to promote their communication and sales skills

### **Calling all Extraverts**

While it is important to understand, and even like quantitative risk analysis, people skills and the ability to communicate are just as important, if not more so in the insurance industry.

### **Insurance is Not Just About Selling**

There are quite a few people weary of an insurance career because they think they have to be an aggressive sales person. Of course, sales is a necessary ingredient, however insurance is a service everyone needs. Besides, most positions do not require straight sales. Relationship building is important for customer retention and repeat business. The agents need to be made aware of this requirement.

### **Agent and Broker**

Brokers and agents sell insurance policies to individuals and companies and In the event of a risk customers call their agents; therefore agents must have a detailed knowledge of policies and their limitations. Those who are familiar with business practices and comfortable talking with all types of customers can make a good living working an adjustable schedule in the insurance industry.

### **The recommended Insurance Sales Training Process:**

To be successful in insurance sales, it takes a thorough understanding of the sales process. Once the agent acquires the necessary licensing and gains product knowledge, he should be trained in how to make the presentation. By taking the needs-based approach, the agent be able to convey to a prospect how an insurance product can serve as a solution to a problem.

- **Need Analysis**

The insurance agent should first assess the needs of the prospective policy holder. This can be accomplished with the use of a fact-finding questionnaire in which the agent will ask a series of questions about the prospect's current financial situation, their present insurance coverage and what the prospect's financial goals might be. This can help uncover any gaps in the prospect's current insurance program.

- **Building Rapport**

During the needs assessment, the agent should be developing rapport with the client. By learning to ask about personal and potentially sensitive financial matters in a professional, non-threatening manner, the agent should develop trust that will make the rest of the sales process easier to complete.

- **Filling the Need**

Once a need is uncovered, the agent should then be able to recommend the correct insurance policy that will meet the need. With proper product training, the agent should be able to explain the features and benefits of the product and demonstrate how it meets the need that was identified earlier.

- **Handling Problems and Grievances**

Since the agent will likely be met with objections from the prospect, the agent should be thoroughly trained in techniques to overcome them. For example, if the prospect indicates that he likes the recommended whole life policy but cannot afford the premium, the agent could then suggest a term policy that would provide the same amount of coverage at a lower premium.

- **Closing**

Once all objections have been handled successfully, the final step is to close the deal. Agents should be trained in the use of several different closing techniques to discover which ones they are most comfortable with. Common techniques include the Ben Franklin close, in which the pros and cons of the insurance program are listed. If the agent has made a proper presentation, the pros should heavily outweigh the cons, and the prospect should be persuaded to purchase the policy.

Besides above the agents need to be trained on:



- Time management
- Communication and presentation skills
- Planning and organizing activities
- Motivation for attaining long term goals.

### **Conclusions**

Based on the case studied and presented above it becomes clear that insurance companies face a formidable task in achieving a reasonable level of productivity. It would be possible only by hiring competent agents to sell the products. Such competent agency force can be built after a careful screening process and a focussed training programmes. Only in-house training programmes could contribute to deploying skilled sales force in the market to sell their products. Those who are trained and hired need to be retained and the retention strategy that could be adopted should include, among others, suitable reward systems. If these are achieved selling insurance products will not be a hard task. The awareness on the insurance products will undoubtedly increase, as the availability of surplus resources for investing on these products grows among Indian households increase for which there is positive signs in the growing economy of the country.

### **About the Author**

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