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DEVELOPING COMPETITIVE ADVANTAGE THROUGH CORPORATE SOCIAL RESPONSIBILITY”

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Developing Competitive Advantage through Corporate Social Responsibility

Introduction:

“Corporate Social Responsibility Practices in India sets a realistic agenda of grassroots development through alliances and partnerships with sustainable development approaches. At the heart of solution lies intrinsic coming together of all stakeholders in shaping up a distinct route for an equitable and just social order ... “

Indu Jain

Chairperson,

The Times of India Group

New Delhi

In India many big Indian corporations are engaged in some or other kind of CSR activities. In many countries it has been observed that the private sector is more active in this area than the governmental/public sector. Multi National Companies have defined CSR as Triple P: People, Planet, Profit.

The World Business Council for Sustainable Development in its publication “Making Good Business Sense,” by Lord Holme and Richard Watts, used the following definition. “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of local community and society at large.”

Different organizations have framed different definitions – although there is considerable common ground between them. Broadly speaking about CSR we can say that it is all about how companies manage the business processes to produce an overall positive impact on society.

The Business in Society



As far as the is concerned the to contribute society apart from objective of profit Hence the answerable to two aspects:

concept of CSR companies need towards the their primary maximization. company is

- (i) The quality of their management – both in terms of people and processes
- (ii) The nature of and quantity of their contribution toward society in the various areas.

Outside stakeholders such as NGO's, Governments, Local Communities, Union Employees, etc., also are taking an increasing interest in the activities of the company. Most of them focus on what the company has actually done? What kind of products and services they are offering to the society? How it treats and develops its workforce and the company's overall impact on the environment and on local communities. Out of the various stakeholders, it is financial analysts who are predominantly focused – as well as past financial performance - on quality of management as an indicator of likely future performance.

Evolution of Corporate Social Responsibility

The concept generated from the ethical and fair treatment of customers and all business relations with respect to honesty – not because it was legally required, but because it was the right thing to do. Philanthropy was another belief and virtue for wealthy persons sharing some of their wealth with the community and the intent being 'for the love of humanity'.

Later come in stewardship out of a 'welfare' approach from a notion of paternalism. It embodied the notion of paternalism. It embodied the notion that those in society who were in position of privilege or wealth should make decision on behalf of and engage in activities in what they believe to be the interest of the less fortunate or less powerful. Most Indian public sector units deployed policies and practices in labor welfare and community well-being as part of their venture and a way of life.

Similar examples resembling the idea of present day corporate social responsibility came from different socialioigal settings of each ear to influence the way business adopted a more considerate and responsible behavior. Businesses conducted these activities through specially dedicated charities or foundations and it developed to what we today have vy way of charity work, philanthropy, welfare programs and recently under connotations of social responsibility.

The problem of sustainability still remains, in addition to industry's expectations of beliefs from the social programmes. However, these two problems are related. If corporation perceive benefits from the corporate social development programmes, sustainable funding may not be the problem, otherwise only one time sponsorship from industry could be expected.

However, there are number of areas where the corporations' enlightened self interest and public interest coincide. This paper will look at this aspect of corporate social development, i.e., the linking corporate social action to business strategy, so that sustainability would not be the problem. As in case there is no eed to appeal to the goodness of the industrialists, for moral preaching, or even to remind from time to time of the social responsibility of the business.

Research Methodology :

This paper will be based on number of published case studies / examples of Corporate Social Responsibility. The paper traces various areas of responsibilities of business and the reasons for the same. The paper emphasizes that for practicing CSR there is a need for deep shift in corporate culture, values, decision making process and behavior.

Some of these examples/case studies are as under:

Aptech Limited

Aptech Limited, a leading education player with a global presence, has played an extensive and sustained role in encouraging and fostering education throughout the country since inception. As a global player with complete solutions-providing capability, Aptech has a long history of participating in community activities. It has, in association with leading NGOs, provided computers at schools, education to the underprivileged and conducted training and awareness-camps.

Aptech students donated part of the proceeds from the sale of their art work to NGOs. To propagate education among all sections of the society throughout the country, especially the underprivileged, Aptech fosters tie-ups with leading NGOs throughout the country including the Barrackpur-based NGO, Udayan, a residential school for children of leprosy patients in Barrackpur, established in 1970. The company strongly believes that education is an integral part of the country's social fabric and works towards supporting basic education and basic computer literacy amongst the underprivileged children in India.

ICICI Bank Ltd

The Social Initiatives Group (SIG) of ICICI Bank Ltd works with a mission to build the capacities of the poorest of the poor to participate in the larger economy. The group identifies and supports initiatives designed to break the intergenerational cycle of poor health and nutrition, ensure essential early childhood education and schooling as well as access to basic financial services. Thus by promoting early child health, catalyzing universal elementary education and maximizing access to micro financial services, ICICI Bank believes that it can build the capacities of India's poor to participate in larger socio-economic processes and thereby spur the overall development of the country. The SIG works by understanding the status of existing systems of service delivery and identifying critical knowledge and practice gaps in their functioning. It locates cost effective and scalable initiatives and approaches that have the potential to address these gaps and supports research to understand their impact. This is undertaken in collaboration with research agencies, nongovernmental organizations (NGOs), companies, government departments, local stakeholders and international organizations.

Infosys Technologies Limited

Infosys is actively involved in various community development programs. Infosys promoted, in 1996, the Infosys Foundation as a not-for-profit trust to which it contributes up to 1 % PAT every year. Additionally, the Education and Research Department (E&R) at Infosys also works with employee volunteers on community development projects. Infosys leadership has set examples in the area of corporate citizenship and has involved itself actively in key national bodies. They have taken initiatives to work in the areas of Research and Education, Community Service, Rural Reach Programme, Employment, Welfare activities undertaken by the Infosys Foundation, Healthcare for the poor, Education and Arts & Culture.

ITC Limited

ITC partnered the Indian farmer for close to a century. ITC is now engaged in elevating this partnership to a new paradigm by leveraging information technology through its trailblazing 'e-Choupal' initiative. ITC is significantly widening its farmer partnerships to embrace a host of value-adding activities: creating livelihoods by helping poor tribals in making their wastelands productive; investing in rainwater harvesting to bring much-needed irrigation to parched dry lands; empowering rural women by helping them evolve into entrepreneurs; and providing infrastructural support to make schools exciting for village children. Through these rural partnerships, ITC touches the lives of nearly 3 million villagers across India.

Mahindra & Mahindra

The K.C. Mahindra Education Trust was established in 1953 by late Mr. K. C. Mahindra with an objective to promote education. Its vision is to transform the lives of people in India through education, financial assistance and recognition to them, across age groups and across income strata. The K.C. Mahindra Education Trust undertakes number of education initiatives, which makes a difference to the lives of deserving students. The Trust has provided more than Rs. 7.5 Crore in the form of grants, scholarships and loans. It promotes education mainly by the way of scholarships. The Nanhi Kali project has over 3,300 children under it. We aim to increase the number of NanhiKalis (children) to 10,000 in the next 2 years, nu reaching out to the underprivileged children especially in rural areas.

Tata Consultancy Services

The Adult Literacy Program (ALP) was conceived and set up by Dr. F C Kohli along with Prof. P N Murthy and Prof. KesavNori of Tata Consultancy Services in May 2000 to address the problem of illiteracy. ALP believes illiteracy is a major social concern affecting a third of the Indian population comprising old and young adults. To accelerate the rate of learning, it uses a TCS-designed Computer-Based Functional Literacy Method (CBFL), an innovative teaching strategy that uses multimedia software to teach adults to read within about 40 learning hours.

Larsen & Toubro (L&T) Limited

Considering that construction industry is the second largest employer in India after agriculture, employing about 32 million-strong workforce, L&T set out to regulate and promote Constructional Vocation Training (CVT) in India by establishing a Constructional Skills Training Institute (CSTI) on a 5.5 acre land, close to its Construction Division Headquarters in Manapakkam, Chennai. CSTI imparts, totally free of cost, basic training in formwork, carpentry, masonry, bar-bending, plumbing and sanitary, scaffolder and electrical wireman trades to a wide spectrum of the rural poor.

As a result of the good response it received in Chennai, CSTI set up a branch at Panvel, Mumbai, initially offering training in formwork, carpentry, and masonry trades. The Manapakkam and Panvel facilities together provide training to about 300 candidates annually who are inducted after a process of selection, the minimum qualifications being tenth standard. Since inception, these two units have produced about 2000 skilled workmen in various trades, with about sixty percent of them being deployed to L&T's jobsites spread across the country. The success of this training-initiative demonstrates that adoption of systematic training techniques are bound to yield efficient and skilled personnel in the

shortest possible time, and in the power to convert the potential of the Rural Youth in Construction and upgrading Rura Economy in a small way.

CSR

Arguments Against Corporate Social Responsibility (CSR)

- It restricts the free market goal of profit maximization
- Business is not equipped to handle social activities
- It dilutes the primary aim of business
- It limits the ability to compete in a global marketplace

Arguments For Corporate Social Responsibility (CSR)

- It addresses social issues business caused and allows business to be part of the solution
- It protects the self-interest of business
- It limits future government intervention
- It addresses issues by using business resources and expertise
- It addresses issues by being proactive

CSR importance and its relevance today

Now a days every kind of information related to the product which a customer desires to buy, could be related to company, product, brand or any other thing is available through the easy accessible and available mode of information i.e. Internet. Even if the product is of a national brand or a global brand. Every employee want to work for the company who respect them and NGO's want to work with company who work with the same vision for the benefit of the people. As said by Peter Duker "The 21st century will be the century of the social sector organization. The more economy, money, and information become global, the more community will matter." (Corporate watch report, 2006).

According to strategic corporate social responsibility by William B. Werther, David Chandler there are three trends which are going to have importance in future and those are :

Increasing Affluence :As we know that there are broadly three levels of customers in the society. The one who belong to elite level, the second is middle class and the third level is of the poor class. A customer from the elite level can afford to buy and pay more for premium brand bu the poor customer might not be willing to pay so much for brand, instead they would prefer to spend their money on the things which can take their business to much better level.

Changing social expectation : It is natural that customer expect more from the company whoe product they buy but many a times due to some controversial matters the confidence in the regulatory body and organization, which manage the corporate, may reduce the trust and confidence that the companies have created in the minds of the customers.

Globalization and free flow of Information: With growing trend of media and easy access to information through mobile, TV, even the minor mistake of the company is brought in public in no time, this sometime fuels the activist group and likeminded people to spread message which can lead to situation like boycott of the product.

There can be few key steps to implement CSR successfully:

- 1) Better communication between top management and organization
- 2) Appoint for CSR position.
- 3) Good relationship with customer, supplier, stakeholder.
- 4) Annual CSR audit
- 5) Feedback process

Conflicting Views

There have been conflicting views over the discharging of social responsibilities by corporate entities. According to Milton Friedman (1962), a corporation has no responsibility beyond making the greatest possible profit to its shareholders. The supporters of this view perceive that it is not the function of a corporation to donate for charitable institutions or provide social amenities. That is, the business of any business entity is business and nothing else. If business organization limits their profit margins as a part of social responsibilities, it may not only harm its own interest but the economy as a whole. Social investment will sabotage market mechanism and systematically distort allocation of resources. The essence of corporate statesmanship is to maximize profit.

While the opposite view is that corporate have a definite social responsibility towards all its stakeholders. It is based on the belief that society is one of the major participants in the business and as a member of coalition of the groups it has a right demand its due share. According to RicahrdEells, “the root of the conflict over social responsibility lies in the irreconcilability of two equally untenable theories of the corporation” – the ‘traditional corporation’, which tends to maximize profits and the ‘metro corporation’, which assumes limitless social obligations. He puts forward the ‘well-tempered corporation’ is a compromise between these two extremes – which regards profits as primary but also considers its social obligations towards the community in the decision-making process.

Conclusion

“Business is recognized and challenged as a new player in social development, setting standard and protecting human rights”

****Kofi Annan**

Corporate social responsibility is a term which describes a company’s contribution towards all of its stakeholders in all its operations and activities. Socially responsible companies consider their impact on entire communities and the environment while making decisions and they always try to maintain the balance between the need of stakeholders with their need to make a profit.

A company’s stakeholders are all those who are influenced by and can influence a company’s decisions and actions, both locally as well as globally. Business stakeholders include all those people with whom they are connected with, i.e. right from the employees, customers,

suppliers, community organizations, subsidiaries and affiliates, joint venture partners, local neighborhoods, investors, shareholders, and the environment as well. The irresponsible corporate behavior can not only hamper the trust of the society but also will lose good will of the product throughout global markets.

Neither charity nor charity is the driving force behind the move of Corporate Social Responsibility. It also does not explain the social moves taken by the corporations. Rather the companies are merely trying to develop competitive advantage for their organizations through corporate social responsibility, and it has been proved by many companies that corporate self interest and corporate social development can be strategically go hand in hand to achieve the ultimate desired goals.

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“Business Excellence through Innovative Industrial Practices”

Sub Theme- “Innovative Practices in Branding and Advertising”

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- **Introduction:**

Marketing is defined by the American Marketing Association (AMA) as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Marketing is a product or service selling related overall activities

Branding is the process by which companies distinguish their product offerings from competition. Marketers develop their products into brands which help to create unique position in the minds of customers. In, marketing the brand name is major selling tool and one of the most important components of the "total product personality" Brand is the identity which the product has got. In marketing process, brand plays very important role. Branding is the process of establishing brand on consumers mind. How the product has got the image? What is the perception of the consumers regarding the product or service? It is the practice of giving a specific name to a product or group of products of one seller. It is also to find out and fix the means of identification.

A brand is a "name, term, symbol, or design to identify the goods or services and to differentiate them from those of the competitors". Brands are unique in many ways. Each brand has its position in the customers mind and delivers a set of values perceived higher than these of the competing brands.

Therefore it makes sense to understand that branding is not about getting your target market to choose you over the competition, but it is about getting your prospects to see you as the only one that provides a solution to their problem.

- Delivers the message clearly
- Confirms your credibility
- Connects your target prospects emotionally
- Motivates the buyer
- Concretes User Loyalty

Advertising is a form of communication intended to persuade an audience (viewers, readers or listeners) to purchase or take some action upon products, ideas, or services. Advertising has the prominent place among the techniques of mass education and persuasion on the public.

Advertising is of various forms. It can be a sign or symbol. It can be illustration or message or both. It communicates information about ideas, goods or services. Advertising just tries to influence the behavior of the target audience.

It carries out three important functions thru communication

- Information

- Education
- Social Awareness and responsibilities

It can be classified depending on its objectives. Product advertising aims on stimulate the sale of products. It also includes services such as banking, transportation, and telecommunication. Non-product advertising aims to create favorable image of the organization as a whole. Advertising can be used for non business purposes also.E.g.AIDS awareness, Dowry campaign ET

- **Current Scenario**

Today advertising has become the life line of the organization. The trend in advertising has changed from marketing orientation to customer orientation. The marketer identifies customers by segmenting and then targeting. Thus it becomes very easy for them to position the brand on customers mind. Today advertisings are used to build brand. The images which are projected on consumers mind are geared to match the needs and expectations of the target audience.

Brands are motivating and encouraging customers to associate a good relation with the marketers. Today the different techniques and tools are used to promote the brand and enforce customers to purchase the product. Brands are helping marketers to establish not only the image but also the quality and attributes of the products which the customers are buying.

Traditional Media of Advertising:

Indoor Media

- Print Media (Newspaper, Magazines etc.)
- Radio , Television

Outdoor Advertising

- Hoardings
- Banners
- Posters

The above mentioned media is working today as the traditional media, where the customers get exposure to different brands. And by which the message is to be conveyed, must achieve the predetermined goals.

- **Innovative practices in Branding & Advertising**

Today's advertising does not only generate awareness but perform functions like:

Informs: Benefits, Availability, and Features of the products.

Offers:an incentive to buy

Provokes: to try new products

Builds: brand relations

Choose: out of several brands, brand preference and loyalty

Persuades: people to act

It is said that 'advertising can sell anything'. But in fact, all the products need not be advertised. The advertising programmes are aimed at demand creation. Thus marketer should take care about his customer's preferences, tastes, and their purchasing power ability. They have to find out the proper medium to reach to them. Medium is a means thru which the message is conveyed to the consumers. The proper selection of the medium, decides the success or the failure of the marketer. The market demand is changing by external and internal factors thus the trends of advertising are also different from the era of barter system till the consumer orientation approach. From the traditional indoor media the scope of advertising has changed to discover the other sources of media. Because the customers are large in nos, widely spread everywhere, and their different preferences it becomes very difficult for the marketer to reach to them. Marketers are finding some of the innovative ways to reach to them. They are classified under different medias

Network Media:

- Via Internet
- SMS alerts
- Pop-ups
- Telemarketing

Outdoor Media:

- Murals
- Advertising Boards
- Vehicular
- Painted Displays
- Travelling Displays
- Electronic Displays
- Sky Advertising

- Sandwich-man
- Handbills

Direct Advertising:

- Sales letters
- Folders
- Package inserts
- Store publication

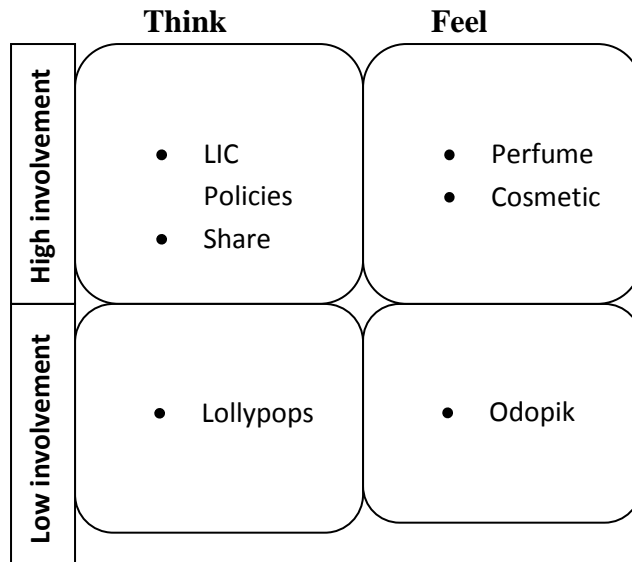
Promotional Advertising:

- Window displays
- Interior displays
- Show-rooms
- Exhibitions
- Relationship of Advertising and Brand

Marketing communications play an important role in communicating the essence of the personality of the brand and in providing the continuity for any partnership, a necessity for a brand to be built through time. There are many Marketing Communications tools that can be used to communicate the brand like mentioned in above, such as Public relations, Sponsorship, Advertising, and Direct marketing. But the most effective tool of promotion is advertising.

FCB Model:

Foot, Cone, Belding model examines how advertising helps to establish brand image for different products. The FCB grid enables advertisers to design suitable communication package depending upon the type of product in question and the attitude of the buyers towards it. In this model, products are classified as low-involvement or high involvement products. Low involvement products do not engage consumers both cognitively and emotionally. Whereas, High involvement products occupy consumers both cognitively and emotionally. The FCB model helps us how to advertise and how to acquire the brand perception of different customers.



Case Study

Introduction:

This case study reviews one of the measures the brand has taken over the years to ensure the loyalty of its users.

Background:

During 1970s Bournvita's advertising claim, "Brought up right-Bournvita Bright", was supported by a very popular radio programme, the 'Bournvita Quiz Contest'. This was the interschool quiz involving participants from schools in Bombay, Delhi, and Chennai. It was broadcast from different radio stations and created a lot of audience interest and involvement among the children and family.

Objective:

To stimulate the demand by adopting further popularity of the Bourvita Quiz Contest.

The Promotion:

Consumers sending in two proofs of purchase from any size of Bournvita were offered FREE the Bournvita Book of Knowledge. Further many ads of this campaign were promoting the brand till 2000.

Results:

Demand for Bournvita Books was so great that a substantial reprint was required. The scheme was therefore continued in subsequent years with various innovative ads.

Today's Brand Image:

Today Bournvita has a brand image of health drink with the mixture of science and nature, because of continues and successful advertising.

- **Examples**

- KapilDev as RJ for the ongoing ICC Cricket World Cup, where the Radio-Mirchi is continuously making ad for brand loyalty.
- Cadbury dairy milk has changed its advertising since 1990s and today with the help of advertising thru different media it is position as Sweets than the Chocolate.
- The Bajaj co who introduced their first scooter model, created the brand association with the quality thru advertisements.
- Nestlé’s Maggi noodles are positioned as a 2 minutes Noodles (instant food) with their contribution of the advertising



- **Conclusion**

- As advertising trend changes the brand position changes
- Advertising is a lifeline for establishing good brand image
- It varies as per the trends of the market and demand from the customers
- New practices of advertising are helping marketer to increase awareness in the market
- It helps the economic growth by helping to expand the market.
- Creativity inherent in advertising leads to the discovery of new relationships that can change the perception of the brand.

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TALENT RETENTION IN HOTEL INDUSTRY

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TALENT RETENTION IN HOTEL INDUSTRY

Hotel Industry in India has witnessed tremendous boom in recent years. India's tourism industry is experiencing a strong period of growth, driven by the burgeoning Indian middle class, growth in high spending foreign tourists and coordinated government campaigns. Hotel Industry is inextricably linked to the tourism industry and the growth in the Indian tourism industry has fuelled the growth of Indian hotel industry.

The government's recent decision to treat convention centers as part of core infrastructure, allowing the government to provide critical funding for the large capital investment that may be required has also fuelled the demand for hotel rooms. The opening up of the aviation industry in India has exciting opportunities for hotel industry as it relies on airlines to transport 80% of international arrivals. The government's decision to substantially upgrade 28 regional airports in smaller towns and privatization & expansion of Delhi and Mumbai airport will improve the business prospects of hotel industry in India.

Contribution to the economy form this Sector

As per the Travel and Tourism Competitiveness Report 2009 by the World Economic Forum, India is ranked 11th in the Asia Pacific region and 62nd overall, moving up three places on the list of the world's attractive destinations. Combining unparalleled growth prospects and unlimited business potential, the industry is certainly on the foyer towards being a key player in the nation's changing face The hotel and tourism industry's contribution to the Indian economy by way of foreign direct investments (FDI) inflows were pegged at US\$ 2.24 billion from April 2000 to November 2010, according to the Department of Industrial Policy and Promotion (DIPP).

Purpose of the research:

Any organization is as good as its people it's a proven fact that manpower is the greatest asset of a company. High attrition rates incur major costs to the company including recruiting expenses, training expenses

Employee turnover figure in the hospitality industry is a whopping 50%, enough to alarm the employers. Employee turnover has an immediate effect, particularly in customer service-dependent areas of the business. For this industry the cost is not only that of hiring and training the new employee and lower productivity of the new employee during his training period, but the costs may possibly be even the loss of a valuable client. Also a vacant position means more work for the remaining employees, without making a compromise on the customer service front. Hence particularly in hotel industry employees are very important. Experts from the industry believe that low attrition is the key competitive advantage in their business because the infrastructure and facilities can be copied, but a good service experience cannot be duplicated.

Research Methodology

The data has been collected through interviews with industry experts, since this is one of the best ways to obtain information regarding such complex matter like employee turnover. We interviewed managers at different levels, from several departments, to understand their take on this issue. In addition to that employees were also interviewed to fill gaps in the information. The interviews were conducted in a semi structured way, so as to avoid the interviews becoming static. Instead they were more like a conversation and discussion thereby letting the respondent's discuss what is important from their prospective.

Observations

Our efforts to understand the reasons behind the decision for a job change - from one hotel to another or from the industry to another sector - highlight a well-known reality: that people are inherently driven to maximize benefits or satisfaction, and that they assume a lifetime perspective when making choices concerning job changes.

The expected benefits or utility for the employee comes in the form of

- higher future earnings,
- increased job satisfaction
- enrichment over one's career
- A greater appreciation of his personal interests.

During our discussion with the various professionals in this field, the following matters evolved

- Many of the experts from the industry are of the opinion that hotel positions by large do not provide enough creative and intellectual development. General Manager and Marketing Head of Leroyce Group of Hotels, Pune, are of the opinion that once people have understood the needs and demands of their particular job, their learning and motivation comes to an end very quickly, whereby people lose interest in the job.
- We spoke to the Human Resource Manager of Sun n Sand Hotel, Pune. He was of the opinion that two common reasons of employee attrition in this industry is the quality of selection system and the quality of leadership.

He said that the selection procedure do not ensure that the applicant would be compatible with the work culture of a particular property, or many times even of the profession.

Also hotel culture relies on the traditional chain of command, and not all supervisors are good managers and good team leaders. Modern management concepts like employee appreciation, team work, and employee care are least known to the traditional supervisors who acquire big positions not on the basis of formal education but majorly on the basis of their operational experience.

- The ex- Human resource Manager of IHG Group commented that seasonal nature of this organization is also an important factor contributing to high attrition rates. Lay-offs are necessity for business survival. However they have an negative impact on the employee mind set.

While speaking to the employees and ex-employees from this industry few more reasons of employee turnover emerged

- **Customer Service Issues** – Dealing with customers is difficult in this industry. Few customers are very rude and the employers, in their effort to keep the customers happy, many times, do injustice to the employees.
- **Pay rates and hours** – The hospitality industry is a 24/7 business requiring often working long hours, open availability. However the nature of the job is not justified by the and other benefits which the employees get.
- **Limitations to career opportunities** in the industry because of which many fresh MBA's use this as a stepping stone for the beginning of their career and as soon as they gain some experience they switch over to better positions in other industries
- **Culture of the organization and quality of Leadership.** –.Many a times employees quit due to simple attitudes towards shift meals, uniform policies, breaks, and lack of benefits can decrease employee morale.

Measures to retain employees

The above observations lead to certain measures which, if applied, could go to control the attrition rates in this industry.

- Managers must provide solid, positive leadership to keep their employees happy. Employees generally lose respect for managers that are unwilling to work on floor, when the floor gets very busy.
- Employees and managers walk a fine line between keeping their customers happy and supporting their employees. A good leader will be able to judge between customer service and abusive customers when customers are exceeding rude, leadership needs to be strong and support their employees.
- Employers can improve their retention rates by increasing focus in job training and customer service strategies, employee incentives such as shift meals, and showing strong leadership in working side by side with employees. Also an understanding needs to be shown for employees to meet their family requirements. For achieving this flexible scheduling could be a remedy.
- Employees who perceive their work conditions to be unfair and/or unreliable need evidence that the system is there to help them be effective. If negative perceptions are correct, management should rectify them.
- For any relationship to bloom it is important for the employers to honor cultures, languages, traditions and age of there employee.
- Employers must maintain a transparent policy procedure with their employees at the time of induction, which will help the employee to see the organization in good light.

- Appreciation and recognition in different forms, such as bonus, perks or for that matter just a pat on the back can do wonders.
- Flexi work hours, fixed minimum work hours, decent work conditions, safety measures are very important.
- Career counseling, guiding the employees in career planning.
- Managers must make them self approachable enough, so that the employees fell comfortable to share there problems with the management.
- Conduct employee surveys to understand what they think about working with the hotel.
- Make working fun by organizing social events, staff outings, which will give the staff a chance to mingle.
- Quality selection system.
- Evaluation of the organizational needs that justify filling the position.
- Defining of the position's specific functions, duties, and responsibilities

Tools like Behavior-Based Interviews, Ability Tests, and Motivational Fit inventories go a long way in ensuring fusion between organizational objectives and personal goals. HVS International has developed an internet-based assessment tool called 20 -20 Skills™ that evaluates new hires and provides a base for identifying peak performers by assessing performance characteristics and cultural compatibility.

A number of hotels have evolved their own, often very effective, methods for assessing prospective new recruits. A good example is that of the Hilton Garden Inns, that maps its best employees' most desirable qualities. Employees rated as top performers are given a written test designed to assess their aptitudes and preferences. The answers are used to produce a snapshot of the model employee. Prospective new hires have been given similar tests and evaluated according to how close they come to the model. The process has succeeded in pointing managers to service-oriented recruits.

It is important to mention the efforts made by New Castle Hotels, a Shelton, CT-based hotel ownership and management company. The company's Open Door Policy enables, and encourages, its employees to call the Corporate Communication Hotline and voice their concerns. A neutral third party at the corporate level then addresses the issues raised. Another successful program has been Peer Review, which allows employees, still dissatisfied after going through normal dispute resolution channels, to take their concerns before a board of their peers. The employee Dispute Resolution board is made up of line-level and managerial staff. Its decisions are final and binding, superseding even the decision of a property's general manager.

The most effective way to reduce turnover is to meet the needs of your staff members. It isn't easy, inexpensive, or achieved without effort. But as these and many other hospitality companies have shown, it can be done. And keep in mind the costs associated with failing to reduce turnover. Another point to keep in mind was noted by Conrad, who warns us that, **"For the 1990s, the employable are - for the most part - already employed. You had better do something to keep those people, because the ones that follow will probably not be any better. Protect your people investment' - care for them"**

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Agricultural Marketing

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India has 168 million hectares of arable land, second only to the United States, with diverse climatic conditions. India also hosts a range of crops spanning those grown at some of the highest altitudes in the world in the Himalayas in the north, to rice fields on the coastal plains in the south. India is among the top three global producers of products including tea, potatoes, tropical fruits, wheat, rice, lentils, spices, pulses, sugarcane, fresh vegetables, bananas and mangoes. However, India's exports of agro produce are small and its impact on the global agri trade has been mixed (ponder over the statistics given below).

- It accounts for 10% of global fruit output and 14% of global vegetable output.
- Horticulture exports account for less than 1% of the world trade in fresh produce.
- Less than 1.5% of agro products reach food processing units.
- Almost 30% of total production is wasted.

India can become the food supplier of the world. It has the cultivable land, all the seasons for production of all varieties of fruits and vegetables, an agribusiness system that works although it needs to be vastly improved. The single most important problem facing the Indian agricultural industry is the high inefficient marketing system.

The government of India is striving to prepare the Indian agricultural markets and marketing environment so as to provide maximum benefits to the producers and in turn to compete with the global markets. Agriculture and agricultural marketing need to be re-oriented to respond to the market needs and consumer preferences. Agricultural marketing reforms and creation of marketing infrastructure has been initiated to achieve the above purpose.

Definition of Agricultural Marketing

The term agricultural marketing is composed of two words, agriculture and marketing. Agriculture, in the broadest sense means activities aimed at the use of natural resources for human welfare, and marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. Specifically, the subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and cost, price spread and market integration, producers surplus etc. The agricultural marketing system is a link between the farm and the non-farm sectors.

Agricultural marketing is the business domain where the producer, the processor, the distributor and the consumer meet. Rural marketing can be defined as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services, and moving them to the people in rural areas to create satisfaction and a standard of living to them and thereby achieving the goals of the organization.

Agricultural marketing has two aspects i.e.

- 1) Input marketing refers to marketing of products required for agricultural production.
- 2) Output marketing includes the marketing agro produce like food grains, vegetable, milks, etc.

Objectives of Agricultural Marketing

1. Rotation of economic resources

Marketing makes full use of economic assets and productive capacity available at a point of time. It also mobilises latent economic potential. It has an active and constructive role in channelising the economic resources. It improves economy. Its efficiency and effectiveness. Increase in productivity of the economy increases national income. Planned agricultural marketing increases the scope of economic activities : Investments in agricultural areas generate sales and employment opportunities. Agricultural marketing has a multiplier effect and acts as a booster. Increased incomes and effects of advertisement generate more consumer spending.

2. Increase in productivity of economy.

Any increase in demand will fuel the increase in production and productivity. Further, productivity enhances economic activities and growth. This entire cascading effect gives rise to an upswing in the economy. Marketing motivates the general public to save and

invest in agriculture and marketing, making the operation profitable. Again increase in production and productivity makes products cost competitive. Profit orientation is the centre point of any marketing activity. More profits bring more capital. The expansion of marketing activities and exporting of agricultural produce will increase.

3. Development

Low marketing activities give rise to underdevelopment. Underdevelopment breeds unemployment and the vicious circle continues. To bring in development, a good and forward looking marketing programme is a must. This is especially true for underdeveloped countries. Good marketing increases consumption; the individual is encouraged to consume more and more. It is an important economic multiplier. More consumption and more production give more income and innovation. Thus, marketing acts as a booster to economic activities.

4. Widening of Product Ranges

Marketing increases the consumer base and enlarges demand. Agricultural marketing helps in the development and specialisation of crops which helps in widening the product range. Wheat – Biscuit industry, Priya Gold.

5. Strategising and Planning for Success

A good marketing system always gives attention to planning and proper planning reduces the risks involved (due to various environmental factors) in any activity. Thus, it minimises the probability of any failures.

6. Implementing Good Marketing Practices and Developing a Pool of Managerial Talent

Marketing also brings good marketing practices from competitors, other economies so that the marketing system will improve continuously community farming, reliance.

7. Bringing in consumer satisfaction

The ultimate objective of any marketing system is to achieve customer satisfaction. Agricultural marketing achieves customer satisfaction by offering a wide range of products with the right quality in the right quantity, at the right price, at a place where customers feel convenient all brands.

Importance of Agricultural Marketing

- **Contributor to National GDP Growth**

In developing economies in general and in particular, agriculture is the mainstay. To sustain growth of the non-agricultural sector, resources have to be obtained from the agricultural sector. Physical resources guarantee supply of food for masses and raw

materials for agro based industries. It also provides financial resources for investment in economy and also for reinvestment in allied agricultural sectors.

- **Optimisation of Resource Use and Output Management**

An efficient marketing system leads to the optimisation of use of resources. Again the reductions in wastages lead to increase in marketable surpluses.

- **Increase in Farm Income**

An efficient marketing system ensures higher level of income by reducing distribution costs by eliminating intermediaries, demanding generation and generating demand.

- **Widening of Markets**

A well knit marketing system always widens the markets by reaching remote markets and places, widening markets will again ensure increase in demand of the products.

- **Growth of Agro based industries**

An improved and efficient agricultural marketing works in favour of the agro processing industry. It ensures that the agro processing industry will get quality raw material at competitive / reasonable prices.

- **Adoption and Spread of New Technology**

Agricultural marketing helps the farmers in the adoption of new technologies and scientific methods and technologies in farming / cultivation.

- **Employment Creation**

A good marketing system works as an employment generator for various activities like packaging, transportation, storage, processing.

- **Addition to National Income**

Marketing activities add value to the product thereby increasing the nations GDP and GNP.

- **Creation of Utility**

Any production is complete when the final product reaches a place in the right form and at the right time as required by the consumer. Marketing plays a vital role in this regard. Marketing adds four utilities in any product. These four utilities are discussed in the table below.

Agricultural Marketing in India

Today's agricultural marketing has to undergo a series of exchanges or transfers from one person to another before it reaches the consumer. There are three marketing functions involved in this, viz. assembling, preparation for consumption and distribution. Selling on any agricultural produce depends on some factors like the demand of the product at the time availability of storage etc. The products may be sold directly in the market or it may be stored locally for the time being. Moreover, it may be sold as it is gathered from the field or it may be cleaned, graded and processed by the farmer or the merchant of the village. Sometime, processing is done because consumers want it, or sometimes to conserve the quality of the product. The task of distribution system is to match the supply with the existing demand by whole selling and retailing in various points of different markets like primary, secondary and terminal markets.

As India has a tradition of agricultural production, marketing and allied commercial activities, now it is the time for us to brainstorm and come out with new ideas of value added services. These value added services will give the existing agricultural engine a new dimension. The next logical step could be food-processing which not only could be another revenue generating area but also can provide lots of full time employment to our youths. With the changing agricultural scenario and global competition, there is a need of exploiting the available resources at maximum level.

The existing systems of agricultural marketing in India are.

1) Sale to moneylenders and traders

A considerable part of the total produce is sold by the farmers to the village traders and moneylenders. According to an estimate 85% of wheat, 75% of oil seeds in U.P., 90% of jute in West Bengal and 60% of wheat, 70% of oil seeds and 35% of cotton in Punjab are sold by the farmers in the villages themselves. Often the money lenders act as a commission agent often wholesale trader.

2) Hats and shanties

Hats are village markets often held once or twice a week, shanties are also village markets held at longer intervals or on special occasion. The agents of the wholesale merchants, operating in different mandies also visit these markets.

The trade area covered by a "haat" usually varies from 5 to 10 miles. Most of "haats" are very poorly equipped, are uncovered and lack storage, drainage, and other facilities. It is important to observe that only small and marginal farmers sell their produce in such

markets. The big farmers with large surplus go to the larger wholesale markets.

3) Mandies or wholesale markets

One wholesale market often serves a number of villages and is generally located in a city. In such mandies, business is carried by arhatiyas. The farmers sell their produce to these arhatiyas with the help of brokers, who are generally the agents of Arhatiyas. Because of the malpractices of these middlemen, problems of transporting the produce from villages to mandies arise, the small and marginal farmers are hesitant of coming to these mandies.

The arhatiyas of these mandies sell off the produce to the retail merchants. However, paddy, cotton and oilseeds are sold off to the mills for processing. The marketing system for sugarcane is different. The farmers sell their produce directly to the sugar mills.

4) Co-operative marketing

To improve the efficiency of agricultural marketing and to save farmers from the exploitation and malpractices of middlemen, emphasis has been laid on the development of co-operative marketing societies. Such societies are formed by farmers to take advantage of collective bargaining.

A marketing society collects surplus from the members and sell it in the mandi collectively. This improves the bargaining power of the members and they are able to obtain a better price for the produce. In addition to the sale of produce, these societies also serve the members in a number of other ways.

Lines of Improvement :

A) Government Initiatives

The Government of India has adopted a number of measures to improve agricultural marketing, the important ones being – establishment of regulated markets, construction of warehouses, provision for grading, and standardisation of produce, standardisation of weight and measures, daily broadcasting of market prices of agricultural crops on All India Radio, improvement of transport facilities, etc. in the first place the government has undertaken marketing surveys of various goods and has published these surveys. These surveys have brought out the various problems connected with the marketing of goods and have made suggestions for their removal. Following are some of the key initiatives taken by Government.

1) Establishment of regulated markets

In India, trade of agricultural produce has traditionally happened through mandis or APMC (Agricultural Produce Marketing Committee). APMC are state established organisations and are governed and protected through Agricultural Produce Marketing Board and various state laws like the APMC Act.

The APMC is meant to consolidate buyers and sellers in a central place so that it would reduce time, cost and efforts. To fulfill these objectives slew of market yards or mandis have been set up at major locations. See table below indicating **major mandis in India**.

City	Name of the Mandi
Delhi	AzadpurMandi
Mumbai	NaviVashi
Bengaluru	YashwantpurMandi
Pune	Gultekai

The regulated markets do have their own advantages.

- a) Ethical selling practices like tender, open auctions, open agreements.
- b) Unnecessary market charges are removed.
- c) Removal of weighing malpractices.
- d) Use of certified weights.
- e) Good grading and storage facilities.
- f) Overcome adulteration.
- g) Quick settlement of disputes if any.

Regulated markets have been organised with a view to protect the farmers from the malpractices of sellers and brokers. The management of such markets is done by a market committee which has nominees of the State Government, local bodies, arhatiyas, brokers and farmers. Thus, all interests are represented on the committee. These committees are appointed by the Government for a specified period of time. Important functions performed by the committees can be summarised as follows.

- a) Fixation of charges for weighing, brokerages etc.
- b) Prevention of unauthorised deductions, underhand dealings, and wrong practices by the arhatiyas.

- c) Enforcing the use of standardised weights.
- d) Providing up to date and reliable market information to the farmers, and
- e) Settling of disputes among the parties arising out of market operations.

2) Standardisation and improvement in weighing practices, grading and contracts

The government has taken lot of initiatives to grade and standardise many agricultural goods. Under the Agricultural Produce (Grading and Marketing) Act the Government has set up grading stations for commodities like ghee, flour, eggs, etc .the graded goods are stamped with the seal of the Agricultural Marketing Department AGMARK. The “Agmark” goods have a wider market and command better prices.

A Central Quality Control Laboratory has been set up at Nagpur and eight other regional laboratories in different parts of the country with the purpose of testing the quality of agricultural products applying for the Government’s “Agmark” have been created. The Government is further streamlining quality control enforcement and inspection and improvement in grading.

3) Improvement of transportation facilities

Marketing committees are playing an important role in arranging transportation. A group of farmers can come together and can give requisition for arranging transports. Cost of coordinating and transporting can be deducted from sales proceeds.

4) Use of IT

The government has taken various IT initiatives to improve the agricultural marketing system.

As a step towards globalisation of Indian agriculture, the Directorate of Marketing and Inspection (DMI) has started an ICT project: NICNET based Agricultural Marketing Information System Network (AGMARKNET) during the Ninth Plan, by linking all important APMCS (Agricultural Produce Market Committees), State Agricultural Marketing Boards/Directorates and DMI regional offices located throughout the country, for effective information exchange on market prices NIC implements this project on a turn-key basis.

5) Provision of warehousing facilities

To prevent distress sale by the farmers, particularly the small and marginal farmers, due to prevailing low prices, rural godowns have been set up. The government has done much to provide warehousing in towns and villages. The Central Warehousing Corporation was

set up in 1957 with the purpose of constructing and running godowns and warehouses for the storage of agricultural produce. The states have set-up the State Warehousing Corporations with the same purpose. At present the Food Corporation is constructing its own network of godowns in different parts of the country. The total storage capacity in the country was 27 million tonnes at the end of the sixth plan.

6) Dissemination of market information

The government has been giving attention to the broadcasting of market information to the farmers. Since most villages have radio sets, these broadcasts are actually heard by farmers. The newspapers also publish agricultural prices either daily or weekly accompanied by a short review of trends.

7) Directorate of marketing and inspection

The directorate was set up by the Government of India to coordinate the agricultural marketing of various agencies and to advise the Central and State Governments on the problems of agricultural marketing. Activities of this directorate include the following.

- a) promotion of grading and standardisation of agricultural and allied commodities.
- b) Statutory regulation of markets and market practices.
- c) Training of personnel.
- d) Market extension.
- e) Market research, survey and planning.
- f) Administration of Old Storage Order, 1980 and Meat Food Products Order, 1973

The directorate has so far formulated grade specification for 142 agricultural commodities. It enforces compulsory quality control before export on as many as 41 agricultural commodities. It is extending financial assistance to selected regulated markets for providing grading facilities for important commodities like tobacco, jute, cotton, groundnut and cashew nut at the producers level.

8) Government purchases and fixation of support prices

In addition to the measures mentioned above, the Government also announces minimum support price for various agricultural commodities from time to time in a bid to ensure fair returns to the farmers. These prices are fixed in accordance with the recommendations of the Agricultural Price Commission.

It the prices start falling below the declared level (say, as a result of glut in the market), the Government agencies like the Food Corporation of India intervene in the market to make direct purchase from the farmers at the support prices. These purchases are sold off by the Government at a reasonable price through the public distribution system.

B) Private Initiatives

1) Contract farming

Contact farming is defined as a system for the production and supply of agricultural/horticultural produce under forward contracts between producers/ suppliers and buyers. The essence of such an arrangement is the commitment of the producer/seller to provide an agricultural commodity of a certain type, at a time and a price, and in the quantity required by a known and committed buyer.

For example, Hindustan Lever Ltd (HLL), Rallis and ICICI are practicing contract farming in wheat in Madhya Pradesh.

2) Corporate farming

Corporates are envisaging new opportunities in the farm sector and are acquiring huge lands and unveiling grand plans.

Take for example the Rs. 5,500 crore Godrej Group which is all set to foray into corporate farming and has identified land in parts of South Gujrat for the purpose. The Group has lined up investments worth Rs. 500 crore through its subsidiary GodrejAgrovet Limited. Godrej also plans to invest substantially in food products, surface active agents, oleo chemicals, animal feed and the Adhar project, a rural chain of retail stores.

Companies like FildFresh (JV between Bharati Group and Rothschild's), Jamnagar Farms (MukeshAmbani Group), Global Green (Thapar Group) forayed into farm produce exporting, thanks to the recent and forthcoming changes in Agricultural Produce Marketing Committee (APMC) Act.

3) IT in agricultural marketing

IT initiatives taken by the Government have already been discussed earlier in the section. The private sector is also active in this regard. The table below explains some of the initiatives by the private sector.

Summary

Agricultural marketing is the engine of growth for the agricultural sector for any country. Its importance is so vital that its growth / development decide the fate of any economic system. The agricultural products are purchased either for direct consumption for human beings or for live stocks. Apart from this, demand for agricultural products is also from the agro processing industry where it is processed to convert then into consumable goods. The factors that can contribute directly to demand of agricultural produce are size of Population, Per capita income, Overall growth in economy and consumerism, Consumption pattern, Consumer tastes, Availability of substitutes, government policies etc. the agricultural marketing process is a system which comprises financing, pre harvest and post harvest functions. The agricultural marketing process is not static as it is constantly evolving with the changing environment. Agricultural marketing also includes various mechanisms by which the system is improved by tackling the problems and defects in the system.

The Issue of Microfinance

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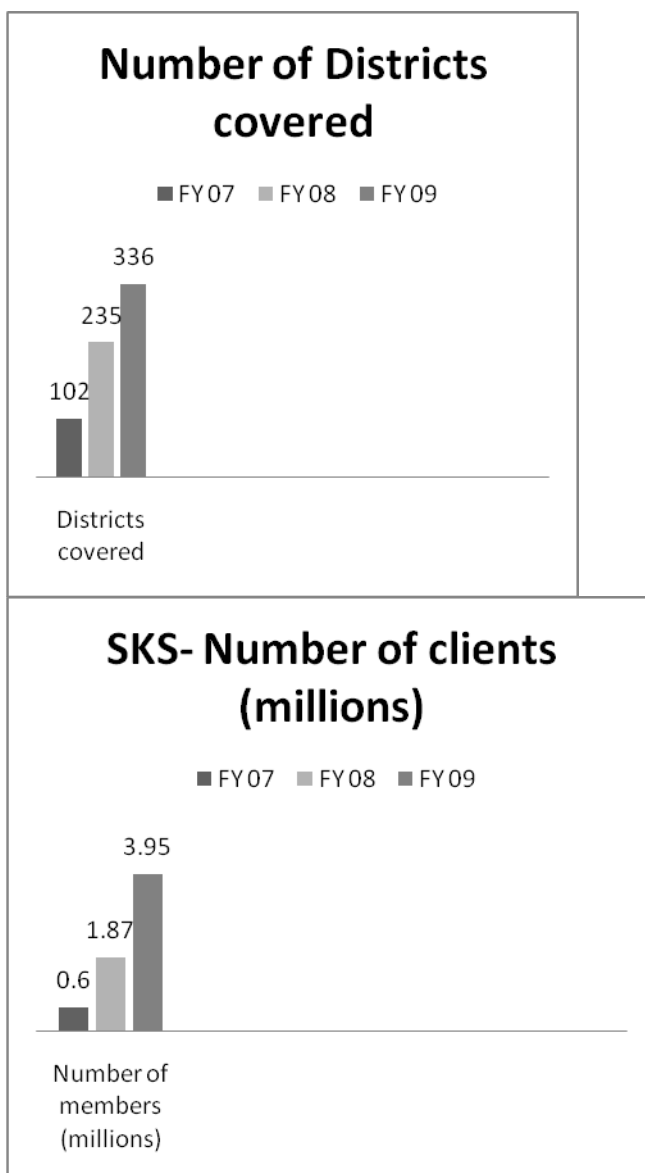
Microfinance can be described as the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services.

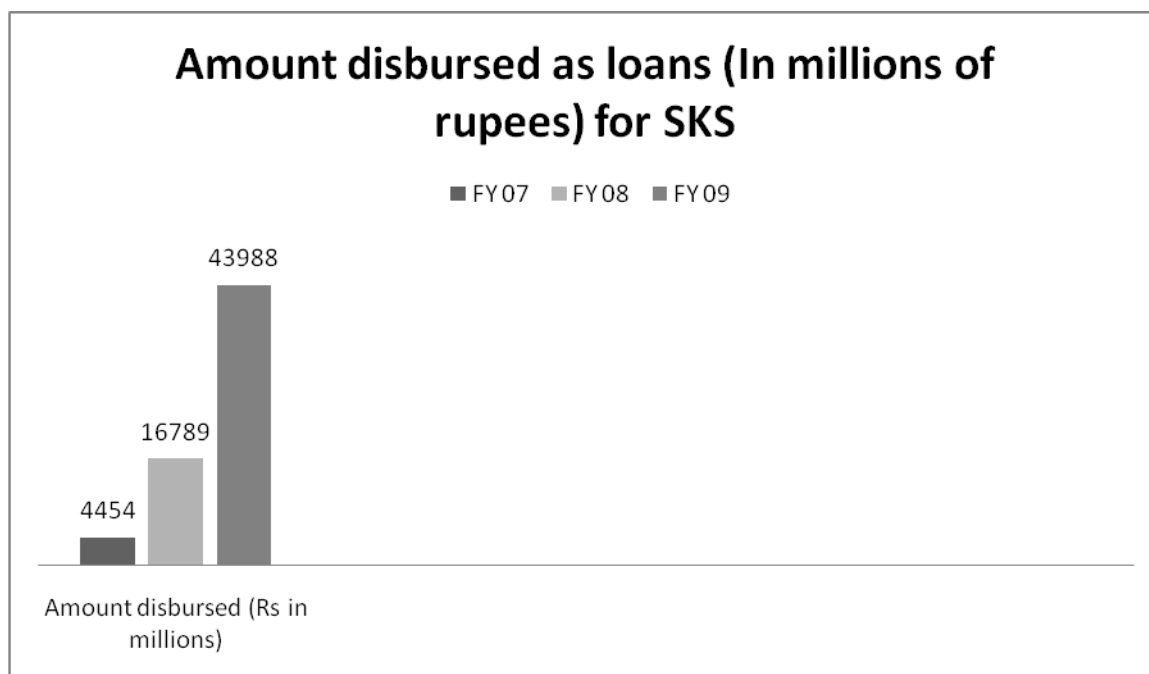
Most poor people are slow in mobilizing resources to fund even their most basic needs. Microfinance can be a tool to help them leverage the initiative and limited assets (if at all), and supposedly help them generate income by using their entrepreneurial skills².

Microfinance may have a more basic agenda as well, for example to just help them build a basic toilet facility for better health and hygiene³.

When the issue of microfinance in India comes up, one cannot help reflecting upon the situation in the south Indian state of Andhra Pradesh, where strict government sanctions and regulations threaten to end a thriving array of microfinance businesses. Perhaps the most publicized of these companies is the Hyderabad based SKS Microfinance, whose oversubscribed IPO last year propelled the Microfinance industry into the limelight. SKS Microfinance along with other high volume MFIs like Ujjivan, a Bengaluru based MFI concentrating on urban loans, had been helped in 2007 by the entry of Unitus in the Indian market. Unitus, which is an organization dealing with consulting in microfinance institutions had taken a \$470,000 equity position in SKS, but exited the market in 2009-2010, before the Andhra Pradesh crisis started.

To better understand the rise and fall of the industry, let us take a look at key parameters associated with SKS Microfinance⁴





Just like the above story, many major MFIs with turnovers greater than 100 crores grew at 200-300% in this period.

Let us now take a look at the costs of microfinance and why loans are so costly

What does a lender keep in mind while administering a loan?

1. The credibility and credit worthiness of the borrower. These loans are administered to poor women and often, first time borrowers.
2. The collateral offered. In other words, what can the borrower pledge and how many times can that pledge be leveraged? For example, if X borrows Rs. 1,000,000 and offers collateral of gold jewelry worth Rs. 100,000, then the leverage ratio is 10:1. Microfinance institutions often do not depend on collateral as borrowers usually have few assets. Instead, the model of group lending is followed in majority of MFIs, with lending happening in groups of five, and members of the group pledging to pay for each other if required.
3. The administrative costs. And this is where the cost of a microfinance loan spirals up. This is illustrated in the table below.

	Mainstream Commercial Lenders	Microfinance Institutions
Cost of Capital	3-5 %	10%
Loan loss (bad loans)	1%	1%
Total cost of capital	4-6%	11%
Total amount of loans	\$ 1,000,000	\$ 1,000,000
Loan size	\$ 1,000,000	\$ 100
Number of loans	1	10,000

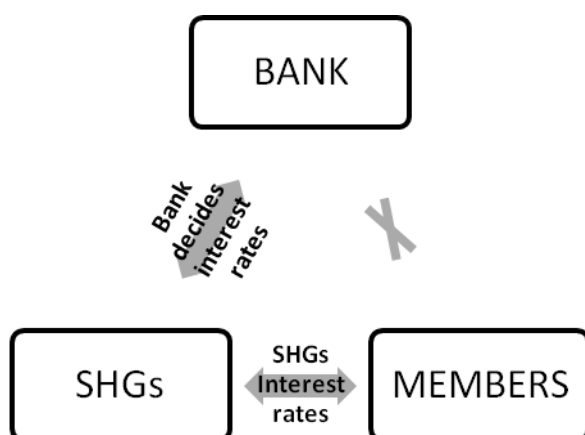
Yearly transactions	4-12	120,000 to 520,000
Cost of administering loan	3%	20%
Total cost of administering loan	7-9%	31%

Source: Unitus(A), Microfinance 2.0, Stanford Graduate School of Business (2007)

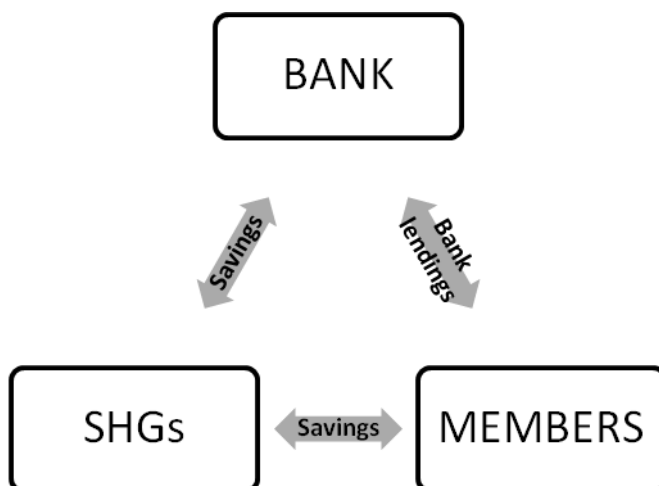
Thus the interest rates for microlending typically range upwards of 30% a year. This is an improvement from traditional money lenders, who may charge upwards of 40-50%. Lean management and effective use of onsite personnel is crucial in cutting costs of this industry.

Models of lending in Microfinance include⁵:

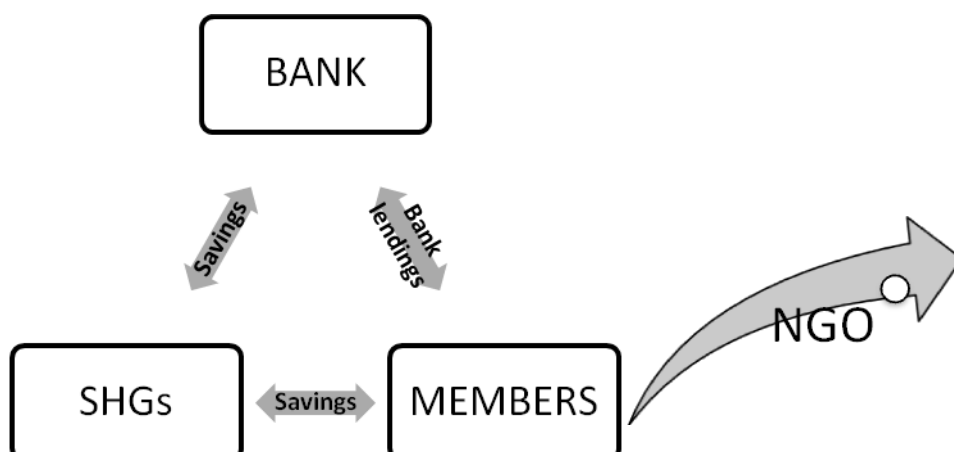
1. The basic model: A bank loans to a Self Help Group (SHG), which in turn decides interest rates and loans to its members.



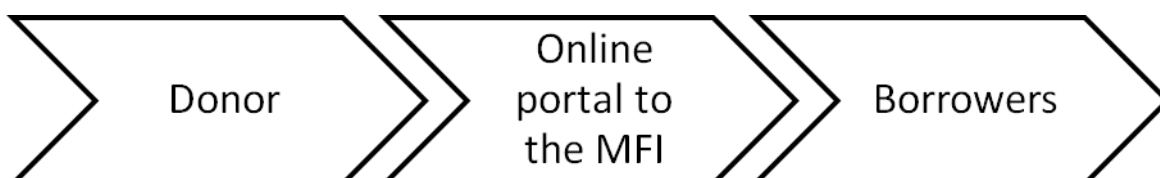
2. Modified Basic: A three way agreement with the bank, the SHG and the members facilitates smoother loan administration.



3. NGO linkage and associated models (most prevalent): An NGO facilitates the process of the modified basic model.



4. New age microfinance: Direct model through an online portal where donor- receiver can be individualized.



Just like Wall Street’s financial innovations in the 1960s, microfinance needs to develop newer and better solutions to poverty through an efficient mix of products.

Mobile banking and the use of technology for achieving a sense of scale among MFIs and the use of technology to transfer and recover money will help cut down the costs that these MFIs have to bear in terms of field agents for the job. Some products for the future may be as follows:

New-age microfinance: products for the future

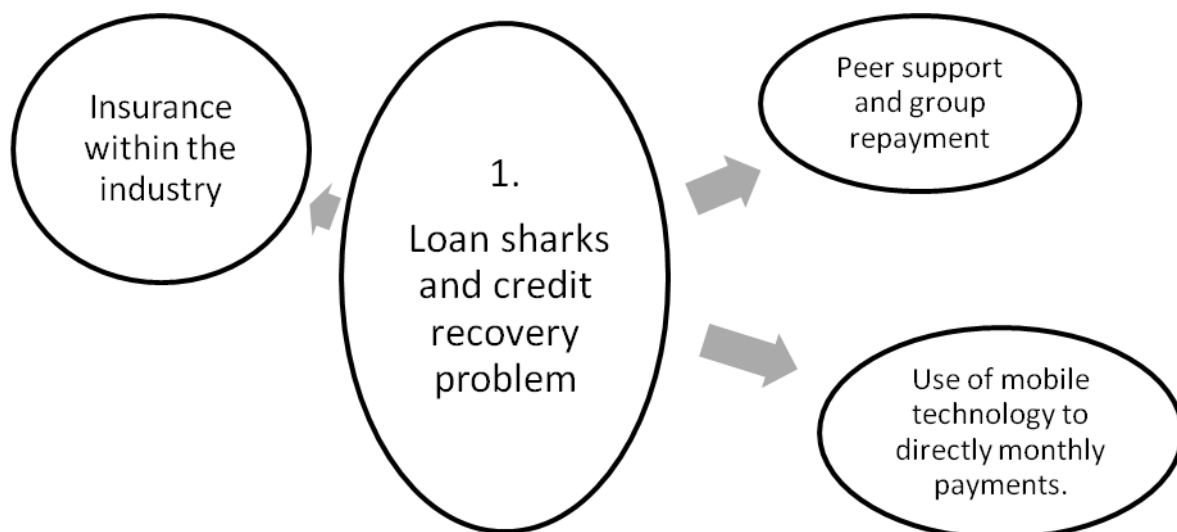
Product	Description	How it works
Insurance	Insurance products designed to protect borrowers from defaulting on loans in the event of a catastrophic event- fire, theft, death, natural disasters. May include property, health, disability, and investment insurance.	Low premiums that may be included in the micro-loan repayment plan.

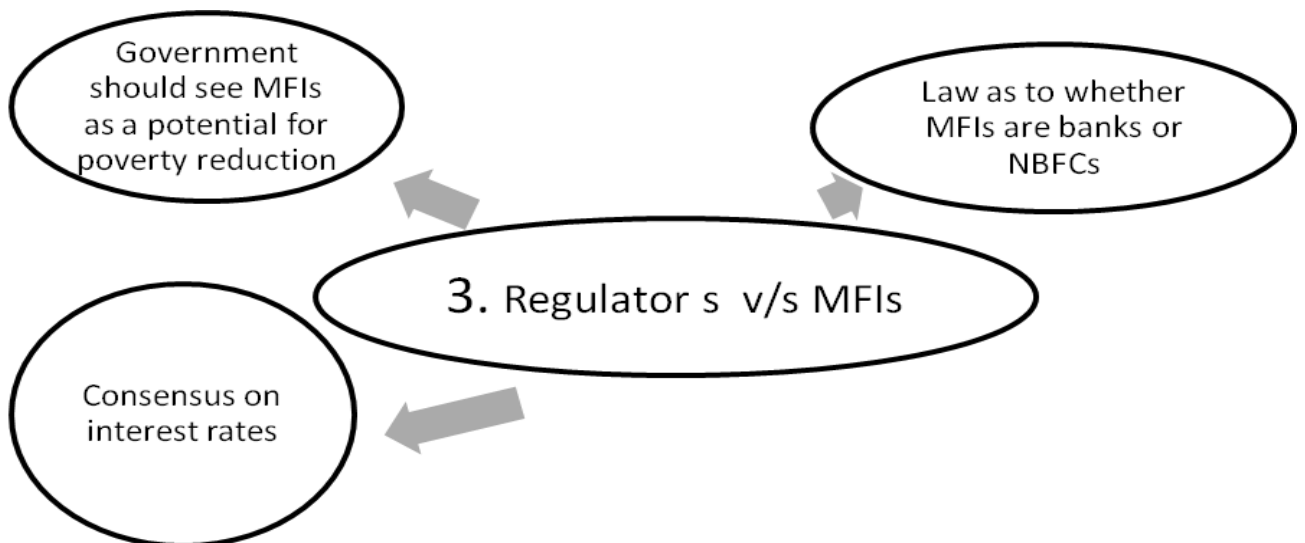
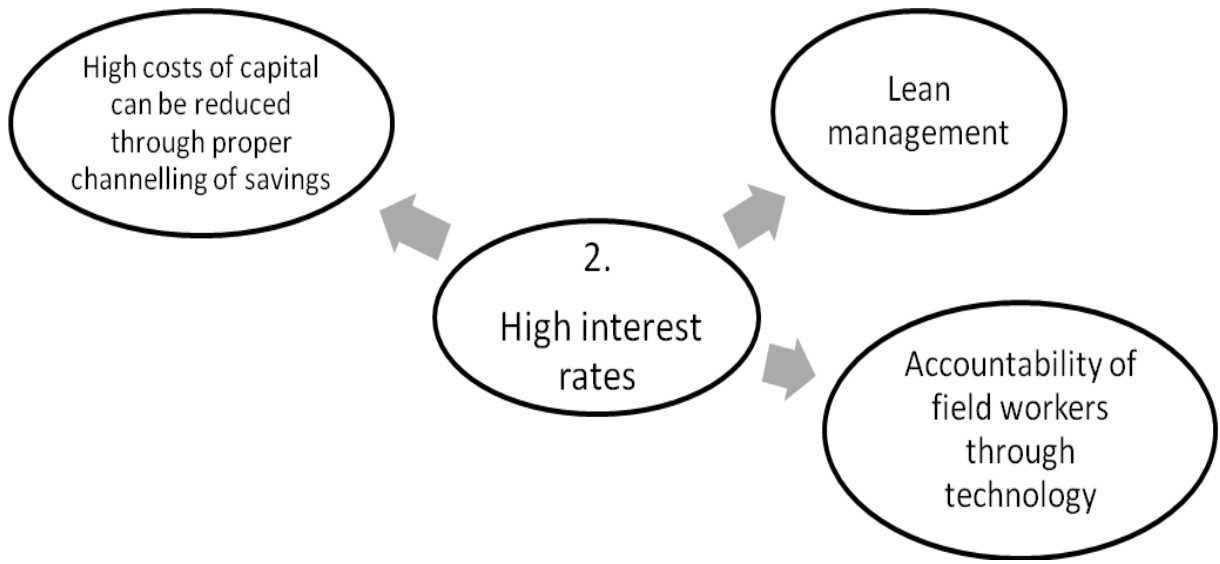
Savings	The microfinance client is allowed to make small deposits on which s/he receives and interest.	The saving can be used to fund other small loans within the same organization- multiplication of existing capital.
Remittances	Services to support transfer of funds from other countries to the low income country, with an aim of lowering transaction cost and increasing access to funding.	Qualifies MFIs accept bank to bank transfers and then channel the funds.
Housing loans	Typically larger than microfinance loans but lower than traditional mortgages. On the concept of progressive build.	Loans ranging from \$1000 to \$2000 and seeking less formal types of collateral with repayment times of 1-2 years.
Leasing	Microfinance institute begin renting machinery, vehicles, agricultural equipment that clients cannot afford to buy at full cost.	The MFI buys the machinery in exchange for small, regular payments.

Source: Unitus(A), Microfinance 2.0, Stanford Graduate School of Business (2007)

Just like the new microfinance products can save the industry from sinking, we must examine how these solutions can be implemented for India. A few suggestions are pictorially depicted below.

Problems and their Solutions:





Conclusion:

Microfinance has also been attacked for failing to provide solutions that actually drive economic growth and create jobs, and as suitable only for financing the activities of petty traders. The debate between the devotees of “pro-poor” microfinance and “commercial” or “sustainable” microfinance is as bitter today as it was a decade or so ago, when the schism in the microfinance world first started to appear. People are passionate about microfinance precisely because they care about the poor and because they have strong opinions about how best to serve the poor. The “pro-poor” lobby argues that its kind of microfinance has to be defended as a new kind of capitalism that actually can reach the poorest in society. The “sustainable” microfinance lobby argues that we do the poor a disservice if we do not encourage the development of financially robust institutions that can be relied on in bad times as well as good.

The global growth of formal microfinance - from a zero base not much more than three decades ago - has been extraordinary. It has brought economic and social benefits to large numbers of borrowers and depositors, who continue to use MFIs despite having to pay the high interest rates for which these institutions are routinely criticized. Its contribution towards the empowerment of women, although disputed by some, is well-documented. It has also been a conduit that has enabled billions of dollars to flow from North to South – from profit-seeking investors as well as donor organizations. The future of microfinance, in one form or another, clearly matters to a very diverse range of stakeholders.

But it is also the case that microfinance is not the only story in “pro-poor” finance, and it may not even be the main story. Instead, we should think creatively about how to support innovation across a much broader range of institutional and service delivery models, which – alongside microfinance - can offer consumers choice at scale.

Microfinance is still only a very small part of the financial landscape in most countries, and other developments are taking place - especially on the back of the mobile phone revolution - which are already beginning to overhaul traditional microfinance and may possibly accelerate its obsolescence. Traditional microfinance is just too small and un-scalable to be the cornerstone of financially inclusive markets. Secondly, microfinance has not proved to be effective at serving the poorest in society. Its loans are too expensive for really poor people and it is still a mainly urban phenomenon - which means that it is too far away to be of use to the largest numbers of poor people, namely, those living in rural areas. Because the poorest

have never had access to these loans, there is still an important job to do to get the financial services that are relevant to the poorest out to them.

Microfinance was an improvement on microcredit because it described more accurately how the financial needs of the poor extended beyond credit – they also needed to save, to send money and to protect themselves against financial shocks. The idea behind financial inclusion, however, was that microfinance needed to be seen as an integral part of a financial system that was itself “pro-poor”.

An effective and inclusive financial system was one in which the availability of appropriate skills and market information would stimulate innovation that would benefit the poor by giving them more choice. Electronic or mobile payments systems would knit the disparate institutional types together, bringing network benefits to poor consumers. Financial capability would be strengthened and rights protected through appropriate consumer rights legislation and voluntary codes of conduct. Thus, microfinance would be brought out of the ghetto and into the mainstream, and the users of microfinance would no longer be constrained by the mono-product of the MFI.

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Drivers and Value Proposition of Human Resource Outsourcing in India

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Abstract

Business Process outsourcing has become new mantra in the corporate world. Modern as well as traditional organizations are now trimming down their employees from their payroll, and thus Human resource outsourcing (HRO) is slowly becoming the new buzzword. In order to utilize the true worth of the employees to its fullest, one must outsource the non-core activities of the organization. The awareness of this has already been realized by the organizations.

Outsourcing has no longer the privilege of only huge multinational organizations, medium size ad start-up companies are also in race of outsourcing their many HR related activities.

This paper examines the motives that are encouraging organizations to go for outsourcing HR, drawing the essence from extensive exploratory study of secondary literature. The paper presents a framework to understand challenges and opportunities of HR outsourcing and to suggest the ways to taste success from HRO

Introduction

The productive capacity of all business depends on three factors: the capital resource, the physical resource and the human resource:- (Peter F. Ducker)

This statement holds a lot of significance because of the fact that of all the three resources, only the human resources possess the productive capacity for which the upper limits are not defined. So in order to utilize the true worth of the employees to its fullest, one needs to outsource the non-core activities of the organization. In other words it can be said, that outsourcing is a process where in organization concentrate on those aspects of their business processes, which gives them a competitive advantage and contract out or shell out the noncore aspects of the business process. With the increasing global competition, organizations are looking outsourcing as a means of gaining a comparative advantage over the competitors.

It is observed through literature survey that around 85% of companies have realized that outsourcing critical support services can enhance their competitive edge, without the need to invest in infrastructure HRO market is growing very rapidly, and is expected to grow very fast as compared to other functional outsourcing businesses.

The global HR outsourcing industry is estimated to reach \$50 billion by 2010, representing a compound annual growth rate (CAGR) of 12% during the 2007-2010 period [Hewitt Associates, LLC SWOT Analysis, Jun 2007, P1, 8P; (AN 256 29859)].

India too is witnessing the growth of HRO. It is expected to reach \$67 billion and is growing at a rate of about 50% (www.Hewitt.com).

The first HR BPO in India was started by Secova e -Services in Chennai on December 2003.

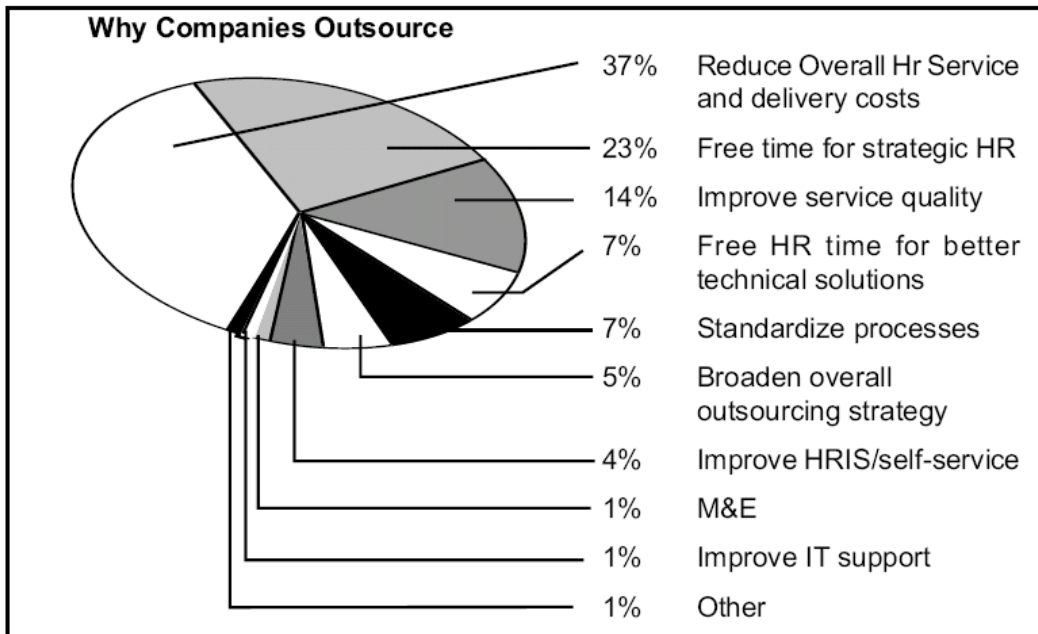
Experts believe that HRO remains to be gold mine waiting to be unearthed. In present times HRO is undergoing a transition phase. It is moving out from the realm of bigger companies to small and mid-sized organizations. Many businesses embrace outsourcing as a way to realize cost savings and usually outsource to a vendor that specializes in a given function and

performs more efficiently than the company could. The three basic financial drivers behind HRO are :to save money, to avoid capital outlay or to achieve headcount reductions. Some companies outsource to concentrate on their core competencies. Another major issue in HRO process is to decide which HR function needs to be offloaded and which firm to outsource. This is one of the biggest challenges, because it may adversely affect company's performance if selected wrongly.

Drivers of Human Resource Outsourcing

Much of the literature available on outsourcing in general has examined the rationale behind such decisions. The key considerations behind HRO being the need for increased focus on core business, cost reductions; greater business flexibility and need for specialized expertise (Jennings 1996, Bettis et.al. 1992, Quinn et.al. 1990).

HR outsourcing is sometimes driven by the evolution of the HR function within the organizations (Greer et al., 1999). The literature suggests extensive use of outsourcing because of the relatively underdeveloped HR function in their organization or where it is being restructured. But outsourcing in such organizations is confined to administering compensation and benefits, record keeping, and applicant screening. (NICOM, 2005) Further literature review highlights that there are three main motivators for HR outsourcing, they are reduce overall HR service delivery costs (37%, free time for strategic HR (23%), and improve service quality (14%). Other reasons are highlighted below.



needs to be offloaded and which firm to outsource

Source: HR Outsourcing: New Realities, New Expectations (2005 HR Outsourcing Effectiveness Survey Report) www.towersperrin.com

Cost reduction has been the predominant motive for outsourcing (Hoek, 1999). As per one of the survey conducted in 2005, around 37% of the respondents accepted that cost reduction is one of the prime factors as compared to 32 % in 2004 (www.towersperrin.com). Outsourcing decisions commonly target a minimum of 15 per cent cost saving and sometimes in the range of 20-25 per cent (Jennings, 2002; Bounfour, 1999).

Third important reason as cited in the survey is improving service quality. Not only external customers need to be satisfied for successful business operations but internal customers too play a vital role and thus they also need to taken care of. By improving service quality, HR professionals can help organization to satisfy their employees as well their customers. There are other reasons too as cited by the survey. Though none of the rest of the issues crossed 10%, but will definitely be the important issues in the future. These issues are; free HR time for better technical solutions (7%), standardize processes (7%), improves HRIS (4%), etc.

Literature Review

HRO is quickly becoming global. Total HRO was pioneered in Europe in 1998 with a contract between energy giant, BP and Exult (acquired by Hewitt Associate in 2004). In 2006, the number of HRO deals remained healthy, with two large Hewitt HRO contracts. In 2006 Accenture signed a seven year agreement with Unilever covering 200,000 employees globally.

The definition of outsourcing found on Wikipedia, 2007 read “Outsourcing is subcontracting a process such as product design or manufacturing to a third party company”. There are dozens of definitions of the term in the academic literature. Brown and Wilson (2005, p. 24) define outsourcing as “the act of obtaining services from external source”. Describing IT outsourcing Kern, Willcocks and Heck (2002) state that “outsourcing is the practice of contracting out or selling the organizations. IT assets people and / or activities to a third party supplier for monetary payments over an agreed time period”.

The topic of outsourcing is by no means new and the number of research studies published in this area is still growing.

Cooke, Shen and McBride (2005) reviewed the literature on outsourcing HR as a competitive strategy. This review states that the empirical evidence on the reasons for outsourcing HR and results of HRO are “both fragmented and inconclusive” (Cooke, Shen and McBride, 2005, p.414). Their review also contrasts the dearth of empirical work with the large amount of prescriptive literature on the financial and strategic reasons for outsourcing. Their article argues for applying the resource-based view of the firm (Barney, 1991) and institutional theory in the outsourcing decision making process. They examine the implications of HRO for the function and groups of people affected by the decision. For example, HRO liberates remaining HR professionals to perform more strategic and consultative work in line with Ulrich’s (1998) advocacy for the HR becoming a strategic partner.

Lieven and De Corte (2008) published the first study on the commitment of HR managers to the initial decision to continue an existing outsourcing relationship. They created a model of HR manager commitment in outsourcing relationship testing affective commitment and continuance commitment. They surveyed a stratified random sample of 478 firms in the Flemish part of Belgium and received usable responses from 186 HR professionals. This study found that affective commitment (desire for the relationship to continue) was related to the depth and frequency of HR outsourcing. Affective commitment was also related to a perception by HR managers that the HR vendors shared similar values with respect to managing people. Continuance commitment (keeping the relationship intact) was not related to the continuity of HR outsourcing.

Kabst and Giardini (2008) conducted a study in Germany to test whether or not RPO has a negative effect on the perceptions and evaluations of job applicants. In an experimental study with 160 students they found that the satisfaction with the process, the attractiveness of the organization and intention to accept a job offer decreased with increasing levels of HRO. Dasborough and Sue-Chan (2002) collected data from 117 HR professionals in Australia and found that RPO was associated with trust in the RPO vendor and with the need to reduce internal labor, but not fixed costs.

Gilley, Greer and Rasheed (2004) studied HRO and organizational performance in manufacturing firms. Their study included results from 94 firms and sought measures of financial and innovation performance. The findings provided modest evidence that outsourcing training and payroll was associated with measures of organizational performance. When firm size, measured by the number of employees, was added to their model as a moderator the association disappeared.

Two studies (Manhoney and Brewster, 2002; Eleanna and Papalexandris, 2005) reported that the HR services most commonly outsourced fall into one of the following categories : recruitment and selection, training and development, pay and benefits, mergers and outplacement, performance appraisal systems, HR planning, and organizational climate and culture. Through the end of 2008, Human Resource Management Journal had only had two articles with outsourcing in their titles or abstracts but neither of them dealt with HRO. Through December 2008, Human Resource Development Quarterly had published only two articles on outsourcing and training (Gainey & Klas, 2005; Leimbach, 2005).

Review of Business and Consultant Literature

Business Week (Schwartz, 2008) issued a report on HRO innovation which noted that while early customers were moderately satisfied, they did not fully realize the anticipated benefits. Most are still waiting for improved business results and innovative process improvement along with the transformation of HR into a strategic function.

The report concludes that the disappointment is related to an immature business model, the complexities of global HRO and unrealistic expectations. This report used telephone interviews with CFOs and HR executives in late 2007.

The results of an Equaterra study reported by Business Week (Schwartz, 2008) show limited success among clients achieving the expected benefits. On a five-point satisfaction scale where five is the highest, this is how HRO was rated on eight dimensions: focus on more strategic activities (2.9), cost reduction (2.9), better address compliance/regulations (2.8), process improvement (2.8), access to external skills/knowledge (2.7), upgrade/enhance/replace HRIT (2.5), cost savings to fund transformation (2.5), and improve business results (2.4). Another large area of disappointment is lack of innovation in recruiting and performance management which is likely because many HRO providers are stabilizing their offerings and still learning to build the infrastructure to meet the basic service level agreed upon. This leaves few resources to focus on improving the offering.

There have been successes. Manpower provides most HR services, including compensation, recruiting, training and labor relations for Motorola Brazil's 3,000 employees and 5,000 service providers. This partnership has reduced HR costs 40 percent (Schwartz, 2007). ADP (Schwartz, 2007) and SAP (Giacomelli, 2007) have 24 been using the current dissatisfaction to push clients into accepting greater standardization so that the providers are supporting a dozen or more infrastructures which erodes the anticipated profits. The Conference Board and Accenture reported that in a survey of 120 companies with revenues of at least \$1 billion, 76 percent were outsourcing one or more HR functions (Robert France Group, 2004).

Everest Research Institute (2008) focuses on multi-process HRO which is defined as including three or more processes or functions covering more than 3,000 employees. Multi-process HRO is contrasted with single process HRO called HR functional processes by Everest. Everest uses a pyramid to show HR strategy is excluded from HRO at the top of the pyramid and HRIS and employee contact centers are excluded at the bottom. The following functional services are processes that are outsourced: employee relations, performance management, regulatory and compliance, global mobility, training and development, recruitment and selection, compensation, benefits, payrolls and employee data management.

3P's :Value proposition of HRO in India

1. People –

According to McKinsey & Co(2004) survey, 7300 executives world wide on whether outsourcing low wage jobs to developing countries is beneficial to the global economy and found that 80% of them agreed with it. This ratio was roughly the same for Europe, Asia and North America. When asked about whether outsourcing was good for their organization the agreement varied substantially by country: agreement with the statement was 97% for

Indians,86% for Chinese,70% for Europeans and 58% for Americans.India based BPO providers such as Infosys,TCS and Wipro have seen their market share increase to 7% of the worldwide market in 2006,from less than 0.5% in 2002,according to a study by outsourcing advisory firm TPI(Financial Express,2007)

Availability of skilled talent has been India's foremost attraction as a global sourcing country. India's graduate outturn has more than doubled in the past decades, with addition of 3.7 million graduates in FY2010, as scale unmatched by any other country. The HRO industry has played its part in empowering a diverse set of human assets – 30% of employment in the age group 18-25 years, 4% for economically backward people, over 30% of total employee base are women, 60% of companies after employment to differently – abled people , while 58% of total employment are from Tier II/III cities. Bridging a crucial talent gap by addressing gaps in tertiary education, at the same time fuelling efforts to upgrade curriculum, faculty and training methodologies.

2. Process

The HRO industry has been extremely quality focused. India based centers account for the largest number of quality certifications achieved by any country. The industry has set standards in the establishment and maintenance of best practices in corporate governance and leads in customer satisfaction. India offers the lowest cost of delivery as compared to other off shore locations, with Tier-I locations offering savings of 70% over source locations. Tier- II/III cities in India offer a still larger benefits.

3. Platform

Timely government policies, increased public private participation have played a key role in developing an enabling business environment for Indian HR-BPO sector. India's strong education framework ensured ample supply of technical & non-technical talent, while the establishment of Software Technology Parks of India (STPI) provided an enabling ecosystem for the industry to flourish. Infrastructure development has been addressed by both public and private sector. The industry has been enhancing its abilities to transform client business

through increased R&D spend, focus on IP creation and development of new technologies. The industry has been at the forefront of creating an enabling environment for innovation, with a 29 fold increase in patents over FY2005 – FY2008, and average R&D spend of 1% of revenues.

Conclusion

This article tried to highlight the overall concept of HRO and identify the main issues and challenges relating to outsourcing HR. The reviews of literature, as well as of recent surveys by various organizations, shows that HRO market is growing and will grow faster than the current rate.

Though there are many benefits of HRO, which cannot be divided but at the same time we need to address various challenges of HRO. One has to take lot of precautions while planning for outsourcing their HR activities. It was also observed that in recent times outsourcing has undergone lot of advancement due to increased data security, but it still demands attention i.e. how comfortable are buyers with having their proprietary data being transmitted off shore. Also suppliers need to evolve additional metrics that measure more strategic value like markets productivity, absenteeism rates & employee turnover.

HR outsourcing must also be carefully evaluated and weighed against issues such as control, responsiveness / accountability and overall costs. Properly applied, including concerns, outsourcing offers many benefits, otherwise, it offers even greater risks.

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