



**EDITOR IN CHIEF**

AMIT GUPTA

**PUBLISHER**

MANISH GUPTA

**EXECUTIVE EDITOR**

R.P. MAHESHWARI

**MANAGING EDITOR**

PREETI SINGH

**ASSOCIATE EDITORS**

SATISH SETH

S.K. DOGRA

**EDITORIAL ADVISORY BOARD**

ROGER R. STOUGH

Associate Dean and Professor of Public Policy,  
George Mason University, Fairfax, Virginia, U.S.A

DAVID ARRELL

University of Portsmouth  
Portsmouth PO12 UP, England

WOLFGANG VEIT

Professor, Fachhochschule Koln / Cologne

University

D.K. BANWET

Deptt. of Mgmt, IIT Delhi

**PRODUCTION ASSISTANT**

ISHWARI SUYAL

POOJA GUPTA

SANJAY NAYAK

\*\*\*

**Editorial Offices & Subscriber Service**

**Strategic Consulting Group**

OCF Pkt-9, Sector-B, Vasant Kunj

New Delhi-110070

Phone: 40619300, Fax :40619333

E. Mail : jims.8m@jagannath.com

Website: www.jimdsd.org

Available Online at www.indianjournals.com

RNI No. 64562/96

Online ISSN No: 0973-9343

Exclusively Marketed and Distributed by

indianjournals.com

**Editor's Desk**

There is a controversy that leaders are born, not made! Nelson Mandela, Barrack Obama, Narendra Damodardas Modi, Aung San Suu Kyi, Malala to name a few are political leaders who have charismatic qualities and are great orators! Dalai Lama a spiritual leader lauded by the world, influences the thought process of people and has a large number of followers. Steve Jobs, Alan Mulally, Jeff Bezos Howard Schultz, Warren Buffet, Azim Prem Ji, Narayana Murthy have turned their business into success stories well known to the world. with their unique ideas, ability and passion. All these leaders from political, spiritual or business world have certain distinct qualities of courage, determination and a will to achieve their goals. Based on these characteristics and depending on the right place and right time they accepted challenges, experimented and imbibed new knowledge to become great effective and distinguished leaders. This adheres to the Trait Theory which believes that people are born with different kinds of personality characteristics and are specially endowed with leadership qualities at birth.

Stewart Friedman tested through his researches that a person becomes a leader through certain special skills or whether he imbibes from learning and special training. Leaders are born and leaders are made has become a continuing debate. The thoughts now converge, that leaders can be of both types, those that have the natural genetic qualities and are 'born' with the special characteristics as well as 'made' through skill and learning.

The questions that can be raised are: what are the special qualities of a born leader? What can be acquired from business schools? From the above examples of leaders we can say that A born leader has a strong desire to take charge and make things happen. He is ready to take risks. He is self confident, has good reasoning and memory and high energy and drive. He is committed to his goals and follows certain values to achieve them. The role of business schools can be identified as a place to shape the skills of leaders, sharpen their competency and make them effective through theories, discussions and practical applications. Interacting with peer group, seniors and young people helps in cross pollinating ideas, understanding new aspects of learning, giving access to new knowledge and finding options for new opportunities. Effective leadership described by Bennis and Nanus (1997) through four keys being 'attention through vision', 'meaning through communication', 'trust through positioning' and 'deployment of self through positive self regard'.

Born with special traits creates *emergence* leadership, but *effectiveness* is derived through learning, experience and skill development. In the words of Colin Powell former U.S. Secretary of State, "Leadership is all about people and getting the most out of people."

*Preeti Singh*

**(Preeti Singh)**

---

As an active practitioner and scholar in the field of management, you must have experienced the need for a journal with conceptual richness, which is normally missing in various business magazines. In response to this need, Strategic Consulting Group, a team of competent and dynamic professionals, publishes a management journal entitled **8M**.

**8M** is a quarterly management journal, contributions to which are made by academics, consultants, and management practitioners for covering various areas of managing **men, machine, money, and the like**. A fully refereed journal, **8M**, explores the latest research and innovative thinking in management. The journal has an international focus and offers a variety of perspectives from around the world to help you gain greater insight into current management theory and practice.

**Views and factual claims expressed in individual contributions are personal to the respective contributors and are not necessarily endorsed by the editors, their advisors, or the publishers of the journal.**

### Guidelines to Authors

JIMS **8M** solicits articles and papers on contemporary business issues by academicians, practicing managers and students. The journal is published with the aim of providing well conceptualized and scholarly perspectives, edited for easy reading by managers. Authors may adopt the tone and content of their articles accordingly.

1. Articles must be sent by e-mail to *jims.8m@jagannath.org*.
2. The length of the article should be between 5000 and 7000 words. Each article must be accompanied with an abstract of 150-200 words.
3. All drawings, graphs, and tables should be provided on separate pages.
4. The author's name, designation, and affiliation must be provided on a separate sheet.
5. Editorial decisions will be communicated within a period of 4 weeks of the receipt of manuscript.
6. References must follow APA style sheet.
7. 1st author will receive one copy of the journal.
8. Articles submitted for consideration in **JIMS 8M** should be accompanied with a declaration by the author that they have not been published or submitted for publication elsewhere.

## SUBSCRIPTION FORM

### Subscription Rates-2015

Subscription Rates (4 Issues)			
CATEGORY	Period	Print*	Online
Institution/Individuals	1 Year	1,200.00	674.00
	2 Year	2,300.00	---
	3 Year	3,300.00	---
Students**	1 Year	600.00	400.00
Foreign (USD)			
CATEGORY	Period	Print*	Online
Institution/Individuals	1 Year	125.00	100.00
Students**	1 Year	100.00	80.00

#### Terms & Conditions:

1. *Print\** Subscription includes online access.
2. *Students\*\** should send a photocopy of their identity cards.
3. Print Subscription is Volume Based, whereas Online Subscription is Calendar Year Based and is subject to renewal.
4. Online Subscription includes current subscriptions + back files from 2005, if available.

#### Ordering Information

**Subscriptions:** Payment has to be made in favor of "indianjournals.com" payable at New Delhi, India.

The Business Manager

JIMS 8M

indianjournals.com

Dear Sir,

I/We would be interested in subscribing to your management journal **JIMS 8M** for \_\_\_\_\_ year(s).

I/We would be interested in availing myself/ourselves of the subscription offer in the \_\_\_\_\_ category.

I/We am/are enclosing a cheque/DD No. \_\_\_\_\_ dated \_\_\_\_\_ drawn on \_\_\_\_\_ (specify Bank), favouring **indianjournals.com** for Rs. \_\_\_\_\_.

#### **My/Our particulars are as under:**

Name : Mr./Ms./M/s: \_\_\_\_\_

Profession : \_\_\_\_\_

Address : \_\_\_\_\_

Tel No: \_\_\_\_\_ Fax: \_\_\_\_\_

#### **For subscription please contact :**

indianjournals.com

B-9, Basement, Local Shopping Complex, "A" Block

Naraina Vihar, Ring Road, New Delhi-110 028

Ph: 91-11-25770411, 45055559

Fax : 91-11-25778876

## RELATIONSHIP BETWEEN LEADERSHIP STYLE AND ORGANIZATION EFFECTIVENESS

Anubha Walia★ Rashmi Bansal★★ Sanjiv Mittal★★★

*Leadership studies often suggest that path goal leadership in particular produces desirable leadership outcomes. However, few studies have demonstrated a direct link between the exercise of a particular type of leadership and organizational effectiveness. This paper describes the Leadership Style and Organizational Effectiveness in Delhi/NCR. Attempt was made to determine if there is a significant relationship between leadership styles in relation to organization effectiveness. A total of 67 randomly selected leaders from the Delhi NCR completed leadership style and organizational effectiveness questionnaires. (a) Leadership styles included directive, supportive, participated and action oriented leadership. The most common leadership style is directive leadership style. (b) There is no relationship between directive leadership styles and organization effectiveness. (c) There is no relationship between action oriented leadership style and organization effectiveness.*

Keywords: Leadership style, Organization effectiveness

Extensive research has been undertaken on leadership behaviour since the 1950s. This is divided into three areas: task-oriented, relation-oriented and participative leadership. The thousands of studies undertaken over this 50-year period, mostly through questionnaires, have given rise to a number of taxonomies. The leadership literature is overwhelming: the role of leaders within the organization has been extensively analyzed by social scientists of any field. Management scholars recognize that the successful firms are those which can identify individuals with the capabilities, the personal skills and the overall vision which make the collective action effective. However, some mismatching of leaders is often observed. Success or failure of organizations is a result of both the leaders and followers' roles (Avolio & Reichard, 2008). In management and Organizational behaviour literature, the focus is largely on the concept of leadership (Shondrick & Lord, 2010). Dixon and Westbrook's (2003) findings validated Kelley's idea of the existence of leadership in all organizational levels. It is believed that a focus on leadership will enhance our understanding of the leadership process because the operation of each is dependent on the other (Henry, 2012).

Leadership styles are contingent upon people and situations, and range on a broad spectrum from relationship / people-oriented to task-oriented leadership style. This paper examines from participative/democratic (people-oriented), directive/autocratic (task-oriented) with supportive and action oriented leadership. The paper outlines the most preferred leadership style, and discusses organizational effectiveness for directive and action oriented styles. Leadership is an important topic and leaders are most important in organization success. Leadership research has

accentuated the important role of the organizational context for leadership and has called for more empirical studies on leadership in different contexts (Antonakis, Avolio, & Sivasubramaniam, 2003; Avolio, Walumbwa, & Weber, 2009; Porter & MacLaughlin, 2006). The purpose of this research therefore, is to approach leadership theory through direct application of leadership styles in an organizational setting in order to determine if evidence actually supports the use of those styles as a means of improving organizational effectiveness.

Composition of people which formulate independent business identity for some specific purpose is commonly known as organization and getting desired outcome within defined resources is treated as effectiveness. Organizational effectiveness is the concept of how effective an organization is in achieving the outcomes the organization intends to produce. Organizational effectiveness is an abstract concept and is basically impossible to measure. Instead of measuring organizational effectiveness, the organization determines various measures which will be used to represent effectiveness. We may include such things as efficiency of management, performance of employees, core competencies, number of people served, types and sizes of population segments served and so on. So we focused on the customer satisfaction and cost control for measuring in organizational effectiveness.

- ★ Director, Prism Trainings and Consultancy, New Delhi, INDIA
- ★★ Faculty, School of Management Studies, Indira Gandhi National Open University, New Delhi
- ★★★ DEAN, Department of Indra Prastha University, New Delhi.

---

## I. Review of Literature

### Leadership

Historically, great man theory argues that “the fate of societies and organizations is in the hands of powerful, idiosyncratic, individuals” and leaders (Buchanan & Huczynski 2010, p. 599). The concept of leadership has been referred to as an ability to influence, an influencing process or “an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes” (Stogdill in Buchanan & Huczynski 2010, p. 596; Daft & Lane 2005, p. 44; Robbins, Waters-Marsh & Millett 2004); According to Daft and Lane (2011), leadership is reciprocal and involves a spectrum or circle of life.

There are many approaches on leadership field such as trait and personalities (Stogdill, 1953), behavioral (Stogdill, 1974; Black and Mouton, 1978), contingency or situational (Fiedler 1967; Vroom and Yetton, 1973; House and Mitchell, 1974; Hersey and Blanchard, 1977), transactional ( Bass, 1985,1990; Chemers and Ayman, 1993; Sashkin and Fulmer, 1988), transformational (Bass, 1985,1990; Burns, 1978; Dunham and Klafehen, 1990; Parry, 1996) and self leadership approach (Mans and Sims, 1989, 1991). Path-Goal Theory is categorized under contingency approach which concentrates on its studies on the interaction between the variables involved in a leadership situation and patterns of leadership behavior. On the other hand, these studies present another common approach for studying the leadership. The belief that denies the existence of a single leadership pattern for all cases becomes the base of the contingency or situational theories. The main leadership contingency models contain the leadership effectiveness model of Fiedler (1967), decision making model of Vroom and Yetton (1973), Path-Goal Theory of House and Mitchell (1974), and situational leadership theory of Hersey and Blanchard (1977). The path-goal theory of House and Mitchell (1974) is a different leadership contingency model which is based on the belief that an individual’s motivation depends on the expectations that spending more effort to achieve better performance could be successful. This performance will be effective to avoid negative outcomes and to obtain positive rewards. House and Mitchell (1974) propose that the leadership behavior types which include directive, supportive, participative and achievement-oriented leaderships can be exercised in different situations and times by the same person. By applying one of these leadership behaviors, the managers try to affect the concepts of their subordinates, and pave the way for achieving their goals. The Path-Goal theory developed by

Robert House is the most effective contingency approach to leadership (Robbins, 2005). This theory indicates that the leader main objective is to provide guidance, support, and help necessary for subordinates to achieve their own goals effectively besides the organization goals (Silverthorne, 2001). Democratic or action oriented leadership style, is a current popular trend which refers to a person who shares and delegates authority, relies on and encourages subordinates’ participation and knowledge for completing tasks and reaching goals, and therefore depend on “subordinate respect for influence” (Daft & Lane 2005, p. 44; Daft & Lane 2011; DuBrin 2010; Pride, Hughes & Kapoor 2009; Rounds & Segner 2011). Autocratic, or directive, leadership style tends to centralize leader authority and “derive power from position, control of rewards, and coercion” (Daft & Lane 2011, p. 45; Hamilton 2010; Lussier & Achua 2010). Although research suggests the former has been known to increase positive employee feelings, a leadership continuum or mix of two or several styles might be more appropriate, depending on circumstances such as skill level or time pressure (Lewin 1939 in Robbins; Chemers 1997). By achievement-oriented leaders<sup>1</sup> challenging goals are set, high performance is expected and management has a high level of confidence in the employee’s ability to achieve the goals. This style of leadership is well suited for quarterbacks to use on other team members. The main goal is to win games, but there are smaller, equally important goals for the execution of plays during a game. The coordinator provides the quarterback with the playbook and sets the expectation for performance, all with a high level of confidence that the quarterback can direct the team to execute the right plays at the right time and win games.

Eight key leadership competencies are defined as; personality, self-concept, drive, integrity, leadership motivation, knowledge, cognitive and practical intelligence, and emotional intelligence (McShane et al 2009). These “personal characteristics of superior performance” are increasingly popular; however the perspective excludes complexities and contingencies such as situations, skills set, and quality of relationships (p. 458). To explain, it is common to speak of leadership behaviour as people-oriented or task-oriented. A people-oriented style describes extensive two-way communication within a vertical environment built on comfort, listening, support, favours, personal interests, and equality (McShane et al 2011, p.460). Task-oriented leadership comprises assigning specific tasks, clarifying duties and procedures, and enforcing rules and encouraging efficiency (McShane et al 2011). Decreased people-oriented leadership may cause “absenteeism,

---

grievances, and turnover and job dissatisfaction” (McShane et al 2011, p.460). Decreased task-oriented leadership may reduce job performance (ibid). Leaders have to change theirs and others’ behaviour depending on each individuals competencies and skill set, the situation and the quality of relationships. Leadership styles can be viewed as a foundation and applied in a mix or continuum depending on contingencies.

The role of leadership is very important, and it can affect the ecology of their organizations, business and employees. Effective Leadership must be able to motivate their subordinates to do their best and exploit all their potentials to contribute to the development of the organization, as well as to achieve job satisfaction that contributes significantly to reduce the turnover rate among the employees. Hence, Different leadership and management strategies should be employed to achieve and ensure job satisfaction based on different situations (House,1999).

Path-goal theory assumes that the subordinate outcomes will be affected by the behavior of participative leader positively in case of unstructured task. The results indicate that the high participative leadership has negative contribution in job satisfaction with supervision and job in general in case of structured task. Malik et al. (2011) point out that the relationship between all types of leadership behavior and employee job satisfaction is significant. The Path-goal theory has three main strengths are identified. The first one, it introduces a theoretical frame work, which helps to understand the effect of directive, supportive, participative, achievement-oriented leadership styles on the subordinates productivity and satisfaction. The second strength, it is the first theory that introduces the concept of subordinates motivation of expectancy theory into its concept of leadership. The third strength, it introduces a practical model that confirms and illustrates the leaders important ways to help the subordinates (Northhouse, 2010).

Directive/autocratic leadership is task-oriented and includes setting performance goals and reviews, facilitation, discipline and rewards. The leader informs her followers on what is expected of them, such as telling them what to do, how to perform a task, and scheduling and coordinating work. It is most effective when people are unsure about the task or when there is a lot of uncertainty within the environment.

Supportive leadership is people-oriented and describes a friendly and approachable leader who creates a pleasant work environment based on mutual respect, no hierarchy,

and employee satisfaction. The leaders make work pleasant for the workers by showing concern for them and by being friendly and approachable. It is most effective in situations in which tasks and relationships are physically or psychologically challenging.

Participative leadership involves employees in decision making and encourages employee suggestions and involvement. The leaders consult with their followers by consulting with them before making a decision on how to proceed. It is most effective when subordinates are highly trained and involved in their work.

Achievement-oriented leadership involves employee performance reviews, including goals, efficiency, improvement, responsibility and accomplishment. In this model, the relationship between style and effectiveness, relates to employee characteristics and the employees work environment. The leader sets challenging goals for his followers, expects them to perform at their highest level, and shows confidence in their ability to meet this expectation. It is most effective in professional work environments, such as technical, or scientific; or in achievement environments, such as sales.

#### Organizational effectiveness

In the 1980s, Organizational effectiveness became more prominent and switched to being a concept from the status of a construct (Henry, 2011). This concept is related to issues such as the ability of an Organization to access and absorb resources and consequently achieve its aims (Federman, 2006). As Gigliotti (1987) said, a unit which is individually ineffective in terms of cooperation with the rest of the Organization is doomed to failure. Cameron (1978) pointed out that Organizational effectiveness is the proficiency of the Organization at having access to the essential resources. However, McCann (2004) noted it as the criterion of the Organization’s successful fulfillment of their purposes through core strategies.

Vinitwatanakhun’s (1998) study illustrated that Organizational effectiveness should focus on human resources and Organizations and help individuals to achieve skills and self-esteem in order to control the new environment and find security and support. As Baker and Branch (2002) pointed out, the Organizations, laboratories that are involved in scientific researches suffer most, because they have to present effective management, behave more responsibly, and do jobs with limited resources in order to improve their effectiveness. However, they have to deal with the problems of the Organization and system effectiveness with cost cutting and customer satisfaction.

---

They are obliged to be innovative in their research, conduct, sponsorship as well as design and management of their Organizations.

The extensively used approach in Organizational effectiveness is the goal approach. Its focus is on the output to figure out the essential operating objectives like profit, innovation and finally product quality (Schermerhorn, Hunt, R.N. Osborn, & R. Osborn, 2004). There are some basic assumptions for the goal approach. One of them is that there should be a general agreement on the specific goals and the people involved should feel committed to fulfilling them. The next assumption is that the number of goals is limited and achieving them requires certain indispensable resources (Robbins, 2003). As Altschuld and Zheng (1995) said the weakened significance of the goal-based approach for the evaluation of the effectiveness of research Organizations and academic establishments is depicted in the accurate and clear measurement of the results. In fact, it is crucial in the vividness of the goals and output measures. The goal model is suitable only when these conditions are met. However, this is not usually applicable for the educational research Organizations specifically in conditions where they are responsible to the goals and there must be justifications for their large-scale social functions and at corporate. Moreover, any research possesses an exploratory nature and for the job of inquiry, freedom is essential. These are the facts which must not be restricted by narrow goals. In this case, the goal-oriented approach will be only partly suitable.

## II. Research Design & Methods

### 2.1 Research Questions

This paper examines the relationship between leadership style and Organizational effectiveness of leaders in Delhi NCR.

- What are the leadership styles of Delhi NCR?
- Is there a significant relationship between Leadership style and Organization effectiveness?

### 2.2 Participants

A total of 104 leaders from Delhi NCR Corporate from Manufacturing and Service industry participated in this study. Many of the leaders have 7 plus years of experience. Majority of them have put in 2 years and above in their current place of work. A randomly selected 104 leaders from different corporates responded to leadership and Organization effectiveness questionnaires. The overall response rate for the study was 67 which were use-able.

### 2.3 The Instruments

The questionnaire has been used for Identifying Leadership Styles based on Path-Goal theory of Leadership prepared by J. Indvik in his unpublished doctoral dissertation at University of Wisconsin- Madison. The questionnaire has been divided into two parts. First part of the questionnaire seeks the demographic information of the respondents like Age, Gender, Total Experience, Current role experience etc and in part two, twenty items are covered for identifying four leadership styles namely; Directive, Supportive, Participative and Action Oriented Leadership Style with 5 items each.

The second questionnaire named as Organizational effectiveness (OE) was prepared for measuring customer satisfaction and cost cutting with total 8 items.

The two different questionnaires used for the present study have different patterns of scoring; the first questionnaires for identifying Leadership styles and second was Organizational effectiveness in which seven point Likert's scale were used. The scores are ranging from Always (7), Usually (6), Often (5), Occasionally (4), Seldom (3), Hardly Ever (2) Never (1).

A statistical package for social science (SPSS) version 18.0 was used to analyze the questionnaire data. Firstly, exploratory factor analysis was used to assess the validity and reliability of measurement scales (Hair et al., 1998). Secondly, Pearson correlation analysis and descriptive statistics were conducted to determine the collinear problem, further confirm the validity and reliability of constructs and thus test research hypotheses (Tabachnick et al., 2001, Yaacob, 2008).

### 2.4 Data Collection

A total of 104 questionnaires were distributed to randomly selected leaders from Corporate. However, only 67 responses i.e (64%) was used for data analysis. The participants responded to 20 items on leadership style and 8 items on Organization effectiveness.

## III. Results & Discussion

### 3.1 Validity and reliability analyses for measurement scales

Table 1, respectively show the results of validity and reliability analyses for measurement scale. The survey questionnaires consisted of 20 items, which related to four variables or leadership and One variable i.e Organizational effectiveness with 8 items. A factor analysis with the varimax rotation was first done for five variables with 28

---

items. After that, Kaiser-Mayer-Olkin Test (KMO), which is a measure of sampling adequacy, was conducted for each variable and the results indicated that it was acceptable. Relying on Hair et al. (1998) and Nunally and Bernstein's (1994) guidelines, these statistical analyses showed that:

1. The value of factor analysis for all items that represent each research variable was 0.5 and more, an indication that the items met the acceptable standard of validity analysis,
2. All research variables exceeded the acceptable standard of Kaiser-Meyer-Olkin's value of 0.5, were significant in Bartlett's test of sphericity,
3. All research variables had eigen values larger than 1,
4. The items for each research variable exceeded factor loadings of 0.50 (Hair et al., 1998),

Table 2 provides information about the leadership styles of all the participants. Frequency and percentage were used to identify the Corporate leadership styles. The majority (26.6%) of the participants acted as directive leaders, followed by Action oriented style with (24.54%).

The first research question was: What are the leadership styles of Corporates in Delhi NCR? The answer to this question is that leadership styles were Directive followed by Action Oriented Leadership style.

Table 3 provides information on Pearson Correlation and descriptive statistics. According to Connolly and Sluckin (1962) the  $r$  value of 0.90 – 1.00 shows the positive and strong relationships, 0.70 - 0.90 shows a good relationships, 0.40 – 0.70 shows the moderate relationships, 0.20 – 0.40 shows the low relationships and the value less than 0.2 shows the weak relationships.

The second question was: Is there a significant relationship between leadership style and Organizational effectiveness? In addressing this question, it was transformed to the following hypotheses.

Ho: There is significant relationship between directive leadership style and Organization effectiveness (OE).

Ho: There is no significant relationship between Action oriented leadership styles and Organization leadership (OE).

In response to the above two Hypothesis question, as shown in Table 3, directive leadership style ( $r = .406, p > 0.05$ ) was not related to OE and the relationship was not significant. This means that directive leader were not high towards OE. Thus the hypothesis that significant relationship between directive leadership style and

Organization effectiveness (OE) is not accepted.

The results reveal that action oriented leadership style was not correlated to OE ( $r = .308, p > 0.05$ ) and the relationship was not significant. This means that the hypothesis which states that there is no significant relationship between action oriented leadership styles and OE, the hypothesis is accepted.

## IV. Conclusion

The results of this study indicate the leadership styles of Delhi NCR. The majority of corporate organizations who participated in this study indicated directive leadership style. Both directive and action oriented leadership styles were not related to OE indicating low performance towards Organization Effectiveness who indicated these leadership styles. Although OE of corporates who indicated directive leadership style was low, directive leadership characteristics are not only desirable but are also said to be responsible for the task-oriented and includes setting performance goals and reviews, facilitation, discipline and rewards. Based on these findings, the seniors of Delhi NCR corporate should be studied with different leadership styles and they should identify the leadership styles among their Senior leaders. It is the time by heads of departments to give sufficient attention to OE in cost cutting and customer satisfaction, understand them so as to know the areas where followers need support. In the corporate world, directive leadership means that employees are not required to give their suggestions or feedback. They are mainly judged by how well they do the tasks that have been assigned to them. About action oriented leaders and their contributions are valued because of the scarcity of their knowledge. They drive others to reach solutions to technical or complex issues through their direction. They are not showcase traits of leaders in emotive circumstances because they will respond from facts and not understand the other person's position.

The sample size is relatively small and this study may not generalizable on other sectors of the economy. This study covered the various organizations and it is better to focus on one industry. Sample size should increase and cover more organizations as study centers. There is need for study in depth on each independent variable. Corporate senior needs to make conscious effort to recognize and promote other characteristics among leaders. Further study is needed to examine factors responsible for high performance of leaders who indicated directive style and action oriented style and should examine and study other leadership style and Organization effectiveness.

---

## References

- Avolio, B. J., & Reichard, R. J. (2008). The rise of authentic followership. In R. E. Riggio, I. Chaleff & J. R. Lipman-Blumen (Eds.), *The art of followership: how great followers create great leaders and Organizations*. (pp.55-73). San Francisco: Jossey-Bass.
- Bass, B.M. (1990). *Bass and Stogdill's handbook of leadership: Theory, research, and managerial applications*, New York: Free Press
- Bass, B.M., Avolio, B.J. (1991). *The multi-factor leadership questionnaire*, Palo, Alto, CA: Consulting Psychologists Press
- Bass, B.M., Avolio, B.J., „Transformational leadership and Organizational culture”, *Public Administration Quarterly*, 17, 1993, pp. 112-121
- Blanchard, H., Johnson, S. (1985). *The one-minute manager*, Berkeley, CA: Berkeley Publishing Co.
- Costello, A. B., & Osborne, J. W. (2005). Best practices in exploratory factor analysis: Four recommendations for getting the most out of your data. *Practical assessment, research and evaluation*, 10(7), 1–9.
- House RJ, Mitchell TR (1974). Path-goal theory of leadership. *Contemporary Business*. 9(4): 81-98.
- House RJ (1999). Weber and the neocharismatic leadership paradigm. *Leadership Quarterly*. 10(4): 563-74.
- Henry, E. A. (2011). Is the influence of Organizational culture on Organizational effectiveness universal? An examination of the relationship in the electronic media (radio) service sector in the English speaking Caribbean
- Kellerman, B. (2008). *Followership: How followers are creating change and changing leaders*. Bolton: Harvard Business Press.
- Kelley R. E. (2008). Rethinking followership. In R. E. Riggio, I. Chaleff & J. R. Lipman-Blumen (Eds.), *The art of followership: how great followers create great leaders and Organizations* (pp.5-16). San Francisco: Jossey-Bass.
- Kelley, R. E. (1988). In Praise of Followers. *Harvard Business Review*, 66(6), 142-148.
- Kelley, R. E. (1992). *The Power of Followership*. New York, NY: Doubleday.
- Lussier, R. N., & Achua, C. F. (2010). *Leadership: Theory Application & Skill Development 4 Edition USA*: Cengage Learning.
- Malik S, Hassan H, Aziz S (2011). Path Goal Theory: A Study of Employee Job Satisfaction in Telecom Sector. 2011 Int'l Confer. Manag. Serv. Sci. IACSIT Press, Singapore. (8): 127-134.
- McCann, J. (2004). Organizational effectiveness: Changing concepts for changing environments. *Human Resource Planning*, 27(1).
- Mullins, L. J. (2008). *Essentials of Organizational behaviour*: Pearson Education
- Northhouse PG (2010). *Leadership Theory and Practice*. (5th ed). Sage: United Kingdom.
- Robbins, S. P. (2003). *Essentials of Organizational behavior*: Prentice Hall.
- Rojas, R. R. (2000). A review of models for measuring Organizational effectiveness among for-profit and nonprofit Organizations. *Nonprofit Management and Leadership*, 11(1), 97-104. <http://dx.doi.org/10.1002/nml.11109>
- Schermerhorn, J. R., Hunt, J. G., Osborn, R. N., & Osborn, R. (2004). *Core concepts of Organizational behavior*: John Wiley & Sons Inc.
- Silverthorne C (2001). A test of the path-goal leadership theory in Taiwan. *Leadership and Organization Dev. J.* 22(4): 151-158

**Table 1: Validity and Reliability Test**

<b>Variable</b>	<b>Item</b>	<b>KMO</b>	<b>Barletts Test of Sphericity</b>	<b>Eigen Value</b>
Directive	5	0.704	p=.000	2.2
Supportive	5	0.520	p=.009	1.20
Participative	5	0.628	p=.000	2.4
Action oriented	5	0.628	p=.000	2.44
Organization Effectiveness	8	0.889	p=.000	5.5

**Table 2: Leadership styles used by Leaders**

<b>Leadership Style</b>	<b>Percentage (%)</b>
Directive	26.67
Supportive	24.3
Participative	24.21
Action Oriented	24.54

**Table 3: Pearson Correlation and Descriptive Statistics**

<b>Variables</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Pearson Correlation With Organization Effectiveness</b>
Directive	6.17	1.09	0.406**
Supportive	5.6	1.37	0.249*
Participative	5.59	1.33	0.343**
Action Oriented	5.65	1.38	0.308**

# WHAT IS PULLING DOWN PRODUCTIVITY IN INDIAN MANUFACTURING? AN EVALUATION FOR THE TEXTILE INDUSTRY

Dhwani Gambhir★ Seema Sharma★★

*In the age of global integration, it is imperative for organizations to be competitive and capture a larger share in the international market. Improvements in productivity, particularly in the manufacturing sector are of great significance for all developing economies. Productivity gains help improve competitiveness and aid organizations in achieving stability and success in the long run. This paper studies productivity performance of Indian textile manufacturing industry using data envelopment analysis. Firm-level panel data of 160 companies relevant to the period 2007-08 to 2012-13 is extracted from Ace Equity Plus, a financial database. The Malmquist productivity index has been computed with output orientation and the sources of productivity gain are identified. The pure efficiency component has emerged as the main factor pulling down productivity in Indian textile manufacturing. Pure efficiency is of concern for the industry as a whole. It is pulling down productivity at each scale of operation, from large scale to small scale. It is also deteriorating for both exporting and non-exporting companies. This reflects inefficient resource utilization and poor management. The organizations must look inward to improve efficiency and manufacturing productivity. The paper contributes by providing direction to organizations for improving manufacturing productivity by identifying the core target for managerial initiatives.*

Keywords: efficiency; productivity gain; manufacturing; textile industry; data envelopment analysis; malmquist productivity index

Manufacturing is the driver for exports in emerging economies, however, the manufacturing sector in India has been contributing below its potential. The development of the manufacturing sector is crucial for sustaining India's overall growth model. The performance of Indian manufacturing can be improved if organizations shift their focus from cost cutting to generating sustainable competitive advantages based on high value-addition. Competitive advantages for organizations are related significantly to their productivity performance. It is possible to sustain economic growth in the long term only by improvements in productivity (Joshi & Singh, 2010). Improving productivity is relevant to manufacturing organizations in developing economies, and particularly in India where labour productivity is on the lower side. In the long terms, gains in productivity can also help in reducing unemployment and poverty in the economy (Reddy, 2005). Productivity as a result is an important business metric for assessing performance of an organization over time and for comparing performance with similar organizations.

A number of issues arise in relation to productivity of organizations - Is there a specific area pulling down productivity gains? Are the action areas different for organizations based on scale and exporting nature? What policy and managerial action is needed to enhance

productivity performance? This paper measures total factor productivity (TFP) growth and analyzes the various sources of productivity gain for the textile manufacturing industry in India to provide some suitable answers. Textile manufacturing in India is a leading economic sector, contributing substantially to the GDP and total exports (Kannan, 2010). It is a focus industry for policy makers due to its employment-intensive and export-intensive nature (National Manufacturing Policy, 2011). Further, textile manufacturing in India is highly heterogeneous in terms of the scale of organizations with a number of both large and small scale organizations. It is, hence, relevant to compare performance of organizations in textile manufacturing based on scale and exporting nature.

The paper is organized in different sections as follows: Section 1 presents a thematic literature review, followed by the research objectives. Section 2 describes the data set and the methodology adopted. The analytical results are given in Section 3 and the final section contains the conclusion, limitations and scope for future research.

- 
- ★ Research Scholar, Department of Management Studies, Indian Institute of Technology, Delhi.
  - ★★ Associate Professor, Department of Management Studies, Indian Institute of Technology, Delhi.

---

## I. Review of Literature

There is extensive literature on productivity in manufacturing. Some researchers have analyzed trends and drivers of productivity while others have explored other related aspects. The studies make use of different data sets and methodologies.

### Productivity Trends for Manufacturing in India

Most of the literature on productivity trends in the manufacturing sector of India has adopted the methodology of data envelopment analysis (DEA). The focus is on comparing performance in different years and time periods. Productivity trends in manufacturing improved and were increasing in the period after the economic reforms of 1991 (Rath&Madheswaran, 2008). But, the sectoral share within the manufacturing sector remained more or less the same (Unel, 2003). Efficiency was the growth driver before the reforms (Sehgal& Sharma, 2011) and technical change in the post reforms period, specifically post-2000 (Kumar, 2006). Pradeep and Chen (2012) in their study of small firms in Tamil Nadu reported to the contrary that post the economic reforms technical efficiency has increased. A study for the food processing industry in India using DEA revealed scale efficiency to be the source of productivity gains between 1988 to 2005; with declining average productivity (Kumar & Basu, 2008). Joshi and Singh (2010) found that during the more recent period from 2002 to 2007, productivity growth was mainly driven by technical efficiency change and not by technological change in the Indian garment industry. Singh (2013) described in detail the growth of the manufacturing sector in independent India post 1947. The five year period up to 2011-2012 was studied in detail to understand the trends as well as to suggest measures for improving the performance of manufacturing sector.

### Drivers of Productivity

There are a number of different drivers which influence productivity performance in the manufacturing sector. The government policy related to taxation, labour laws and industry; and the administrative regulations affect productivity in manufacturing (Singh, 2013). Due to flexibility in labour laws and ownership rights China's manufacturing productivity increased vis-à-vis India over the years 1998 to 2003 (Pandey & Dong, 2009). A report by McKinsey Global Institute (2014) stated that registered firms had five times higher productivity as compared to unregistered firms in the manufacturing sector in the year 2010. Inputs such as labour (Rath&Madheswaran, 2008; Singh 2012), materials (Gupta, 2010) and capital (Kiran&

Jain, 2012) along with their respective costs and usage intensity affect productivity performance as well. Some studies have found that differences between different geographical regions in India specifically in terms of infrastructure and related facilities result in significant differences in productivity performance (Kumar, 2006; Ravi, 2009; Mitra et al., 2012; Babu& Natarajan, 2013). Some researchers have studied trading and exporting as a driver for productivity. There is a conflict in the opinion, with some studies holding that exporting promotes productivity (Hsu & Chen, 2000; Coad & Tamvada, 2012) while others report that high productivity pushes firms towards exporting (Sharma & Mishra, 2011; Deshmukh&Pyne, 2013). Maiti (2013) found that reforms related to trade help in improving the productivity in the economy provided the imperfections in the market are controlled. Further, many studies have reported that small enterprises are more productive than large enterprises (Pandey & Dong, 2009; Joshi & Singh, 2010; Kiran& Jain, 2012; Deshmukh&Pyne, 2013). However, in contrast some studies have found the small scale enterprises to be less productive and efficient than the large scale enterprises (Goldar, 1988; Unel, 2003).

### Productivity Studies for Textile Industry in India

There are a number of productivity studies for the textile industry in India using different techniques for estimating productivity performance in terms of technical efficiency and TFP such as stochastic frontier analysis method (Bhandari & Maiti, 2007), growth accounting (Sharma et al., 2010), DEA (Solankar& Singh, 1999; Bhandari & Ray, 2007) and DEA based MPI (Joshi & Singh 2008; 2009).

### Research Objectives

The paper aims to meet the following research objectives:

- To identify the sources of productivity gains for firms engaged in textile manufacturing in India.
- To compare the sources of productivity gains for large scale and small scale firms in engaged in textile manufacturing in India.
- To compare the sources of productivity gains for exporting and non-exporting firms engaged in textile manufacturing in India.
- To identify the core area where managerial action must be focused in order to enhance the productivity performance of textile manufacturing firms in India.

---

## II. Research Design & Methods

### Research Methodology

Manufacturing output results from the use of multiple inputs. In order to correctly measure productivity of a manufacturing organization it is appropriate to consider all the factors of production i.e. to measure total factor productivity (TFP). Thus, many studies (Pandey & Dong, 2009; Gupta, 2010; Sehgal & Sharma, 2011; Sharma & Mishra, 2011; Maiti, 2013) consider TFP for estimating productivity performance. TFP in the simplest form can be described as a ratio of an output index over an input index. TFP increase may be resulting from higher output from the same level of inputs or the current output from lower level of inputs. The increase in TFP over a time period reflects growth in the sustainable output (Mahadevan, 2002). There are many approaches for estimating TFP that have been used traditionally such as growth accounting approach, stochastic frontier analysis, data envelopment analysis. However, DEA has certain advantages over the other approaches and has been widely used for measuring productivity performance in the manufacturing sector (Kumar & Basu, 2008; Joshi & Singh, 2010; Pradeep & Chen, 2012).

Charnes et al. (1978) added to Farrell's (1957) work and named the non-parametric technique of estimation as DEA. DEA uses linear programming to identify an efficient frontier of production given a set of decision making units (DMUs). A DMU below the frontier is inefficient while that on the frontier is efficient. A popular DEA based index for TFP is the Malmquist Productivity Index (MPI) which was developed by Caves et al. (1982). MPI uses Malmquist output distance functions which makes it possible to consider multiple inputs and multiple outputs in the production model. The distance functions may take up either output orientation i.e. maximum output from given inputs or input orientation i.e. given output from minimum inputs. TFP change (TFPCH) given by MPI is further derived as a product of two sources under constant returns to scale (CRS) – efficiency change (EFFCH) and technology change (TECHCH) (Fare et al., 1994). EFFCH is further derived as a product of pure efficiency change (PECH) and scale efficiency change (SECH) under variable returns to scale (VRS). Such decomposition helps in formulating better policies based on the performance of the various components (Mahadevan, 2002).

Interpreting MPI and related indices is very easy – value of one reflects no change, less than one reflects regress and more than one reflects progress or gain in productivity

or efficiency (Coelli, 1996). The average value of indices can be converted into percentage form which facilitates interpretation. Tim Coelli's (1996) program DEAP Version 2.1 has been used to compute DEA based MPI with output orientation. The detailed mathematical linear programming problems are given in the guide to the program.

### Data Set

For this paper, the relevant data for textile manufacturing companies has been taken from a similar database Ace Equity Plus. The sample was restricted to 160 companies, with investment in plant and machinery exceeding INR twenty five lacs that satisfied the panel data requirements.

The time period considered is 2007-08 to 2012-13. There were 24 small-scale companies and 136 large-scale companies. The exporting companies were 94 while the remaining 66 companies were not engaged in exports. For the purpose of empirical analysis, a model with multiple inputs - Labour, Capital, Material & Power, and a single output - Sales is considered.

The paper follows some of the firm level studies that have restricted the data set to a particular industry and extracted the relevant data for companies from popular financial databases. They have deflated the financial equivalents of the input and output variables into real values using relevant price indices (Kumar & Basu, 2008; Joshi & Singh, 2010).

## III. Results & Discussion

Over the study period, textile manufacturing industry has not experienced a straight trend in TFP change. However, MPI has showed progress in the two most recent years. On average, the industry has reported marginal improvement in TFP. The source of productivity gain varies between EFFCH and TECHCH. Majority of the companies reflect a regress on PECH. Comparing small-scale and large-scale companies, it is evident that while small-scale companies are regressing on average, the large-scale companies are progressing.

For both the small-scale and large-scale companies the productivity gains have been on account of changes in technology and scale efficiency. PECH has reflected regress in both the small-scale and large-scale companies. The companies that are moderately big in size are performing the best. It is crucial for companies to move towards the most productive scale of operations. There is significant variation in productivity performance of exporting companies and non-exporting companies. Companies engaged in exports show progress on average

---

whereas those that do not export reflect regress. For exporting companies TECHCH and SECH are the sources of productivity gain. Exporting companies also have lower regress in terms of PECH. This may be because exporting companies are forced to compete on costs and meet deadlines which leads to better utilization of resources.

The empirical evidence implies that majority of companies in the total sample as well as in the sub-groups based on scale of operation and exporting nature show stagnation or regress on efficiency change, with the most dismal performance in terms of pure efficiency. Hence, inefficiency in production and operations is pulling down the productivity performance of manufacturing organizations in the textile industry in India.

#### IV. Conclusion

Productivity has emerged as a crucial business metric in recent times. In the long run, organizations can attain sustainable growth and maintain their market success if they remain productive. Manufacturing organizations in particular need to identify the sources driving or pulling down productivity performance so that appropriate managerial action may be taken. Such an exercise will also assist government authorities in formulating the relevant policies for promoting manufacturing. A productivity analysis was conducted using DEA for the manufacturing companies in the textile industry in India. The key results are as follows: First, there was no single source or driver of productivity, it varied between technology and efficiency. Second, pure efficiency emerged as the factor pulling down productivity in general for the entire sample as well as for the sub-groups based on scale of operation and exporting nature. Third, moderately large enterprises were the best performers and organizations must make efforts to move to the scale of operation that is most productive. Fourth, exporting companies have shown better productivity and manufacturing organizations should look towards international markets instead of focusing only on national sales.

Pure efficiency is a factor internal to an organization and is responsible for sustained improvement in productivity (Mahadevan, 2002). Poor performance on pure efficiency implies that organizations are wasting resources and are inefficient in their operations. Organizations must take steps to improve the abilities of the managerial personnel along with ensuring that workers remain skilled on the latest technologies. This will create a competitive advantage and help in improving manufacturing productivity. Thus, for long term success and growth, manufacturing

organizations in the textile industry of India must focus on enhancing efficiency in their operations and curtailing wastage of inputs.

The paper suffers from certain limitations such that it considers only the textile industry in India and only the company form of organization. A larger sample may have yielded different results. As a methodology, DEA also suffers from some limitations (Coelli et. al, 2005). There is scope for in-depth research on productivity as a business metric for sustainable growth and long run success of manufacturing organizations. The drivers of productivity need to be analyzed in detail to identify core actionable areas within organizations for improving productivity performance.

#### References

- Babu, S. M. & Natarajan, R. R. S. (2013). Growth and spread of manufacturing productivity across regions in India. SpringerPlus, 2(1), p.53. Available at: [http://www.pubmedcentral.nih.gov/articlerender.fcgi?artid=3600125&tool=pmcentrez&render\\_type=abstract](http://www.pubmedcentral.nih.gov/articlerender.fcgi?artid=3600125&tool=pmcentrez&render_type=abstract) [Accessed March 18, 2014].
- Bhandari, A. K. and Maiti, P. (2007). Efficiency of Indian manufacturing firms: textile industry as a case study. International Journal of Business and Economics. Vol. 6 No. 1, pp. 71-8.
- Bhandari, A. K. and Ray, S. C. (2007). Technical efficiency in the Indian textiles industry: a nonparametric analysis of firm-level data. Economics working papers 2007-49, University of Connecticut, Storrs, CT. Available at: [www.econ.uconn.edu/working/2007-49](http://www.econ.uconn.edu/working/2007-49).
- Caves, D. W., Laurits, R., Christensen, W. and Diewert, W. E. (1982). The Economic Theory of Index Numbers and the Measurement of Input, Output, and Productivity. Econometrica. Vol. 50 No. 6, pp. 1393-414.
- Charnes, A., Cooper, W. and Rhodes, E. (1978). Measuring the efficiency of decision making units. European Journal of Operational Research. Vol. 2 No. 6, pp. 429-44.
- Coad, A. and Tamvada J.P. (2012). Firm Growth and Barriers to Growth among Small Firms in India. Small Business Economics. 39(2): 383-400.
- Coelli, T.J. et. al (2005). An Introduction to Efficiency and Productivity Analysis. Second Edition. Springer.

---

New York.

- Coelli, T. (1996). A guide to DEAP version 2.1: a data envelopment analysis (computer) programme. CEPA Working Paper 96/08. Armidale: Centre for Efficiency and Productivity Analysis (CEPA), Department of Econometrics, University of New England.
- Deshmukh, J. and Pyne, P. K. (2013). Labour productivity and export performance: Firm-level evidence from Indian manufacturing industries since 1991. ARTNeT Working Paper Series No. 126, June, Bangkok, ESCAP. Available at: [www.artnetontrade.org](http://www.artnetontrade.org).
- Fare, R., Grosskopf, S., Norris, M., and Zhang, Z. (1994). Productivity growth, technical progress and efficiency changes in industrialised countries. *American Economic Review*. 84, 66–83.
- Farrell, M. J. (1957). The measurement of productivity efficiency. *Journal of Royal Statistical Society*. Vol. 120 No. 3, pp. 253-81.
- Goldar, B. N. (1988). Relative efficiency of small scale industries in India, in Suri, K.B. (Ed.), *Small Scale Enterprises in Industrial Development: the Indian Experience*, Sage Publications, New Delhi.
- Gupta, A. (2010). Indian Manufacturing Productivity: What Caused the Growth Stagnation before the 1990s? *International Productivity Monitor* Number 20 Fall 2010
- Hsu, M., and Chen, B. (2000). Labor productivity of small and large manufacturing firms: the case of Taiwan. *Contemporary Economic Policy*. 18(3), 270.
- Joshi, R. N. and Singh, S. P. (2008). Productivity growth and efficiency trends in the Indian textile industry. *Journal of the Textile Association*. Vol. 68 No. 6, pp. 242-50.
- Joshi, R. N. and Singh, S. P. (2009). Measuring Production efficiency of Readymade Garment Firms. *Journal of Textile and Apparel Technology and Management*, 6(2).
- Joshi, R. N. and Singh, S. P. (2010). Estimation of total factor productivity in the Indian garment industry. *Journal of Fashion Marketing and Management*. Vol. 14 No. 1, 2010 pp. 145-160. Emerald Group Publishing Limited 1361-2026 DOI 10.1108/13612021011025474
- Kannan, T. (2010). For a Larger Global Marketshare: A roadmap for Indian textile industry to push ahead with exports. *Manufacturing Matters*. *Journal of Manufacturing Excellence*. Confederation of Indian Industry (CII). March 2010
- Kiran, R. and Jain, V. (2012). An Insight into Productivity Trends of Small and Medium Manufacturing Enterprises of Punjab. *India International Conference on Arts, Economics and Literature (ICAEL'2012)* December 14-15, 2012 Singapore
- Kumar, M. and Basu, P. (2008). Perspectives of productivity growth in Indian food industry: a data envelopment analysis. *International Journal of Productivity and Performance Management*. Vol. 57 No. 7, 2008 pp. 503-522. Emerald Group Publishing Limited 1741-0401 DOI 10.1108/17410400810904001
- Kumar, S. (2006). A decomposition of total productivity growth: a regional analysis of Indian industrial manufacturing growth. *International Journal of Productivity and Performance Management*. Vol. 55 No. 3/4, 2006 pp. 311-331. Emerald Group Publishing Limited 1741-0401 DOI 10.1108/17410400610653255
- Mahadevan, R. (2002). A DEA approach to understanding the productivity growth of Malaysia's manufacturing industries. *Asia Pacific Journal of Management*, (1989), pp.587–600. Available at: <http://link.springer.com/article/10.1023/A:1020577811369> [Accessed: May 14, 2014].
- Maiti, D. (2013). Market imperfections, trade reform and total factor productivity growth: theory and practices from India. *Journal of Productivity Analysis* (2013) 40:207–218 DOI 10.1007/s1123-012-0313-z
- McKinsey Global Institute (2014). From poverty to empowerment: India's imperative for jobs, growth, and effective basic services. McKinsey Global Institute, February 2014.
- Mitra, A., Sharma, C. and Véganzonès –Varoudakis, M. A. (2012). Are reforms productive? Explaining productivity and efficiency in the Indian manufacturing. CERDI, Etudes et Documents, E 2012.33
- National Manufacturing Policy (NMP) (2011). Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.

- Pandey, M. & Dong, X. Y. (2009). Manufacturing productivity in China and India: the role of institutional changes. *China Economic Review*, 20(4), pp.754–766.
- Pradeep, V. and Chen, J. R. (2012). Measuring productivity growth, efficiency change and technical progress in small scale firms in India during pre and post-reform periods. *Journal of Economic Policy Reform*. Vol. 15, No. 2, June 2012, 153-169 ISSN 1748-7870 print/ISSN 1748-7889 online\_ 2012 Taylor & Francis <http://dx.doi.org/10.1080/17487870.2012.671622><http://www.tandfonline.com>
- Rath, B. N. and Madheswaran, S. (2008). Productivity, Wages and Employment in Indian Manufacturing Sector: An Empirical Analysis. *Asian Profile*. 36 (6), pp.79-97.
- Ravi, S. (2009). Entrepreneurship Development in the Micro Small and Medium Enterprise Sector in India. Indian School of Business. July 2009
- Reddy, Y.V. (2005). Inaugural address by Dr. Y.V. Reddy, Governor, Reserve Bank of India, at the Annual Conference of Indian Economic Association held on December 27, 2005 at Andhra University, Visakhapatnam.
- Sehgal, S. and Sharma, S. K. (2011). Total factor productivity of manufacturing sector in India: A regional analysis for the state of Haryana. *Int. J. Manag. Bus. Res.*, 1 (4), 241-256, Autumn 2011
- Sharma, C. and Mishra, R. K. (2011). Does export and productivity growth linkage exist? Evidence from the Indian manufacturing industry. *International Review of Applied Economics*. 25, 633–652.
- Sharma, S. and Sharma, M. (2010). Analyzing the technical and scale efficiency of small industries in India: state-wise cluster study. *Measuring Business Excellence*. VOL. 14 NO. 2 2010, pp. 54-65, Emerald Group Publishing Limited, ISSN 1368-3047 DOI 10.1108/13683041011047867\
- Sharma, S., Upadhyay, V. B. and Tyagi, B. (2010). Impact of liberalization on productivity performance of textile industry in India: a growth accounting analysis. *International Journal of Productivity and Quality Management*. Vol. 5, No.2, pp. 137-151.
- Singh, J. (2012). Tradeoff of workers between MGNREGS and Manufacturing. Research Study, Office of the Economic Adviser, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.
- Singh, J. (2013). Analysis of Trends in the Manufacturing Growth in Last Five years (2006-07 to 2011-12), Research Study, Office of the Economic Adviser, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.
- Solankar, P. G. and Singh, S. P. (1999). Performance assessment of Indian cotton textile spinning firms: an application of DEA model. *Productivity*. Vol. 40 (4), pp. 567.
- Unel, B. (2003). Productivity Trends in India's Manufacturing Sectors in the Last Two Decades. IMF Working Paper, WP/03/22, International Monetary Fund, Washington DC.

# THE ROAD TO REALIZE THE VISION OF HIGHER EDUCATION IN INDIA – AN EMPIRICAL STUDY

Nidhi Gupta★ Manish Madan★★ Nitin Goel★★★

*The aim of this study is to evaluate the service quality in higher education institutions using the dimensions of SERVQUAL model. The education quality stands at the soul of education for all. A modified SERVQUAL instrument along with the focus group interviews is undertaken for this research. The main objectives of this study are to explore the services offered by Institutions of higher education, finding the perception and expectation of the students and thereby to find the gap between them. Exploratory research has been applied; an action research approach was adopted for this line of investigation. The researchers have used primary data through in depth personal interviews with the Head of Departments and Director of post-graduate and under-graduate programs & discussions among two focus groups of HODs & students of different courses. Seven item likert scales were used throughout, anchored by 1 - strongly disagree through to 7 ± strongly agree.*

Keywords: SERVQUAL, Educational Services, Service Quality, Higher Education.

Over the period of last ten years, Indian business and management schools have witnessed an increasing number of under graduate and post-graduate students in anticipation of attaining high quality education which will fulfill their expectations. India seems to have indeed entered a golden era for higher education. Many advanced steps taken in 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> Five Year Plans have come to realization. Today,

- India is the single largest provider of global talent, with one in four graduates in the world being a product of the Indian system
- India is among top 5 countries globally in cited research output, its research capabilities boosted by annual R&D spends totaling over US\$140 billion
- India is in the fourth cycle of its research excellence framework with at least a 100 Indian universities competing with the global best
- 23 Indian universities are among the global top 200 going from none two decades ago.
- In the last 20 years alone, 6 Indian intellectuals have been awarded the Nobel Prize across categories
- India is a regional hub for higher education, attracting global learners from all over the world
- The country has augmented its GER to 50% while also reducing disparity in GER across states to 5percentage points
- The Indian higher education system is needs-blind, with all eligible students receiving financial aid. Two thirds of

all government spending towards higher education is spent on individuals, including faculty and students

- India's massive open online courses, started by several elite research universities, collectively enroll 60% of the world's entire student population
- Indian higher education institutions are governed by the highest standards of ethics and accountability with every single one of them being peer-reviewed and accredited

To sum up, the three tiers of Indian universities produce among the best best-in-class knowledge creators, problem solvers and process managers, who also display deep sense of social, cultural and ecological needs, are collaborative leaders and responsible citizens. In real, the present Indian graduate is an excellent human resource and an admirable human being as well. Even as India deserves to fully revel in its resounding success of the last two decades, it must remember that to maintain its position of leadership in higher education, the next twenty years call for just as much leadership, vision and commitment as did the last twenty, and a golden vision 2050 should be India's next aspiration! ("EY - Higher education in India: Vision 2030 - Ernst & Young." 19 Jun.2014, [http://www.ey.com/Publication/vwLUAssets/Higher-education-in-India-Vision-2030/\\$FILE/EY-Higher-education-in-India-Vision-2030.pdf](http://www.ey.com/Publication/vwLUAssets/Higher-education-in-India-Vision-2030/$FILE/EY-Higher-education-in-India-Vision-2030.pdf) 19 Jun. 2014).

- ★ **Professor & HOD-BBA, Rukmini Devi Institute of Advanced Studies, Rohini, New Delhi.**
- ★★ **Associate Professor, Rukmini Devi Institute of Advanced Studies, Rohini, New Delhi.**
- ★★★ **Assistant Professor, Rukmini Devi Institute of Advanced Studies, Rohini, New Delhi.**

The search of quality has become an important consumer trend (Parasuraman et al. 1985, 1988) and a whole industry centered on the measurement of a consumer and perceived quality satisfaction has arisen (Berry et al. 1988). The nineties can be described as a “decade of heightened interest in quality” (Srikanthan 1999). The term “quality” has been defined from different perspectives and orientations (Shaneyet al. 2004) and according to Tapiero (1996) depends on the person making the definition, the measures applied and the context within which it is considered. “Quality is excellence”, “quality is value”, “quality is conformance to specifications” (Pariseau and McDaniel 1997), “quality is fitness for use” (Juran and Gryna 1988), “quality is conformance to requirements” (Crosby 1979), “defect avoidance” (Crosby 1984), and “meeting and/or exceeding customers’ expectations”, claimed Parasuraman et al. (1985). Many of the well-known definitions of quality emphasize the relationship between quality and a customer’s need and satisfaction (Zafiropoulos et al. 2005). Petruzzelliet al. (2006) stated “the higher the service quality the more satisfied the customers”. In that way, satisfaction is based on customer’s expectations and perception of service quality (Christou and Sigala 2002; Ekinici 2004; Sigala 2004 a,b). Stodnick and Rogers’s (2008) study applied the Servqual instrument to measure student perceptions of service quality in a classroom setting, and the results demonstrated that a customer-centric quality scale such as Servqual could be applied in a classroom setting.

Since the mid-1990s, a large variety of assessment methods have been used to appraise service quality in higher education, namely: student evaluations, importance-performance analysis (IPA), Servperf analysis, gap analysis, and Servqual gap analysis. The Servqual instrument (Parasuraman, Berry, & Zeithaml, 1991, 1994; Parasuraman, Zeithaml, & Berry, 1988)– widely recognized in the service sector as a multi-item scale developed to assess customer perceptions of service quality – has been used to assess service quality in higher education at the undergraduate level (O’Neill, 2003; Pariseau & McDaniel, 1997; Stodnick & Rogers, 2008).

The SERVQUAL approach has been applied in service and retailing organizations (Parasuraman et al., 1988; Parasuraman et al., 1991). Service quality is a function of pre purchase customers, expectation, perceived process quality, and perceived output quality. Parasuraman et al. (1988) defines service quality as the gap between customer’s, expectations of service and their perception of the service experience. Based on Parasuraman et al. (1988) conceptualization of service quality, the original

SERVQUAL instrument included 22 items. The data on the 22 attributes was grouped into five dimensions: Tangibles, Reliability, Responsiveness, Assurance, and Empathy. Numerous studies have attempted to apply the SERVQUAL. This is because it has a generic service application and is a practical approach to the related area. This instrument has been formed to measure service quality in a variety of services such as hospitals (Babakus & Glynn 1992), hotels (Saleh & Rylan 1991), travel and tourism (Fick & Ritchie 1991), a telephone company, two insurance companies and two banks (Parasuraman et al. 1991). SERVQUAL is a multi-item scale developed to assess customer perceptions of service quality in service and retail businesses (Parasuraman et al., 1988). The scale decomposes the notion of service quality into five constructs as follows:

- Tangibles - physical facilities, equipment, staff appearance, etc.
- Reliability - ability to perform service dependably and accurately
- Responsiveness - willingness to help and respond to customer need
- Assurance - ability of staff to inspire confidence and trust
- Empathy - the extent to which caring individualized service is given

SERVQUAL represents service quality as the discrepancy between a customer’s expectations for a service offered and the customer’s perceptions of the service received, requiring respondents to answer questions about their expectations and perceptions (Parasuraman et al., 1988). The use of perceived as opposed to actual service received makes the SERVQUAL measure an attitude measure that is related to, but not the same as, satisfaction (Parasuraman et al., 1988). Parasuraman et al. (1991) presented some revisions to the original SERVQUAL measure to rectify the problems with high means and standard deviations found in some questions and to obtain a direct measure of the importance of each construct to the customer. Later the research analysis reveals that it is possible to integrate the two approaches by integrating Service Quality Gap Analysis and Utility Theory (Robert F Bordley, 2001). The dominant models of Positivistic approach have been created by Christian Gronroos (1984) and Parasuraman, Valarie A Zeithaml and Leonard L Berry (1985). Both models look at service quality gaps between expected service and perceived service from the point of view of the researcher.

They consider service quality as a multidimensional attitude held by consumers where each dimension is made up of a number of attributes. The models assume a rational, rule based review of service quality as an accurate depiction of consumer perception. ("SERVQUAL - IS Theory." 08 Mar. 2014, <http://istheory.byu.edu/wiki/SERVQUAL> 19 Jun. 2014).

However, the Gap Analysis Model of Service Quality created by Parsuraman, Zeithaml and Berry (1988, 1985) is the most widely accepted instrument to measure service quality. They postulated that a-priori factors like personal needs, word-of-mouth influences and past experiences as well as communication by the service organization create expectation of service. A service quality gap results when service perceptions fall short of expectations. Whereas when the service is delivered, the customer forms a Perception. The extent of difference between the two contributes to the customer evaluating the service highly or otherwise. Other researchers have concluded similarly, in terms of prior expectation of the service if formed by the customer's mind using intrinsic and extrinsic cues, previous experience and other information sources (Gould and Williams, 1999). ("Comparison of Customers Perception with Regard to ...." 18 Jan. 2013, [http://www.delhibusinessreview.org/v\\_13n2/v13n2f.pdf](http://www.delhibusinessreview.org/v_13n2/v13n2f.pdf) 19 Jun. 2014). Please refer Figure 1.

The first possible gap is the knowledge gap. The second possible gap is that of standard. It is the result of differences in managing knowledge of the client's expectations and the process of service provision (delivery). The fourth possible gap is the communication gap arising when there is a difference between the delivered service and the service that the company promised to the clients via external communications. According to the model 'Service Quality (SQ) = Perception (P) – Expectation (E)'. For each respondent, the service quality for each dimension is calculated: where SQ is the service quality of the jth dimension, Eij is the expectations for the ith attribute in the jth dimension, Pij is perception for the ith attributes in the jth dimension and nj is the number of attributes in the jth dimension. An average score for each dimension is then calculated across all respondents. A global service quality score is also calculated by taking the arithmetic:

$$SQ_i = \sum_{j=1}^k (P_{ij} - E_{ij})$$

The instrument created by the authors of the Gap Analysis Model, called SERVQUAL includes 5 dimensions of service

quality – Reliability, Responsiveness, Tangibles, Assurance and Empathy. Parsuraman has published studies prior to their paper on the Gaps model wherein they started with 10 dimensions that were tested amongst consumers and judges across various service industries and thus was refined to 5 dimensions before being used in SERVQUAL. Several later models also use the 5 dimensions as bases for evaluating service quality. Research has been conducted across industries and cultural contexts using SERVQUAL (Fornell, C. 1992) Critics of SERVQUAL (Nyeck, S., Morales, M., Ladhari, R., & Pons, F.2002) argue that depending on the context and the particular service industry, the dimensions of quality may be prioritized differently and may even be customized. Some service quality researchers even go to the extent of saying that the difference scores between perception and expectation, as computed using SERVQUAL should be avoided (Peter, Churchill and Brown, 1992) and state that there are serious problems in conceptualizing service quality as a difference score. In their empirical studies, Cronin, Brady and Hult (2000) used a performance-only measure of Service Quality, called SERVPERF, and found that the new scale captured the variation in Service Quality better than SERVQUAL. Where the global service quality score is also calculated by taking the arithmetic: Please refer figure 2.

$$SQ_i = \sum_{i=0}^n P_{ij}$$

## I. Review of Literature

### Service Quality in Education

During the last decade, quality initiatives have been the subject of an enormous amount of practitioner and academic discourse, and at various levels have found agate way into higher education (Avdjieva and Wilson, 2002). In the US many academic institutions have implemented such policies in response to a reduction in student funding, complaints by employers and parents, as well as the pioneering success of such drives in many corporate businesses (Kanji and Tambi, 1999).

However, since the early to mid-1990s a stream of work has explored aspects of service quality relating to the teaching and learning factors, and the environmental attributes influencing higher education (Harrop and Douglas, 1996; Narasimhan, 1997; and Shank et al., 1995), with the majority of such investigations using student evaluations to assess quality (Rowley, 1997; Aldridge and Rowley, 1998). Quality is conformance to requirements

---

(Crosby, 1982). Conceptualized service quality as comprised of three dimensions: physical quality; interactive quality, and corporate quality. Physical quality dimensions refers to the quality of physical elements of service, including tangible products elements that accompany the service offer, supporting equipment and the physical environment where service takes place. Interactive quality dimension refers to the quality of interaction between customer and other elements of service experience, i.e. service personnel, other customers, and machinery and equipment. Corporate quality is the quality dimension which is developed through the years of existence of a service company. It has a symbolic nature and refers to the way potential customers view the corporate entity, its image or profile (U. Lehtinen and J. R. Lehtinen, 1982). The ten dimensions of service quality like accessibility, reliability, responsiveness, competence, courtesy, communication, credibility, security, understanding the customer, and tangibles were identified and presented in a model (Parasuraman, Zeithaml and Berry, 1985).

For educational setting, SERVQUAL can be adapted. It contained 20 of the original 22 SERVQUAL items. After pretesting, two items deemed inappropriate for the educational setting and assessed both the items discriminate and convergent validity of the modified scale, keeping the five dimensions of the SERVQUAL (tangibles, reliability, responsiveness, assurance, and empathy). This has been also found that international business students considered tangibles (e.g. of appealing facilities) one of the two most important factors in their assessment of educational service quality (Tomovick, Jones and Al-Khatib, 1996). Several 'university characteristics' may be useful in explaining the perceived quality among students, these being an emphasis on competent teaching, the availability of staff for student consultation, library services, computer facilities, recreational activities, class sizes, level and difficulty of subject content, and student workload (Adee, 1997).

SERVQUAL framework may be drawn comparisons between faculty members and undergraduate students regarding their expectations and perceptions of professors (Pariseau and McDaniel, 1997). Because of the high competitive intensity surrounding business related courses, institutions need to better understand the nature and quality of service offered. Blanket strategies may not be applicable globally, as different cultures could have different service quality needs (Ford et al., 1999). 'gap analysis' to develop a number of questions in order to compare what students 'look for' (expect) and what they 'experience' on a course (Long et al, 1999). Three factors that appear to be important in a business and management faculty, labeled 'requisite' -

items which were deemed essential to enable students to fulfill their studies, 'acceptable' as those aspects students feel are desirable, and 'functional' - representing items of a practical or utilitarian value (Oldfield and Baron, 2000). SERVQUAL can be applied across a broad range of service organizations coming from different sectors, since it employs psychometric testing and trials. Indeed, since its introduction, SERVQUAL scale has been tested and used in various contents (Wisniewski, 2001). The measurement items failed to load on the five prescribed SERVQUAL dimensions, and discovered that student perceptions of quality had deteriorated - suggesting service quality in higher education may be influenced by time (O'Neill, 2001). 'Guidance services', in 'professional', 'academic' and 'personal' matters play an integral part of the education process in Spain (Vidal et al., 2003). Many American institutions are experiencing a loss in students not returning to campus to complete under graduate programmes. As a result she provides a conceptual framework consisting of three factors based on learning, teaching and resources (Institutional Administrators, Faculty, and Students) which are considered to influence student involvement /learning, which in-turn leads to student retention, and graduation (Lau, 2003). It is delineated that the dimensions of SERVQUAL may be intrinsically linked to the overall quality of service as well as customer satisfaction (Ham and Hayduk, 2003).

#### Objectives of Study

The main objectives of this study are:

- 1.To identify the services offered by Institutions of higher education.
- 2.To develop a better understanding of student perceptions & expectations of quality and standards, in Institutions of higher education.
- 3.To determine whether the expectations and perception of students vary in terms of quality provided by Institutions.

## II. Research Design & Methods

An action research approach was adopted for this line of investigation. In-depth personal interviews were undertaken with Head of Departments and Director of post-graduate and under-graduate programmes. Two focus group discussions were also performed at this stage. The first took place with head of departments, who have responsibility for the daily operations and welfare of such students. The second was conducted with four postgraduate and four undergraduate students. The

framework was then later tested with a small sample of post-graduate and under-graduate students. The entire procedure proved invaluable in helping to develop, test and refine an instrument designed to measure service quality among postgraduate and undergraduate students, and thus provided a significant input into the overall research process. The final instrument consisted of three constituent parts. The first section outlined nineteen statements that were modified from the original SERVQUAL instrument, and this part was used to measure students' expectations prior to coming to the college of higher education. Two subsequent dimensions were added, and these were labeled 'guidance' (items referring to the guidance and support elements provided), and 'institution' (items referring to the facilities that the institute provides). Similar statements were later used in the second section to obtain the students' perceptions. This part also contained a series of questions relating to the performance measures that were earlier highlighted. In an attempt to avoid respondent confusion, seven item likert scales were used throughout, anchored by 1 - Strongly Disagree through to 7 ± Strongly Agree.

#### Limitations of Study

The present research was conducted in various higher education Institutions of Delhi- NCR region so More dimensions of perception & expectation can be added if the research would be conducted state or nation wise.

#### Scope of Study

It is recommended that more research should be undertaken amongst the students studying in institutions of higher education on a global basis. Such kind of research will provide the fruitful data and results can be used in comparing the services being provided by the institution.

### III. Results & Discussion

Table 1 has shown the Mean Scores for the SERVQUAL Expectations and Perceptions while Table 2 has described the Mean Scores for the Institution and Guidance Dimensions. For each of the statements mean values of Perception (P) and Expectation (E) are calculated whereas the third column in the table 1 and 2 represents the gap between the expectation and perception of students towards the higher education institutions. i.e.  $Gap = P - E$  (Parasuraman et al., 1988). The three columns in the table 1 and 2 given the mean scores of summarized results of the perception, expectation and gap scores. However total mean scores and dimension wise average is also shown so that in order to deep understanding of the dimensions required for improving the quality of services in the higher

education. The expectation and perception items were measured using a seven point scale, from 1 = strongly disagree, to 7 = strongly agree, with four serving as a mid point / neutral opinion on the scale.

Service Quality gaps ( $P - E$ ) is being shown in the third column of the table 1a and 1b. It is being observed that all the values in this column are negative, which shows that students expect more from the institutions providing higher education. It shows services are falling short of students expectations.

Table 3 represents the significant difference between the perception and expectation of services on all the dimensions and forty one statements. Two of the paired items under the tangibles dimension – modern looking equipment and neat employees were found to be significant at  $p < .05$ . It can be concluded here that there is a significant difference between the students' expectations and perceptions at the 95 per cent confidence level. However, for all the other statements, there is a statistical significance of  $p < .01$ , which illustrates a statistically significant gap between the students' perceptions and expectations of service at the 99 per cent confidence level.

#### Regression Analysis

All the five factors i.e. Tangibility, Reliability, Responsiveness, Assurance and Empathy are taken as the independent variables while other factors i.e. value for fees paid, satisfaction with the experience and willingness to recommend are serving as the dependent variables. The data is being represented below. All the dimensions i.e. Tangibility, Reliability, Responsiveness, Assurance and Empathy are regressed against one another to check the problem of multicollinearity. In all cases, no significant multicollinearity exists between the dimensions.

The Table 4 illustrates the correlation of student value in terms of fees paid in which it is seen that the value of R Square is 0.254 having a nova F as 6.681 and  $p = .001$  significance. The beta factor is higher in case of Empathy that is 0.370 having  $p = .005$  significance.

The above Table 5 illustrates the correlation of student satisfaction with the experience in which it is seen that the value of R Square is 0.159 having a nova F as 3.591 and  $p = .004$  significance. None of the five factors demonstrated statistical significance for satisfaction.

The above table 6 illustrates the correlation of Students' Willingness to Recommend in which it is seen that the value of R Square is 0.087 having a nova F as 1.967 and  $p = .097$  significance. None of the five factors demonstrated

---

statistical significance for satisfaction.

The findings demonstrate that collectively the SERVQUAL factors serve as a statistically significant contributor in terms of value for fees, satisfaction, and a willingness to recommend. Later this was raised with the respondents during the qualitative follow up.

#### IV. Conclusion

As per the various dimensions of SERVQUAL model it is found that the institutions of higher education are performing sufficiently well. The negative gap score is contended in terms of students' lack of experience and knowledge to judge certain dimensions. Therefore, to some extent the gaps may be expected, and the issue of 'experience' comes into the equation, which has been previously raised as one of SERVQUAL 's limitations (c.f. Buttle, 1996). As each of the dimensions of the SERVQUAL model containing forty one statements tested significantly the institution could adopt a corporate policy drive to improve quality across the board. The Most important areas as perceived by the students need more attention however. From the data collected, it was revealed that the Reliability and Institution dimensions seemed to be the two most relatively important issues. Hence, certain lecture theatres need to be re-vamped, and there is a genuine need to create state of the art study rooms for post-graduates, reduce class teacher ratio, and provide training to operate the technical equipment well.

#### Recommendations

1. Institutions and the education Industry must explain the relationship between fees and the quality and value of their degree.
2. To support student preference, the institutes should provide more information and transparent system of information on how the fees is spent on teaching and training activities, how much qualified the trainers are in their subjects and for teaching, how are trainers hired and trained and how teaching is structured and allocated.
3. There should be better coordination between academic staff and library staff about the availability and accessibility of resources. The trainers must check the availability and the price of the learning material at the time of recommending that to students.
4. The Institutions must be capable to decide the amount of training by using technology and Face to Face interaction as the direct interaction is able to create an active and collaborative learning environment.

5. Students need more support for placement and development opportunities, including internships, placements and work experience. The Institutions must focus on the development of employment opportunities for their students rather than just selling their product.
6. Staff should be supported, trained and developed to enhance the skills of teaching and learning; good trainers should be retained as a priority.

#### References

- Adee, A. (1997). Linking Student Satisfaction and Service Quality Perceptions: The Case of University Education, *European Journal of Marketing*, 37(7), 528-535.
- Aldridge, S. and Rowley, J. (1998). Measuring Customer Satisfaction in Higher Education, *Quality Assurance in Education*, 6(4), 197-205.
- Avdjieva, M. and Wilson, M. (2002). Exploring the Development of Quality in Higher Education<sup>o</sup>, *Managing Service Quality*, 12(6), 372-383.
- Babakus E. and Mangold W. G. (1992). Adapting SERVQUAL Scale to Hospital Services: An Empirical Investigation, *Health Services Research*, 26, 767-86.
- Barnes, B. (2007). Analysing service quality: the case of postgraduate Chinese students, *Total Quality Management and Business Excellence*, 18(3), 313-331.
- Berry, L. L., Parasuraman, A. and Zeithaml, V. A. (1988). The service-quality puzzle, *Business Horizons*, September/October.
- Bordley R. (2001). Integrating Gap Analysis and utility theory in service research , *Journal of Service Research* 3,4.
- Christou, E. and Sigala, M. (2002). Conceptualising the measurement of service quality and TQM performance for hotels : the HOSTQUAL model, *Acta Touristica*, 14(2), 140-169.
- Cronin, J. J., Brady, M. K, and Hult, G. (2000). Assessing the Effects of Quality, Value, and Customer Satisfaction on Consumer Behavioral Intentions in Service Environments. *Journal of Retailing*, 76(2), 193-218.
- Crosby, P. B. (1979). *Quality is Free*. McGraw Hill, New York, NY.

- Crosby, P. B. (1984). *Quality without Tears*. McGraw Hill, New York, NY.
- Ekinçi, Y. (2004). An investigation of the determinants of customer satisfaction, *Tourism Analysis* 8: 197–203.
- Fick, G.R. and Ritchie, J.R.B. (1991). “Measuring service quality in the travel and tourism industry”, *Journal of Travel Research*, 30(2), Autumn, 2-9.
- Ford, J. B., Joseph, M. and Joseph, B. (1999). Importance-Performance Analysis as a Strategic Tool for Service Marketers: The Case of Service Quality Perceptions of Business Students in New Zealand and the USA, *The Journal of Services Marketing*, 13(2), 171-181.
- Fornell, C. (1992). A national Customer Satisfaction Barometer: The Swedish Experience. *Journal of Marketing*, 56(1), 621.
- Gould-Williams J (1999) The impact of employee performance cues on guest loyalty, perceived Gronroos (1984). A Service Quality Model and its Marketing Implications, *European Journal of Marketing*, 18(4), 73-82.
- Ham, L. and Hayduk, S. (2003). Gaining Competitive Advantages in Higher Education: Analyzing the Gap between Expectations and Perceptions of Service Quality, *International Journal of Value ± Based Management*, 16(3), 223-238.
- Harrop, A. and Douglas, (1996). Do Staff and Students see Eye to Eye?, *New Academic*, 5, 8-9.
- Hill, F. M. (1995). Managing Service Quality in Higher Education: The Role of the Student as Primary Consumer, *Quality Assurance in Education*, 3(3), 10-20.
- Juran, J. M. and Gryna, F. M. (1988). *Juran’s Quality Control Handbook*. Jr (Eds.) McGraw-Hill, New York, NY.
- Kanji, G. K. and Tambi, A. M. B. A. (1999), Total Quality Management in UK Higher Education Institutions, *Total Quality Management*, 10(1), 129-153.
- LaBay, D. G. and Comm, C. L. (2003). A Case Study Using Gap Analysis to Assess Distance Learning versus Traditional Course Delivery, *The International Journal of Education Management*, 17(6&7), 312-317.
- Lampley, J. H. (2001). Service Quality in Higher Education: Expectations versus Experiences of Doctoral Students°, *College and University*, 77(2), 9-14.
- Lau, L. K. (2003). Institutional Factors Affecting Student Retention, *Education*, 124(1), 126-136.
- Long, P., Tricker, T., Rangecroft, M. and Gilroy, P. (1999). Measuring the Satisfaction Gap: Education in the Market Place, *Total Quality Management*, 10(4&5), 772-778.
- Narasimhan, K. (1997). Improving Teaching and Learning: Perceptions minus Expectations Gap Analysis Approach, *Training for Quality*, 5, 121-125.
- Nyeck, S., Morales, M., Ladhari, R., & Pons, F. (2002). “10 years of service quality measurement: reviewing the use of the SERVQUAL instrument.” *Cuadernos de Diffusion*, 7(13), 101-107. Retrieved July 8, 2007, from EBSCOhost database.
- O’Neill, M. (2003). The influence of time on students’ perceptions of service quality: The need for longitudinal measures, *Journal of Educational Administration*, 41(3), 310–325. *Marketing*, 58, January, 111-124.
- Oldfield, B. M. and Baron, S. (2000). Student Perceptions of Service Quality in a UK University Business and Management Faculty, *Quality Assurance in Education*, 8(2), 85-94.
- Owlia, M. S. and Aspinwall, E. M. (1996). A Framework for the Dimensions of Quality in Higher Education°, *Quality Assurance in Education*, 4(2), 12-19.
- Parasuraman, A., Zeithaml, V. and Berry, L.L. (1991b), “Refinement and reassessment of the
- Parasuraman, A., Zeithaml, V. and Berry, L.L. (1993), “Research note: more on improving service quality measurement”, *Journal of Retailing*, 69(1), Spring, 140-147.
- Parasuraman, A., Zeithaml, V. and Berry, L.L. (1994). “Reassessment of expectations as a comparison standard in measuring service quality: implications for future research”, *Journal*
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985). A Conceptual Model of Service Quality and Its Implications for Future Research°, *Journal of Marketing*, 49, 41-50.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1988).

- SERVQUAL: A Multiple Item Scale for Measuring Service Quality<sup>o</sup>, *Journal of Retailing*, 64(1), Spring, 12-40.
- Pariseau, S. E. and McDaniel, J. R. (1997). Assessing Service Quality in Schools of Business, *The International Journal of Quality and Reliability Management*, 14(3), 204-215.
- Petruzzellis, L., D'Uggento, M. A. and Romanazzi, S. (2006). Students' satisfaction and quality of service in Italian universities, *Managing Service Quality*, 16(4), 349-364.
- Rowley, J. (1997). Beyond Service Quality Dimensions in Higher Education and Towards a Service Contract, *Quality Assurance in Education*, 5(1), 7-15.
- Sahney, S., Banwet, D. K. and Karunes, S. (2004). A SERVQUAL and QFD approach to total quality education A student perspective, *International Journal of Productivity and Performance Management*, 53(2), 143-166.
- Saleh, F. and Ryan, C. (1992), "Analysing service quality in the hospitality industry using the SERVQUAL model", *Services Industries Journal*, 11(3), 324-343.
- Sander, P., Stevenson, K., King, M. and Coates, D. (2000). University Students' Expectations of Teaching<sup>o</sup>, *Studies in Higher Education*, 25(2), 309-323.
- SERVQUAL scale", *Journal of Retailing*, 67(4), 420-50.
- Shank, M., Walker, M. and Hayes, T. J. (1995). "Understanding Professional Service Expectations: Do we Know What our Students Expect in a Quality Education?", *Journal of Professional Services Marketing*, 13, 71-89.
- Srikanthan, G. (1999). Universities and quality: A world view, in 11th International Conference on Assessing Quality in HE, Manchester, UK.
- Tapiero, C. S. (1996). *The Management of Quality and its Control*, Chapman and Hall, London.
- value and service quality. *ServInd J*, 19(3), 97-118.
- Vidal, J., Diez, G. and Vieira, M. J. (2003). Guidance Services in Spanish Universities, *Tertiary Education and Management*, 9(4), 267-280.
- Zafiroopoulos, C., Fragidis, G., Kehris, E., Dimitriadis, S. and Paschaloudis, D. (2005). Service quality assessment in higher education, the case of Technological Educational Institute (T.E.I.) of Serres, Greece, in 9th International Conference on Marketing and Development: Marketing Contributions to Prosperity and Peace, Thessaloniki, Greece, June 8-11.

**Table 1: Mean Scores for the SERVQUAL Expectations and Perceptions**

DIMENSIONS	Perception(P)	Expectation(E)	P – E
<b>Responsiveness</b>			
1. Prompt services by employees of Institution	4.81	5.77	- 0.96
2. Teaching and Non teaching staff willing to help students	5.24	6.00	- 0.76
3. Prompt response to requests of students by employees	4.65	5.49	- 0.84
<b>Total</b>	<b>14.7</b>	<b>17.26</b>	<b>-2.56</b>
<b>Average Total</b>	<b>4.9</b>	<b>5.75</b>	<b>- 0.85</b>
<b>Assurance</b>			
4. Instill confidence	4.76	5.57	- 0.81
5. To be courteous	5.01	5.52	- 0.51
6. Have knowledge	5.24	6.08	- 0.84
<b>Total</b>	<b>15.01</b>	<b>17.17</b>	<b>- 2.16</b>
<b>Average Total</b>	<b>5.00</b>	<b>5.72</b>	<b>0.72</b>
<b>Empathy</b>			
7. Teaching staff provide individual attention to students	4.08	5.28	- 1.2
8. Support staff provide individual attention to students	4.04	5.31	- 1.27
9. Employees of Institution understand needs of students	3.95	5.37	- 1.42
10. Employees of Institution have best interests at heart	4.18	5.23	- 1.05
11. Institutions have convenient hours	4.07	6.16	- 2.09
12. Institutions office has convenient hours	4.18	5.78	- 1.6
<b>Total</b>	<b>24.5</b>	<b>33.13</b>	<b>- 8.63</b>
<b>Average Total</b>	<b>4.08</b>	<b>5.52</b>	<b>- 1.44</b>
<b>Tangibles</b>			
13. Institutions have modern looking equipment	5.29	5.46	- 0.17
14. The employees are neat and clean.	5.34	5.81	- 0.47
15. Materials of the Institution is visually appealing	5.03	5.58	- 0.55
<b>TOTAL</b>	<b>15.66</b>	<b>16.85</b>	<b>- 1.19</b>
<b>AVERAGE TOTAL</b>	<b>5.22</b>	<b>5.61</b>	<b>- 0.39</b>
<b>Reliability</b>			
16. Employees of Institution deliver services on-time	5.19	6.06	- 0.87
17. Employees of Institution are ready to solve problems	4.63	5.84	- 1.21
18. Employees of Institution perform right the first time	4.86	5.77	- 0.91
19. Employees inform of events and services	5.04	5.87	- 0.83
<b>Total</b>	<b>19.72</b>	<b>23.54</b>	<b>- 3.82</b>
<b>Average Total</b>	<b>4.93</b>	<b>5.88</b>	<b>- 0.95</b>
<b>Servqual Totals</b>	<b>89.59</b>	<b>107.95</b>	<b>- 18.36</b>
<b>Servqual Average</b>	<b>4.826</b>	<b>5.696</b>	<b>- 0.87</b>

**Table 2: Mean Scores for the Institution and Guidance Dimensions**

Dimensions	Perception(P)	Expectation(E)	P – E
<b>Institution</b>			
20. Adequate sports and recreation facilities in Institution	4.22	5.54	- 1.32
21. Location of Campus is suitable	5.45	5.73	- 0.28
22. Layout of campus is suitable	5.15	5.42	- 0.27
23. Library facilities are suitable	5.71	6.52	- 0.81
24. Adequate books are available in library	4.83	6.22	- 1.39
25. Healthcare provisions are adequate in the Institution	4.64	5.50	- 0.86
26. Financial services are adequate in the Institution	3.92	5.21	- 1.29
27. Class sizes are suitable	4.22	5.87	- 1.65
28. Appropriate level / difficulty of study	4.85	5.89	- 1.04
29. Work load is adequate	4.85	5.56	- 0.71
30. Students are treated as a client	4.44	4.87	- 0.43
31. Comfortable lecture theatres available for the students	4.84	6.24	- 1.4
32. Sufficient computing facilities	5.41	6.17	- 0.76
33. Adequate study areas	4.48	5.87	- 1.39
34. Adequate media support	4.49	5.95	- 1.46
35. Refreshment areas are suitable and comfortable	4.07	5.38	- 1.31
36. Reasonably priced refreshments is available for students	3.47	5.84	- 2.37
<b>Total</b>	<b>79.04</b>	<b>97.78</b>	<b>- 18.74</b>
<b>Average Total</b>	<b>4.65</b>	<b>5.75</b>	<b>- 1.10</b>
<b>Guidance</b>			
37. Suitable career guidance provided by faculty and placement cell	4.66	5.84	- 1.18
38. Suitable academic guidance by the faculty of Institution	5.12	6.08	- 0.96
39. Guidance on personal matters by the Personal contact forum	4.15	5.09	- 0.94
40. Guidance on cultural issues	4.26	5.22	- 0.96
41. Suitable induction facility	4.45	5.48	- 1.03
<b>Total</b>	<b>22.64</b>	<b>27.71</b>	<b>- 5.07</b>
<b>Average Total</b>	<b>4.528</b>	<b>5.542</b>	<b>- 1.014</b>
<b>Servqual Totals</b>	<b>101.68</b>	<b>125.49</b>	<b>- 23.81</b>
<b>Servqual Average</b>	<b>4.589</b>	<b>5.646</b>	<b>- 1.057</b>

Table 3: Paired Sample T-Test Statistics

Dimensions	t-value	p-value
<b>Responsiveness</b>		
1. Prompt services by employees of Institution	6.87	.000
2. Teaching and Non teaching staff willing to help students	6.45	.000
3. Prompt response to requests of students by employees	5.08	.000
<b>Assurance</b>		
4. Instil confidence	6.37	.000
5. To be courteous	5.05	.000
6. Have knowledge	6.39	.000
<b>Empathy</b>		
7. Teaching staff provide individual attention to students	7.24	.000
8. Support staff provide individual attention to students	6.84	.000
9. Employees of Institution understand needs of students	7.94	.000
10. Employees of Institution have best interests at heart	5.81	.000
11. Institutions have convenient hours	9.55	.000
12. Institutions office has convenient hours	8.58	.000
<b>Tangibles</b>		
13. Institutions have modern looking equipment	2.24	.027*
14. The employees are neat and clean.	2.18	.031*
15. Materials of the Institution is visually appealing	4.52	.000
<b>Reliability</b>		
16. Employees of Institution deliver services on-time	6.54	.000
17. Employees of Institution are ready to solve problems	7.95	.000
18. Employees of Institution perform right the first time	7.51	.000
19. Employees inform of events and services	5.49	.000
<b>Institution</b>		
20. Adequate sports and recreation facilities in Instituion	7.55	.000
21. Location of Campus is suitable	2.68	.007
22. Lay out of campus is suitable	3.51	.001
23. Library facilities are suitable	5.84	.000
24. Adequate books are available in library	8.24	.000
25. Healthcare provisions are adequate in the Institution	6.54	.000
26. Financial services are adequate in the Institution	8.12	.000
27. Class sizes are suitable	8.44	.000
28. Appropriate level/ difficulty of study	5.44	.000
29. Work load is adequate	4.21	.000
30. Students are treated as a client	2.54	.006
31. Comfortable lecture theatres available for the students	8.75	.000
32. Sufficient computing facilities	5.46	.000
33. Adequate study areas	7.48	.000
34. Adequate media support	7.86	.000
35. Refreshment areas are suitable and comfortable	6.33	.000
36. Reasonably priced refreshments is available for students	9.24	.000
<b>Guidance</b>		
37. Suitable career guidance provided by faculty and placement cell	6.48	.000
38. Suitable academic guidance by the faculty of Institution	6.21	.000
39. Guidance on personal matters by the Personal contact forum	5.42	.000
40. Guidance on cultural issues	8.78	.000
41. Suitable induction facility	7.21	.000

**Table 4: The Correlates of Student Value**

Dimensions	Beta	T	Sig
Responsiveness	0.87	0.766	0.439
Assurance	0.07	0.101	0.912
Empathy	0.370	2.883	0.000
Tangibles	0.034	0.388	0.691
Reliability	0.064	0.562	0.568
<b>R Square</b>	0.254		
<b>R Square (Adj)</b>	0.249		

**ANOVA**

Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	51.11	5	10.222	6.681	.000
Residual	147.02	96	1.53		
Total	198.13	101			

**Table 5: The Correlates of Student Satisfaction with the Experience**

Dimensions	Beta	t	sig
Responsiveness	0.117	0.943	0.348
Assurance	0.062	0.516	0.605
Empathy	0.173	1.270	0.207
Tangibles	-0.057	-0.559	0.576
Reliability	0.149	1.170	0.245
<b>R Square</b>	0.159		
<b>R Square (Adj)</b>	0.115		

**ANOVA**

Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	19.54	5	3.908	3.591	0.003
Residual	104.50	96	1.088		
Total	124.04	101			

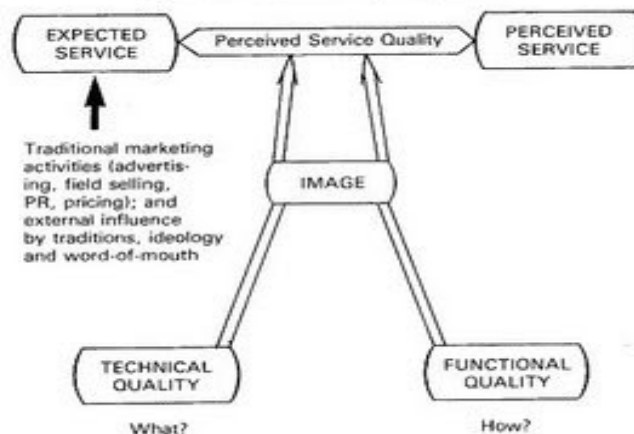
**Table 6: The Correlates of the Students' Willingness to Recommend**

Dimensions	Beta	t	sig
Responsiveness	0.094	0.692	0.491
Assurance	0.069	0.513	0.609
Empathy	0.061	0.409	0.684
Tangibles	-0.034	-0.324	0.747
Reliability	0.165	1.203	0.234
<b>R Square</b>	0.087		
<b>R Square (Adj)</b>	0.042		

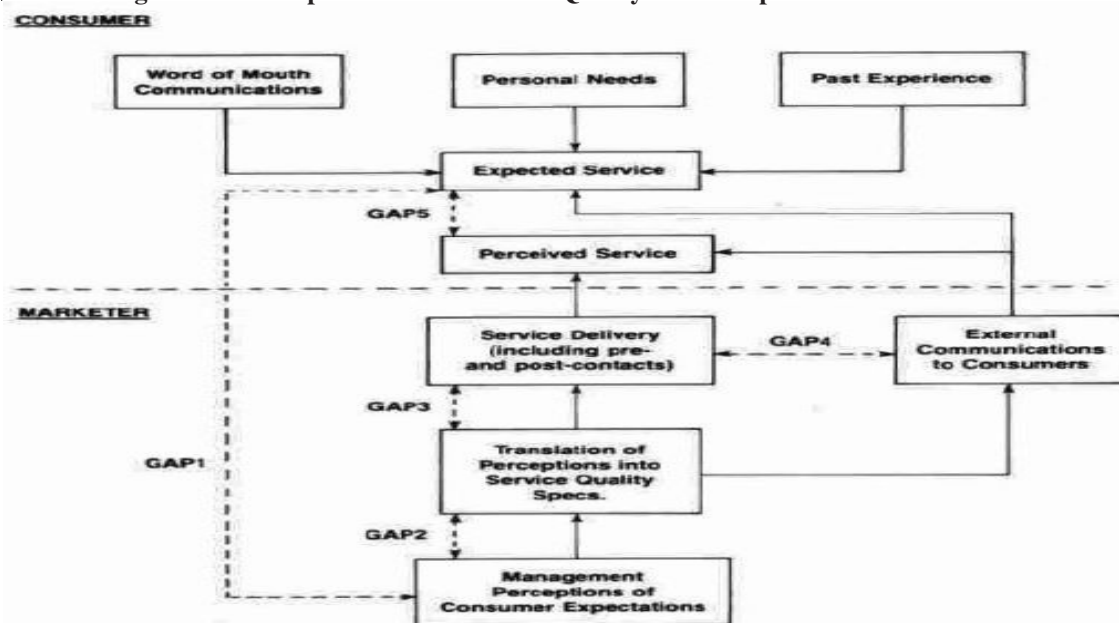
**ANOVA**

Model	Sum of Squares	Df	Mean Square	F	sig
Regression	13.98	5	2.796	1.967	0.091
Residual	136.47	96	1.421		
Total	150.45	101			

**Figure 1. The Service Quality Model**



**Figure 2: A Conceptual Model of Service Quality and its Implications for Future Research**



Source: A. Parsuraman, Valarie A Zeithaml and Leonard L Berry, "A Conceptual Model of Service Quality and its Implications for Future Research", Journal of Marketing, fall 1985, p.44.

# EMPIRICAL EVIDENCE ON EMPLOYER BRANDING AND ITS IMPACT ON THE FORMATION OF PSYCHOLOGICAL CONTRACT

Ruchika★ Garima Bains★★

*In today's competitive environment where every organization is trying to be at the forefront it has become an obligation for all the organizations to live up to the expectations of their stakeholders specially their employees. Due to increasing global shortage of talent driven by the ageing population, increased mobility of workers, migration, technological advances and an increase in culture diversity in organizations are some of the reasons when employer branding is now high on the leadership agenda. This includes direct and indirect experiences of dealing with the firm. Employer branding is defined as a targeted long term strategy to manage awareness and perceptions of employees, potential employees and related stakeholders with regards to a particular firm. Successful employer branding impacts the building of psychological contract amongst the potential employees which helps in creating the employer value proposition for the organization. Psychological contract is an unwritten and unlike the written contract, is continually changing. By nature it is generally unspoken and dependent on the interpretation of all parties. This study identifies the contemporary dimensions of employer branding from the perspective of the prospective employees. This paper also studies the impact of employer branding on the formation of psychological contract in terms of elemental beliefs with respect to three major IT companies TCS, Wipro and Infosys.*

Keywords: Employer, attractiveness, employees, branding.

Branding was originally used to differentiate tangible products, but over the years it has been applied to differentiating people, places and firms (Peters, 1999). According to Aaker (1991) employer branding has become a new approach for gaining an edge in the competitive world. It refers to the process of identifying and creating a company brand message, applying traditional marketing principles to achieving the status of employer of choice (Sutherland et al., 2002). According to Barrow and Mosley (2005), employer branding is used not only to transfer the message of the personality of a company as an employer of choice, but it also has been used to adapt the tools and techniques usually used to motivate and engage employees. Like a consumer brand, it is an emotional relationship between an employer and employee.

According to Sullivan (2004), employer branding is a long term strategy to manage the awareness and perceptions of current employees, potential employees, and related stakeholders with regards to a particular firm. Employer 'attractiveness' is defined as the envisioned benefits that a potential employee sees in working for a specific organization. It is the way through which a company attracts human asset with the right skill set and intention to stay with the organization. Employer 'branding' uses the effective tools of marketing research and advertisements to create a desired and healthy image of their organization

in the minds of their prospective employees. As the time changes the advertisement and branding efforts do change as per the expectations of the customer. There will always be the gap in the perception of one generation from the other and organizations need to realize the gap and make the desired changes. This study has taken the basis from Employer Attractiveness Scale developed by Berthon et al. (2005).

Employer branding also plays a vital role in constructing the psychological contract among the prospective employees and helps in attracting the prospective employees and creating the "employer value proposition" for the organization. Primarily, the Psychological Contract refers to the relationship between an employer and its employees, and specifically concerns mutual expectations of inputs and outcomes. In management, economics and HR (human resources) the term 'the Psychological Contract' commonly and somewhat loosely refers to the actual - but unwritten - expectations of an employee or workforce towards the employer.

The concept of the psychological contract has garnered wide support, not only from organisational scholars examining the impact of changes in employment on the

★ Assistant Professor, Delhi Institute of Advanced Studies.

★★ Student, Delhi Institute Of Advanced Studies

---

individual, but also from managers and employees in the workplace who see it as an important motivational issue (Coyle-Shapiro et al. 2004; Hiltrop 1995a, 1995b; Kabanoff et al. 2000; Shore et al. 2004). This positive endorsement of the psychological contract concept by academics, managers and employees alike stems in part from its fit with the market philosophy and contract culture that has dominated economic policy and business thinking in the last two decades (Rawsthorne 2005).

## I. Review of Literature

Employer branding is not much explored research area and thus it's not supported by large amount of literature Ewing, Pitt et al. (2002). Now the organizations are moving from using the internal branding and employee branding to the term employer branding and external marketing. Employer branding was first conceptualized by Ambler and Barrow (1996) in their research wherein they assessed the possible application of branding techniques to better management of human resource. An employer brand offers developmental, monetary benefits and psychological benefits. Moving on this trend, there were three identified dimensions that defined employer identity, namely psychological, functional and economic factors. Backhaus and Tikoo (2004) suggest that employer branding is a process based on the assumption that employee can get value for the company as discussed in the very beginning of this study. They suggest that organizations can attract the best pool of talent by establishing itself as employer of choice. This can be done by the right branding effort which leads to right applicants applying for the job. Therefore, Backhaus and Tikoo (2004) define the employer brand as "the process of building an identifiable and unique employer identity" which should be able to differentiate the employer from its competitors. Previous to this, Collins and Stevens (2002) suggests that employer brand is an effective tool of external marketing and has a positive influence on increasing the quality and quantity of applicants for a job. This was also supported by Fulmer et al. (2003) through his research. Berthon et al. (2005) contributed to employer branding through their widely known empirical research wherein they developed a scale for the measurement of employer attractiveness of an employer. They constructed a 32- item Employer Attractiveness Scale (EmpAt) by collecting data from 683 university students which were just six months away from their jobs. They identified five factors namely, interest value, social value, economic value, development value and application value which can successfully contribute in attracting and retaining new and right employees. Melin (2005) highlights the similarities

and dissimilarities between external and internal brand images of a company. The research was conducted in three companies and resulted into the three important factors, good leadership/management, innovative solutions and a strong company culture that influence competition in the labour market. Also she identified five components of employer brand namely, product/company brand strength, compensation and benefits, work life balance, work environment and company culture and environment. Davies (2008) emphasize on the impact of employer branding in influencing employees' perceived differentiation, affinity, satisfaction and loyalty – four outcomes chosen as relevant to the employer brand. The findings suggested that employer brand is an important aspect but results also suggest that it's not an easy aspect to manage it efficiently. In continuation to this Roy (2008) conducted a research to identify the dimensions of an employer brand in the Indian context. He further explored the research conducted by Berthon et al. (2005) by reviewing it in Indian context and added two more factors to the scale strong and clear company culture and an ethical organization. Moroko and Uncles (2008) also supported his view culture has a great role to play in making an employer attractive.

The younger generation of workers (especially generation Y) has higher and different expectations concerning job challenges and success; they request 'the job promotion' more quickly than their baby boomers' Smola, Sutton (2002). Also the students think that the companies who have CSR initiatives are better employers due to the respect and reputation they earn in the society (Albinger and Freeman, 2000). A study conducted by McKinsey (2004) found that there are certain factors to which current generation is attracted to. They are fun place to work, training opportunities, innovative company etc. Aubin et al. (2008) also states that innovative company and opportunity to grow is an important parameter over salary for attracting the current generation. J. Sullivan (2007) proposed the different parameters of employer branding such as (i) a culture of sharing and continuous improvement, (ii) a balance between good management and high productivity, (iii) obtaining public recognition (great-place to-work lists), (iv) employees "proactively" telling stories, (v) getting talked about, (vi) becoming a benchmark firm, (vii) increasing candidate awareness of your best practices, (viii) branding assessment metrics. This research has been undertaken to identify the different factors of employer attractiveness in Indian context. Though Berthon et al. (2005) has identified different dimensions of employer attractiveness in global context and Roy (2008) has identified it in Indian context but still rationality and changing demands

---

of the current generation along with the incessant changes in the external as well as internal business environment has laid down a basis for modifications in already existing scale of employer attractiveness. Keeping these changes in concern the current study fills this research gap by developing a modified employer branding scale for Indian IT companies.

#### Formation of Psychological Contract

The concept of the psychological contract concerns the relation between employer and employee and the implied expectations or obligations these have to one another.

Rousseau (1989 p. 123) argued that the term psychological contract refers to an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party. A revised definition offered by Rousseau (2001, p. 512), often recited by others, still emphasise the individual employee in stating that the psychological contract comprises subjective beliefs regarding an exchange agreement between an individual and, in organisation typically, the employing firm and its agents.

The link between employer branding and the formation of the psychological contract is anchored in the acceptance of a psychological contract between the individual employee and the organisation (Cullinane & Dundon, 2006; Morisson & Robinson, 1997). This enables the connection between employer branding and the psychological contract as the contract can be based on employee's general expectations towards the organisation and the type of employment relationship the organisation offers. The employment brand message initiates the formation of the psychological contract through employer related associations creating elemental beliefs (expectations and obligations) towards employment relationship.

#### Research Objectives

- 1.To determine contemporary dimensions of employer branding
- 2.To study the impact of employer branding on the formation of psychological contract among the prospective employees.

## II. Research Design & Methods

The experimental part of the research aims at the identification of attractiveness dimensions of employer brand and to study the impact of employer branding on the formation of Psychological Contract with reference to

certain elemental beliefs in psychological contract in top Indian IT companies.

#### Survey Instrument

The survey instrument is adopted by the already developed and validated employer attractive scale of Berthon et al. (2005). This is the only scale in the literature which has explored the different dimensions of employer branding in global context. Hence the scale was adopted for the current study. However this has been modified to support the present context. The different factors such as corporate social responsibility undertaken by the companies especially after the amendment of Companies Act , use of social media for the betterment of the society, excursion trips and foreign assignments, fun component are some of the components added to already existing scale. A structured questionnaire was developed covering all the important dimensions covered under literature review discussed above employer branding and presented to MBA and MCA students of different universities in Delhi.

#### Sampling and Data Collection

The study was conducted in Delhi region. A convenience sampling has been used to select the respondents for the study. In all 190 questionnaires were distributed, and 156 were completely filled in by the respondents resulting in the response rate of 82.1% which is adequate for this survey (Malhotra, 2005). Respondents were asked to rate all the factors on likert scale of five points which is the most popular choice for ordinal scale. The weight of 5 has been assigned to very important and 1 to not at all important.

Table 1: Summary of Sampling Technique (Annxr. table 1)

Table 2: The demographic profile of the respondents (Annexure table 2)

## III. Results & Discussion

Principal component analysis with varimax rotation is applied with Kaiser Normalization to 29 factors analyzed through literature review and applied exploratory research. The correlations between factors and the different items expressed by means of the factorial loads were significant. The Kaiser- Meyer-Olkin measure of sampling adequacy came out to be 0.888 which is above 0.65 (the acceptable level). This shows that the items selected for the questionnaire are appropriate. The chi- square value of Bartlett's Test of Sphericity was found to be significant (chi sq= 2758.53, p= .000), that indicates the factor analysis is acceptable. The factor analysis generated five components with eigenvalues above 1. The varimax rotation

---

clubbed the items on five components. The result of the analysis is shown in Table 1. As presented in the given table there were five factors extracted accounting for 70% of the total variance. Factor loading greater than 0.40 was retained. The Cronbach's alpha reliability of this questionnaire was found to be 0.834, which is an acceptable. The screen plot of factor analysis is also shown in figure 2, and thus confirms the solution of five quotients in the study. The components retained after factor analysis are organization quotient, interpersonal quotient, human resource development quotient, cultural and ethical quotient and societal quotient as shown in Table 3 in annexure.

**Organization quotient:** These factors are related to the organization. This includes financial stability of an organization, job security, its effective leadership and management, positive working environment, attractive compensation package, Innovative and learning nature along with novel work practices and forward thinking nature. This component accounted for about 43% of the total variance. The Cronbach's alpha for this component was found to be 0.920.

**Interpersonal Quotient:** This component is the extent of positive interpersonal relations in an organization. This includes Good relationship with superiors and subordinates, High morale and motivation among employees, Supporting and encouraging colleagues, Employees are encouraged to use social media, Mentors to guide at the entry level, and employee Retention campaigns. This component accounted to approximately 10% of the total variance. The Cronbach's alpha in this case was .864.

**HRD Quotient:** This explains the extent to which an individual expect opportunities for development being the part of an organization. This is the extent to which an individual is attracted to the factors such as technology driven organization, foreign assignments and placements and Excursion trips and fun component. This component accounted for 6.4% of the total variance. The Cronbach's alpha in this case was 0.791.

**Cultural and Ethical Quotient:** This reflects the cultural and ethical aspect of an organization. This is one of the most important parameter to decide the repute of an organization. This involves the aspect such as organization is customer oriented and ethical in nature. It focuses on all its stakeholders and has strong and clear company culture. This amounted to 5.2 % of the total variance and Cronbach's alpha value in this case was 0.89.

**Societal Quotient:** It is an extent to which an organization believes in being the part of the society and considers

servicing the society as their moral obligation. This involves an organization is focused on CSR: Corporate Social Responsibility activities, believes in giving back to the society and takes social initiatives for the betterment of their society. This amounted to 4.2 % of the total variance. Cronbach's alpha was 0.75 in this case.

#### Elemental beliefs in Psychological Contract

This aspect focuses on the second objective of study that is impact of employer branding on formation of psychological contract among prospective employees. The elemental beliefs in psychological contract will be considered through above components which are depicted after factor analysis.

Employer branding dimensions and its impact on formation of psychological contract (Please refer Figure 1)

#### Psychological Contract and Organization Quotient:

The organization quotient selected above act as an employer brand message in the formation of psychological contract. The content of this message is essentially the employer brand offering as proposed by the specific organisation, and typically comprise the functional, symbolic, and psychological benefits obtained by employment in the organisation. It develops the psychological contract with the prospective employees in form of his or her expectations towards the organization and its work culture. (Eshoj A.N. 2012)

#### Psychological Contract and interpersonal quotient:

The components of interpersonal quotient help the organization in forming the association with the prospective employees. These associations in turn lead to the development of elemental beliefs regarding the employment relationship and perceived organisational promises or obligations.

#### Psychological Contract and HRD Quotient:

HRD quotient includes the opportunity provided to the individuals for his or her career growth and growth of organization. The prospective employees are more inclined to those organizations where the growth opportunities are high and also the innovations in work culture are used. The elemental beliefs based on this might be that hard work and delivering results will lead to career development opportunities and other talent management privileges. In turn, associating meanings to this, a transactional psychological contract might develop and set forth certain expectation to the employment relationship. (Eshoj A.N. 2012)

---

#### Psychological Contract and Cultural and Ethical Quotient:

This is most important parameter in creating psychological contract with prospective employees. It helps in creating an interpretation of individual towards the organization. The type of interpreted associations depends upon the individual's mental schema and what type of previous experiences composes the mental model. Further, the associations depend upon the individual's existingschemas regarding other contextual factors such as culture and ethical quotient, the working culture of the organization etc. these are act as elemental beliefs which result in a highly result-oriented culture and set of values communicated through the employer brand) might lead to an expectation of a transactional contract. ( Eshoj A.N. 2012)

#### Psychological Contract and Social Quotient:

This focuses on that the organization believes in being the part of the society and considers serving the society as their moral obligation i.e. focus heavily on CSR and sustainability related topics through their employer brand e.g. promoting a very "green" profile. This could lead to association of ethic and sustainable business processes focusing on not harming the environment and so forth. In turn, this could lead to the assumptions or elemental beliefs that working within that particular organization equals working in an organization supporting environmental causes and sustainable business processes. This can lead to the development of an ideological psychological contract (associated meanings) and thus certain expectations towards the employment relationship.( Eshoj A.N. 2012)

These elemental beliefs help the prospective employees in developing the association that lead to an expectation regarding a potential employment relationship with the particular organization.

#### COMPARATIVE ANALYSIS OF IT COMPANIES-With respect to Elemental beliefs in Psychological Contract

The top IT companies were analyzed on the all the above elemental beliefs of Psychological Contract and mean were computed for each of the company. The result shows that TCS has the highest score against Infosys and Wipro which shows that the prospective employees can able to create better expectations with the organization and it shows the positive attitude of prospective employees towards the TCS and helps in making the TCS as employer of choice(EOC).

Looking at the table 4 in annexure individual score of TCS, Interpersonal quotient has the maximum scoring and culture has scored 3.4 while societal quotient has the least scoring

of 3.2. Infosys has the highest scoring on Human resource development quotient and is least scored on cultural and ethical quotient. The total scoring of Infosys on combined analysis is 3.50 which is less than TCS but more than Wipro. Wipro has overall mean value as 3.34 wherein HRD quotient is highest with the score of 4.00 and cultural and ethical quotient along with societal quotient has the scoring of 3.3. Somewhere in middle organization quotient has the score of 3.4.

The Fig 2 in annexure show the overall mean analysis of TCS, Infosys and Wipro in which HRD Quotient including the factors such as technology driven organization, foreign assignments and placements and Excursion trips and fun component has scored the highest as 4.0 which shows that this component will be able to form more appropriate psychological contract with the employers followed by other components which include organization quotientscore of 3.4. The cultural and ethical quotient along with societal quotient has the same mean value of 3.3. The factors such as Good relationship with superiors and subordinates, High morale and motivation among employees, Supporting and encouraging colleagues, Employees are encouraged to use social media, Mentors to guide at the entry level, and employee Retention campaigns has scored 3.5.

Thus it shows that from the above comparative analysis among three IT companies, TCS have strong psychological contract among the prospective employees. It has been shown that in TCS the prospective employees can able to make a psychological association with interpersonal quotient and the TCS can focus more on this quotient in dealing with prospective employees.

### IV. Conclusion

In difficult labour market where attraction and retention is a tough job for the organizations, they need to apply brand management thinking and techniques to tackle these issues. Employer branding is one such strategy that ensures the organization is able to attract, engage and retain the building blocks of what is now recognized as a firm's source of greatest competitive advantage – its human capital. Today, an effective employer brand is essential for gaining competitive advantage. Increasingly, Indian corporations are becoming intentionally strategic to utilize the employer brand to attract and retain talent for the expansion and growth. This paper has analyzed the different factors that lead to a better employer brand image. IT sector being the major current as well future contributor in the economy should consider the various dimensions of employer branding to attract and retain the right talent in the

organization. The increasing focus on competitive advantage is leading many Indian firms to rethink their employer brands. This also helps in managing the impact of employer branding on the formation of the psychological contract by generating certain employer brand association. This will further lead to the formation of elemental beliefs that in turn will be able to develop associated meanings and expectations of employees towards the employment relationship.

Thus the present study contributes with new knowledge to employer branding theory by suggesting how it impacts potential employees and psychological contract theory by extending and challenging the current basis upon which psychological contracts are formed. Furthermore, organizations benefit from this new knowledge by understanding what impact their employer brand has on potential employees and how they can potentially increase this impact by managing employer branding as their strategic process. Moreover IT companies should now focus more on interpersonal, cultural and ethical component along with societal component which has been observed in this study.

## References

- Albinger H.S and Freeman S.J. (2000). Corporate Social Performance and Attractiveness as an Employer to Different Job Seeking Populations. *Business Society*, September 4, 292-318
- Ambler, T. & Barrow, S. (1996). The Employer Brand. *Journal of Brand Management*, 4(3), 185–206.
- Ambler, T. (2000). *Marketing and the Bottom Line*. Pearson Education Ltd, UK.
- Awang, Z. H., & Jusoff, K. (2009). The Effects of Corporate Reputation on the Competitiveness of Malaysian Telecommunication Service Providers. *International Journal of Business and Management*, 4(5), 173-178.
- Awang, Z.H., and Jusoff, K. (2009), The Effects of Corporate Reputation on the Competitiveness of Malaysian Telecommunication Service Providers, *Journal of Business and Management*, 4 (5), 173-178.
- Backhaus, K., & Tikoo, S. (2004). Conceptualizing and researching employer branding. *Career Development International*, 9 (5), 501-517.
- Barber, A. E., & Roehling, M. V. (1993). Job posting and the decision to interview: A verbal protocol analysis. *Journal of Applied Psychology*, 845–856.
- Bergstrom, K. and Anderson, M., 2000-2001. Delivering on promises to the marketplace: Using employment branding to build employee satisfaction. *Journal of Integrated Communications*, 2000-2001, 52-56.
- Berthon, P., Ewing, M., & Hah. L. L. (2005). Captivating company: dimensions of attractiveness in employer branding. *International Journal of Advertising*, 24 (2), 151-172.
- Cable, J. Donald. (2008), *The Psychological Contract: The Development And Validation of Managerial Measure*.
- Collins, C.J. & Stevens, C.K. (2002). The relationship between early recruitment related activities and the application decisions of new labor-market entrants: a brand equity approach to recruitment. *Journal of Applied Psychology*, 87(6), 1121–1133.
- Corporate Leadership Control (2001), “Employment Branding Initiatives”, Corporate Leadership Control, Washington DC, available at [www.corporateleadershipcouncil.com](http://www.corporateleadershipcouncil.com).
- Cronbach’s, L.J. (1951). Coefficient alpha and the internal structure of tests. *Psychometrika*, 16(3), 297–333.
- Davies G (2008). Employer Branding and its Influence on Managers. *European Journal of Marketing*, 42 (5) and 6, 667-681.
- De StAubin D. and Carlesn B.J. (2008). Attract, engage and retain top talent: 50 plus
- Engelund, H., & Buchhave, B. (2009). Employer branding somdisciplin. *Samfundslitteratur*.
- Ewing, M.T., Pitt, L.F., DE Bussy, N.M. & Berthon, P., (2002). Employment branding in the knowledge economy. *International Journal of Advertising*, 21(1), pp. 3-22.
- Fulmer, I. S, Gerhart, B., Scott, K. S. (2003). Are the 100 best better? An empirical investigation of the relationship between being a ‘great place to work’ and firm performance. *Personnel Psychology*, 56, 965-993.

**Table 1: Summary of Sampling Technique**

<b>Sample</b>	Students newly post graduates or will be post graduates in another one year(Both Management and IT)	190 questionnaires were distributed online through Google Docs.
<b>Sampling Techniques</b>	Indian IT Companies	Judgmental Sampling The Annual BT-People Strong Survey 2014, carried out in association with Naukri.com
	Colleges (Delhi/NCR)	Convenience Sampling
	Students	Simple Random Sampling

**Table 2: The Demographic profile of Respondents**

<b>Gender</b>	Male	56.4 %
	Female	43.6 %
<b>Pursuing Qualification</b>	MBA	26.2 %
	MCA	73.8 %

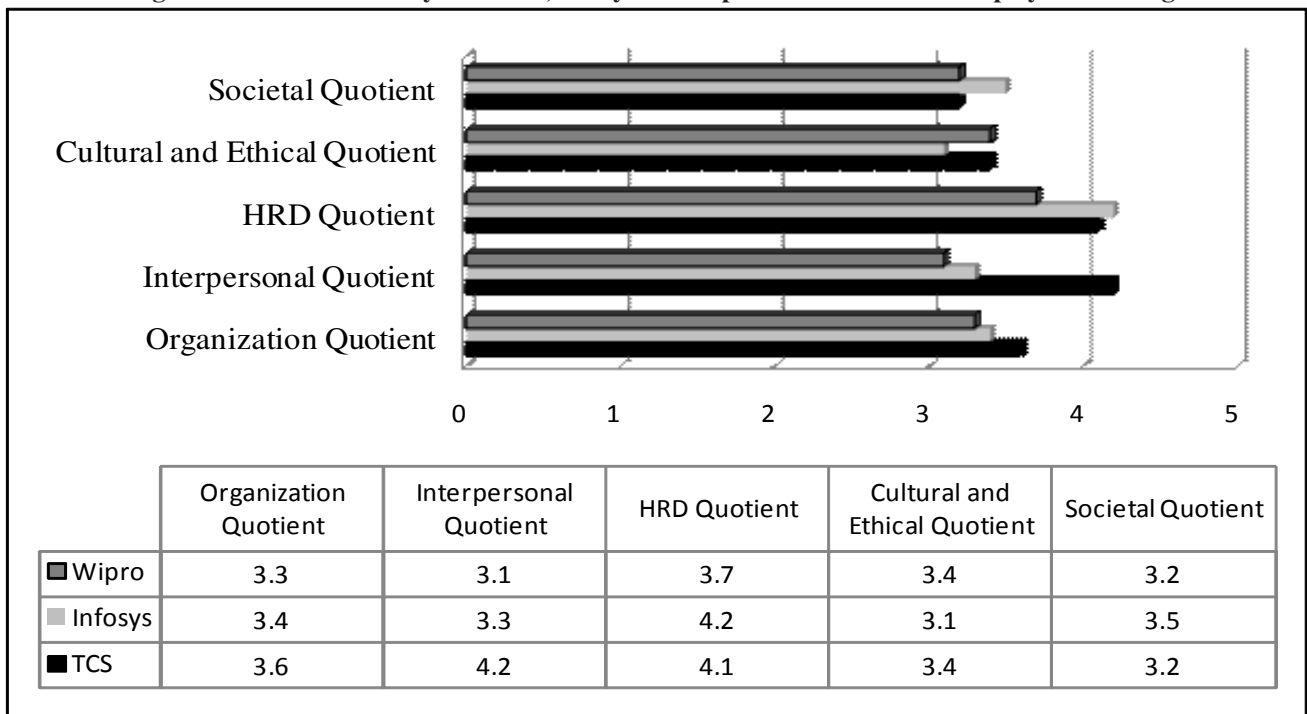
**Table 3: The Rotation Component Matrix Factor Analysis**

Components	Factors	Components					Cronbach's Alpha
		1	2	3	4	5	
<b>Organization Quotient</b>	Financial Stability	.848					.920
	Job security	.839					
	Effective Leadership and Management	.783					
	Positive Working Environment	.782					
	Innovative and learning organization	.773					
	Novel work practices and Forward thinking	.720					
	Attractive Compensation Package	.606					
<b>Interpersonal Quotient</b>	Good relationship with superiors and subordinates		.802				.864
	High morale and motivation among employees		.742				
	Supporting and encouraging colleagues		.646				
	Relationship building through social media		.618				
	Mentors to guide /Knowledge transfer mechanism at the entry level.		.455				
	Employee Retention campaigns		.495				
<b>HRD Quotient</b>	Technology driven organization			.481			.791
	Promotion and succession planning			.634			
	Foreign assignments and placements			.702			
	Excursion trips and fun component			.637			
<b>Cultural and Ethical Quotient</b>	Organization is customer oriented				.752		0.89
	An Ethical organization				.674		
	Focus on all Stakeholders				.622		
	Strong and Clear Company culture				.550		
<b>Societal Quotient</b>	CSR: Corporate Social Responsibility					.823	0.75
	Focus on giving back to the society					.736	
	Social Initiatives for better society					.521	

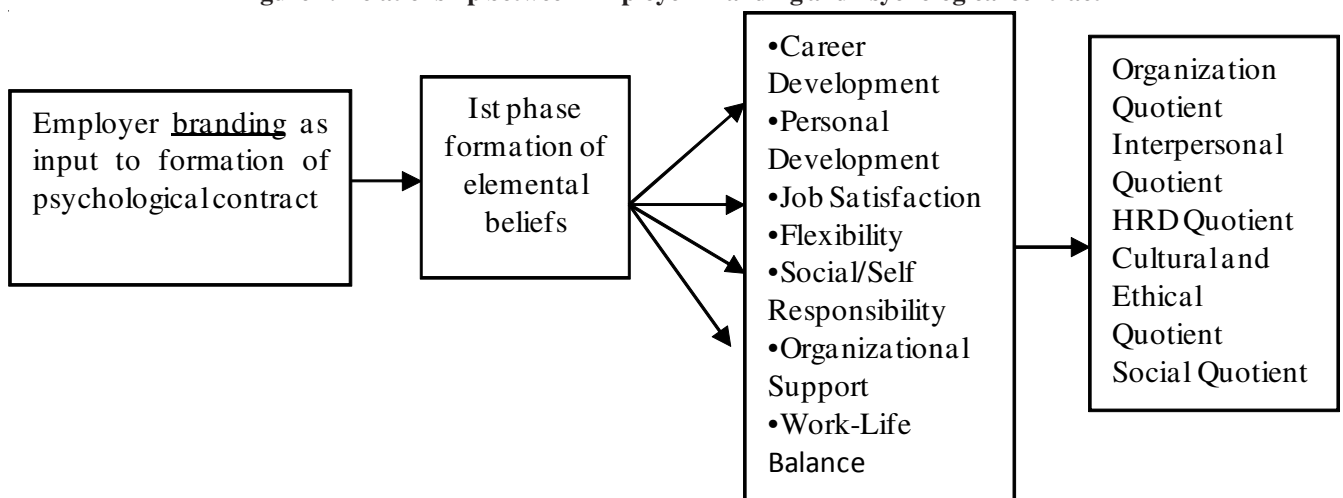
**Table 4: Overall mean analysis of TCS, Infosys and Wipro on dimensions of Employer Attraction**

Dimensions	TCS	Infosys	Wipro	IT
Organization Quotient	3.6	3.4	3.3	3.4
Interpersonal Quotient	4.2	3.3	3.1	3.5
HRD Quotient	4.1	4.2	3.7	4.00
Cultural and Ethical Quotient	3.4	3.1	3.4	3.30
Societal Quotient	3.2	3.5	3.2	3.30
<b>Total Mean Score</b>	<b>3.70</b>	<b>3.50</b>	<b>3.34</b>	
<b>RANK Order</b>	<b>1<sup>st</sup></b>	<b>2<sup>nd</sup></b>	<b>3<sup>rd</sup></b>	

**Figure : Overall mean analysis of TCS, Infosys and Wipro on dimensions of Employer Branding**



**Figure 1: Relationship between Employer Branding and Psychological contract**



# DOES CORPORATE SOCIAL RESPONSIBILITY GIVE LONG TERM SUSTAINABILITY AND STABILITY? AN EMPIRICAL VALIDATION

Namita Rajput★ Shelly Oberoi★★ Bharti★★★

*The concept of corporate social responsibility has gained importance from all the business avenues as the new age organizations are realizing that the onus of society building lies not just in the hands of the government but also the corporate citizenship. Traditionally a philanthropic activity, CSR has now become mandatory after The Companies Act 2013. Sustainability (corporate sustainability) which is derived from the theme of sustainable development defined by the Brundtland Commission essentially lays emphasis on the responsibility that companies have for societal and environmental progress. The objective of this paper is to understand the relationship between corporate social responsibility and financial performance of the company as measured by sales revenue and profits using ordinary least square regression analysis. Data of total of 500 companies for the financial years 2012-13 and 2013-14 has been analyzed on SPSS. The results reveal a statistical significant relationship between corporate social responsibility (CSR) and financial performance. The paper also examines the long term financial benefits for corporate that are innovative and consistent towards investing in CSR activities to gain long term sustainability and success.*

Keywords: Corporate Social Responsibility, Sustainability, Corporate Financial Performance, Regression

The most widely accepted definition of Corporate Social Responsibility (CSR) has been given by the European Commission as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”. The concept of corporate social responsibility has gained importance from all the business avenues as the new age organizations are realizing that the onus of society building lies not just in the hands of the government but also the corporate citizenship. Traditionally a philanthropic activity, CSR has now become mandatory after The Companies Act 2013. Clause 135 of the Companies Act, 2013 is applicable to the companies with an annual turnover of INR1,000 crore and more, or a net worth of INR500 crore and more, or a net profit of INR5.0 crore and more. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. CSR initiatives are not only relevant because of the new laws and changing policy environment, but also because undertaking socially relevant practices will benefit the company in the following ways:

1. Strengthen the community relations of the firm,
2. Help in attracting the best and skilled human resource,
3. Strengthen the relationships with stakeholders and lead to continuous evolution and betterment of the procedures,
4. Motivate the employees,
5. Mitigate the risk due to better governance practices followed.

In recent times, CSR has been linked to the concept of sustainability or sustainable development that was defined by the Brundtland Commission as the “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Corporate sustainability essentially refers to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental stewardship. CSR focuses on the post profit time period, i.e what is done with profits after they are made, whereas, sustainability emphasizes how profits should be made, i.e the concept talks about factoring the social and

- 
- ★ Associate Professor in Commerce, Sri Aurobindo College, University of Delhi.
  - ★★ Assistant Professor in Commerce, Sri Aurobindo College, University of Delhi
  - ★★★ Assistant Professor in Management, USMS, GGS Indraprastha University, New Delhi

---

environmental impacts of conducting business. Thus, CSR and corporate sustainability are linked to each other and sustainability is a larger idea behind CSR initiatives. The objective of this paper is to understand the relationship between corporate social responsibility and financial performance of the company as measured by sales revenue and profits using ordinary least square regression analysis. Data of total of 500 companies for the financial years 2012-13 and 2013-14 has been analyzed on SPSS. The results reveal a statistical significant relationship between corporate social responsibility (CSR) and financial performance. The paper also examines the long term financial benefits for corporate that are innovative and consistent towards investing in CSR activities to gain long term sustainability and success.

The paper is arranged as follows: Section I, i.e. the present section is the Introduction followed by Review of Literature in Section II and Data and Research Methodology in Section III. Section IV and V explain the Objectives and Hypothesis and Analysis and Interpretation of Results followed by Summary and conclusions in Section VI. The last section is the References.

## I. Review of Literature

O'Neill, Saunders and Derwinski McCarthy (1989) study the relationship between corporate social responsiveness and profitability using a sample of corporate directors and conclude that no relationship exists between the level of director social responsiveness and corporate profitability. Hammond and Slocum (1996) establish a relationship between corporate reputation and firm financial performance. A sample of 149 firms was studied from 1981 to 1986 using regression analysis. The results showed that CSR improved corporate reputation and decreased the financial risk and costs. Klassen and McLaughlin (1996) proposed a theoretical model that linked environmental management to improved perceived future financial performance, as measured by stock market performance. Griffin and Mahon (1997) examine the relationship between corporate social performance and corporate financial performance in chemical industry using KLD Index and Fortune Reputation Survey and two performance based sources of data namely TRI and Corporate philanthropy.

The research concludes that Fortune and KLD indices very closely track one another, whereas TRI and corporate philanthropy differentiate between high and low social performers and do not correlate to the firm's financial performance. Bennett Daviss (1999) concluded that corporate social responsibility pays off and profits will

grow when corporations are a party to the environmental and social change.

Knoepfel (2001) identified and ranked companies according to their corporate sustainability performance. The paper concludes that investors value sustainability and prefer to invest in such companies. The sample was assessed on equally weighted parameters of economic, social and environmental using Dow Jones Sustainability Group Index (DJSGI) assessment to calculate a total sustainability score on a scale of 0% to 100%. This score on comparison with the industry average helps in assessment of strategic sustainability. The study concludes that the companies have different perceptions with respect to the importance of environmental, societal and economic scores. Boutin-Dufresne and Savaria (2004) study the sample of 277 Canadian companies and use two methods of analysis. First is based on CAPM to find the relationship between beta and social responsibility and second compares the residual risk of responsible portfolio with less responsible portfolio. It is concluded that financial risk of less-responsible stocks is higher. Shen(2006) studied the driving forces behind CSR practices in China and concluded that legislator, corporate image and credit rating and cost reduction were the major driving forces for companies to invest in CSR. Bedi (2009) studied 37 top Indian companies to establish a relationship between their financial performance and expenditure on corporate social responsibility is measured by using correlation and regression and concludes a positive relationship between CSR and financial performance.

Hoepner (2010) argues that the while the inclusion of ESG criteria into investment processes likely worsens portfolio diversification if driven by the number of stocks or correlation between the stocks, but it improves the portfolio diversification through a reduction of the average stock's specific risk. Geffen (2012) studied a sample of 85 socially performing firms and found that no robust argument could be made with respect to the financial performance of socially performing companies. It further implied that corporate social responsibility is beneficial from a risk management perspective. Bouslah et al. (2012) found that companies with high ESG scores had less company specific risk. Saxena and Saxena (2012) argue that investors perceive stability as a catalyst for disciplined management, and is therefore a crucial success factor. The authors study the Dow Jones Sustainability Asia Pacific 40 Index and conclude that companies from financial sector are the leaders in sustainability. Uvais, Cholasseri(2013) study the CSR practices adopted by the companies in India and the challenges in its execution. Kostyuk et al. (2013) analyze the CSR performance for Ukrainian banking institutions

by developing a CSR index. A sample of 40 Ukrainian banks was measured on 25 CSR indicators and it was concluded that the size of the bank was not correlated with the CSR index. Also on comparison with the Swedish Banks on CSR Index, Ukrainian banks scored lower rating. Kanwal et. al (2013) in their study explore the relationship between CSR & FP by taking the data from 15 companies listed on Karachi stock exchange, using correlation analysis and conclude a positive relationship between the two variables and also point that the firms spending on CSR not only benefit from continuous long term sustainable development but also enjoy enhanced FP. Radhakrishnan, Chitrao, Nagendra (2014) conclude that the CSR initiatives are extremely crucial for achieving inclusive growth. As per the Trickle Down Theory, growth and development indirectly increase the income inequality, organizations should be more proactive rather than reactive to achieve a sustainable inclusive growth via various CSR initiatives. Thus, the long term goal should be to make corporate a partner in the growth process.

## II. Research Design & Methods

The research involves analyzing sales and profit data of the largest 500 Indian companies (with respect to market share) for the FY 2012-13 and FY 2013-14. The CSR expenditure data was taken from the annual reports and company websites. Ordinary Least Squares Regression method and correlation technique was applied on the data. The impact of CSR on financial performance of the company was analyzed across the sample. The sample included companies across the industry for more robust and unbiased results.

Following are the objectives of the research:

1. To investigate the relationship between CSR expenditure and the corporate financial performance (CFP) in terms of its impact on Net Profit and Sales Revenue. The study analyzes if expenditure in CSR impacts the financial performance of the company in the next year and also if current profits impact the CSR expenditure in the following year.

2. To analyze if investment in CSR activities lead to long term stability and sustainability in the company.

To achieve the objective of the paper, four hypotheses have been framed. They have been stated in null form:

H1: There is no significant relationship between Corporate Social Responsibility (CSR) expenditure in the current year and profits in the following year. The rationale for this is that companies that do investment in CSR are perceived

positively by the public and media at large and are also able to attract and retain skilled employees that eventually lead to increased profits in the following year.

H2: There is no significant relationship between profits in the current year and CSR in the next year. The rationale for this is based on the reasoning that profitable companies have resources that are available for investment towards environment and society.

H3: There is no significant relationship between CSR in the current year and sales revenue in the succeeding year.

H4: There is no significant relationship between sales revenue of current year and CSR of the next year.

A one-year lag has been used to study the effect of CSR on financial performance in the form of increased sales revenue and profits (Blackburn, Doran and Shrader, 1994). Alternatively, a one year lag could be used to test whether better financial performance leads to an increase in the level of corporate social responsibility for an organization (Waddock and Graves 1997). The independent variable has been lagged by one year.

Model specification: The regression equations used are as follows:

Consider S is the sales, P is the profit, CSR is the expenditure on CSR,  $\alpha$  is the regression intercept,  $\beta$  is the regression coefficient, and  $\epsilon$  is the error term.

$$S_{it} = \alpha + \beta \text{ CSR}_{it-1} + \epsilon_{it} \quad (1)$$

$$P_{it} = \alpha + \beta \text{ CSR}_{it-1} + \epsilon_{it} \quad (2)$$

Where CSR of past year is the independent variable and sales and profit of next year are dependent variables. In the equations above, S and P refer to the sales and profits respectively as on 31st March, 2014 and CSR expenditure is as on 31st March 2013. i and t are firm and time identifiers.

$$\text{CSR}_{it} = \alpha + \beta S_{it-1} + \epsilon_{it} \quad (3)$$

$$\text{CSR}_{it} = \alpha + \beta P_{it-1} + \epsilon_{it} \quad (4)$$

Where CSR expenditure of the year 2014 has been taken as dependent variable and sales and profits as on 31st March 2013 as independent variables.

## III. Results & Discussion

Following are the results of the analysis using SPSS software.

Thus Tables 1 & 2 show a moderate level of positive

---

correlation between CSR, sales and profits.

The value of adjusted R<sup>2</sup> explains the degree to which dependent variable will change on changing the independent variable. It ranges between 0 to 1, with 0 indicating very little explanatory power of independent variable for dependent variable. The beta coefficients indicate the strength of relationship. The probability value or P-value tells the statistical significance of the results. The above table shows that P-value < 0.05 and the results are significant. We therefore reject hypothesis H1-H4 and conclude that the increased CSR expenditure in the current year will lead to rise in sales and profits of the next year. We also conclude that the increased sales and profits in the past year will lead to higher CSR expenditure in the following year. Please refer Table 3.

#### IV. Conclusion

The objective of our study was to analyze the relationship between CSR activities and financial performance of the company in terms of sales and profits. Ordinary Least Squares method of regression was employed to test for the relationship between the variables taking data for the FY2012-13 and FY 2013-14. The research has revealed that financial performance in terms of sales and profits and CSR activities in terms of CSR expenditures are positively correlated to each other. The reason for increased and better financial performance is that CSR is a holistic practice and relates to the “social good” that the company does. The pro-societal behavior and activities of the firm are viewed as responsible behavior by the stakeholders at large as the firm follows the investment practices that are not just financially beneficial but also socially impactful. Investors take into account the corporate investment decisions and these measures are inherently related to a company’s bottom line and thus imply that higher cash flows are associated with socially performing companies which in turn make them more efficient in generating income from their assets.

A possible explanation for this finding could be that a socially responsible business motivates its employees making them more productive and efficient, thereby decreasing the costs, which further raises the asset efficiency. Also, firms that are understanding and contributing towards the society get local support, better negotiation powers, new customers, access to resources that make the company stable and sustainable in the long term.

Implications of the Study

- The study implies that adoption of policies relating to

society, environment and governance by the firms at the highest authority stimulates the operational efficiency and improves the performance in the long term.

- The companies that are sensitive towards environment and society get the benefit of mitigating financial risk.
- CSR should be considered as an investment rather than expenditure because of the financial benefits that such companies get.
- Corporate social responsibility creates good reputation and brand value in the mind of stakeholders. A socially responsible firm manages reputation by creating good image in the mind of customers, suppliers etc.
- Corporate should establish a designated a legal entity to analyze the social impact factor of the investment decisions that a company takes. This will lead to better due diligence and also will enable the management to assess the risks associated with social and financial measures.
- A measure related to CSR investment, called social rate of investment, SROI, should be calculated while making capital budgeting decisions. This will be an outcome measurement suited to the context and the size of the project and budgets available.

#### References

- Bedi, Harpreet Singh, Financial Performance and Social Responsibility: Indian Scenario (October 29, 2009). Available at SSRN: <http://ssrn.com/abstract=1496291> or <http://dx.doi.org/10.2139/ssrn.1496291>
- Blackburn, V.L., Doran, M., C.B. Shrader, (1994), “Investigating the dimensions of Social Responsibility and the consequences for Corporate Financial Performance”, *Journal of Managerial Issues*, No.6 (2), pp. 195-212.
- Boutin-Dufresne, Francois and Patrick Savaria., (2004), “Corporate Social Responsibility and Financial Risk”, *The Journal of Investing*, 13, pp. 57-66.
- Daviss B., (1999), “Profits from Principle”, *The Futurist*, No.33 (3)., pp. 28-33.
- Geffen, M., (2012), “The Financial Performance And Risk Profile Of Sustainable Firms”, Master Thesis, Copenhagen Business School.
- Griffin, Jennifer J; Mahon, John F , (1997),”The corporate

social performance and corporate financial performance debate: *Business and Society*; 36, 1; ABI/INFORM Global pg. 5.

Hammond, S.A., J.W. Slocum. (1996), "The impact of prior firm financial performance on subsequent corporate reputation", *Journal of Business Ethics*, No. 15 (2), pp. 159-165.

Handbook on Corporate Social Responsibility in India, Confederation of Indian Industry, PWC

Hoepner, Andreas G. F., Portfolio Diversification and Environmental, Social or Governance Criteria: Must Responsible Investments Really Be Poorly Diversified? (May 2, 2010). Available at SSRN:<http://ssrn.com/abstract=1599334> or <http://dx.doi.org/10.2139/ssrn.1599334>.

[Http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm)

Hugh M. O'Neill, Charles B. Saunders & Anne Derwinski McCarthy,(1989), "Board members, corporate social responsiveness and profitability: Are tradeoffs necessary?" *Journal of Business Ethics* 8 (5):353 - 357.

Ioannou, I., Serafeim, G., (2014), "The Impact of Corporate Social Responsibility on Investment Recommendations", *Harvard Business Review*, Working Paper Series, 11-017.

Kanwal, M., Khanam, F., Nasreen, S., Hameed, S., (2013), "Impact of corporate social responsibility on the firm's financial performance", *IOSR Journal of Business and Management (IOSR-JBM)* e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 14, Issue 5 (Nov. - Dec. 2013), PP 67-74

Klassen, R., McLaughlin, C., "The Impact of Environmental Management on Firm Performance", *Management Science*, vol. 42, issue 8, pages 1199-1214, <http://dx.doi.org/10.1287/mnsc.42.8.1199>

Knoepfel, I. (2001). Dow Jones Sustainability Group Index: A Global Benchmark for Corporate Sustainability. *Corporate Environmental Strategy*, 8(1), 6-15.

Kostyuk, Alexander and Kostyuk, Helen and Mozghovyi, Yaroslav and Kravchenko, Yana, (2013), "Corporate Social Responsibility Index for Ukrainian Banks: The Essentials for Implementation", Available at SSRN: <http://ssrn.com/abstract=2542097> or <http://dx.doi.org/10.2139/ssrn.2542097>.

10.2139/ssrn.2542097 .

Radhakrishnan, S., Chitrao, P., Nagendra, A. (2014), "Corporate Social Responsibility (CSR) in Market Driven Environment", *Procedia Economics and Finance* 11 ( 2014 ) 68 – 75, 10.1016/S2212-5671(14)00177-4.

Saxena, Pravin and Saxena, Dr. Nitin Kishore,(2012), *Corporate Consciousness Towards Corporate Sustainability*, Available at SSRN: <http://ssrn.com/abstract=2131974> or <http://dx.doi.org/10.2139/ssrn.2131974>

Shen, Z., (2006) "The Driving Forces for CSR Reporting in China", Master of Science in Environmental Management and Policy, Lund, Sweden.

Uvais, M., Hafeefa Cholasseri, (2013) "Corporate Social Responsibility: Dimensions and Challenges In India", *International Journal of Engineering Science Invention*, Vol 2, Issue 3

Waddock, S.A., S.B. Graves., (1997), "The Corporate Social Performance-Financial Performance Link", *Strategic Management Journal*, No. 18 (4), pp. 303-319.

**Table 1: Pearson's Correlation Matrix**

Variables	CSR <sub>2014</sub>	PBT <sub>2013</sub>	Sales <sub>2013</sub>
CSR <sub>2014</sub>	1.0000		
PBT <sub>2013</sub>	0.213	1.0000	
Sales <sub>2013</sub>	0.181	0.535	1.0000

The correlation is significant at 0.01 level for a 2-tailed test

**Table 2: Pearson's Correlation Matrix**

Variables	CSR <sub>2013</sub>	PBT <sub>2014</sub>	Sales <sub>2014</sub>
CSR <sub>2013</sub>	1.0000		
PBT <sub>2014</sub>	0.269	1.0000	
Sales <sub>2014</sub>	0.270	0.738	1.0000

The correlation is significant at 0.01 level for a 2-tailed test

**Table 3: Bivariate Regression Analysis**

Dependent Variable	Beta	P Value	Adjusted R <sup>2</sup>	Independent Variable
Sales <sub>2014</sub>	20451.761	0.00	0.070	CSR <sub>2013</sub>
PBT <sub>2014</sub>	2361.901	0.00	0.070	CSR <sub>2013</sub>
CSR <sub>2014</sub>	1.042	0.00	0.031	Sales <sub>2013</sub>
CSR <sub>2014</sub>	1.030	0.00	0.050	Profits <sub>2013</sub>

Source: SPSS output

Regression results are significant at 0.05 level for 2-tailed test

# A STUDY OF DEMOGRAPHIC FACTORS INFLUENCING LEADERSHIP EXPECTATIONS IN THE ACADEMIC INSTITUTIONS

Ritu Bali★ Namita Rajput★★

*Workplaces today are facing acute difficulty not because there is downsizing, changes because of technology, severe competition or greed for authority or resources. It is a difficulty resulting from differences among individuals because of their diverse view points, perception, ambitions and work styles developed because of their differences in age, colour, educational background, culture etc. This diverse combination of workforce is named as workforce diversity. Reaping the benefits of such a diverse workforce requires the leaders to be fully aware of differences in behavior and strengths and acknowledging their biases/prejudices. This research study has focused on one determinant of workforce diversity i.e. age. The present workforce consists of three generations viz., Baby Boomers, Generation X and Generation Y. Already through research, it is proved that differences in the attitudes, values, and beliefs have a direct impact on the leadership expectations across generations. Through this paper, it has been planned to check whether significant generational differences exist among faculty members towards the expected leadership styles. The study will help to suggest and guide Universities / Academic Institutions on revisions required in their leadership styles keeping in mind the changing needs and expectation of diverse workforce so that the academic profession remains lucrative*

Keywords: Workforce Diversity, Leadership, Generations, Baby Boomers, Generation X, Generation Y, Challenges.

Organizations today are experiencing mass exodus of their experienced employees because of their retirement. Further, because of the globalization, organizations are experiencing growing need for workplace competencies and skills. However, because of declining growth rate of labour supply, organizations are finding it difficult to maintain the balance between the inflow and outflow of talented and skilled workforce and the problem is going to worsen in the years to come. In the year 2003, Canadian Federation of Independent Business in their study reported that 50% of their organizations have ranked labour shortage as their number one problem. Global trends in the year 2010 also highlighted that the labour market is experiencing an unmatched crisis and both public and the private sectors are suffering from staffing shortfalls.

In order to attract fresh talent from outside and at the same time to sustain existing skilled manpower, Human Resource Departments are required to develop an environment which ensures person – organization fit where everything from infrastructure to value system or performance evaluation to career growth system or leadership patterns are designed keeping in mind the needs of the employees working in it. Private sector has already started focusing on understanding the needs and aspirations of upcoming workforce. A webcast poll conducted in US has found that 21 percent of respondents already had implemented strategies to recruit

and retain younger workforce, 25 percent are considering doing so, and 36 percent currently are researching options to do so (Gaylard et al (2005). However, such efforts on the part of Universities / Colleges are lacking to attract and become lucrative to its existing employees and to upcoming new generation. This study is a sincere effort towards identifying the needs and expectations of faculty members at work as they are the building blocks of any nation and helps in developing good and responsible citizens. Unsatisfied or unhappy teachers can badly affect the quality of students produced by them.

## I. Review of Literature

The employees join a particular organisation or get attracted to a particular organisation for number of reasons (Rose & Waterhouse, 2005). Eddy & Burke (2006) have listed that while for women's, recruitment attractors include people, reputation and benefits, in general, most desirable job attributes includes opportunities for advancement, training opportunities and skill development, good people to work with and report, and salary. According to Amundson (2007),

- ★ Assistant Professor, Bharati Vidyapeeth University, Institute of Management and Research, New Delhi
- ★★ Associate Professor, Shri Aurobindo College, University of Delhi.

---

best attractors which give company a competitive edge includes Security, location, relationships, recognition, contribution, flexibility, learning and innovation.

According to Louis A. Allen “A leader is one who guides and directs other people. He gives the efforts of his followers a direction and purpose by influencing their behaviour”. It is actually that quality of behaviour of individual whereby they guide people or their activities in organizing efforts. He interprets the objectives of the people working under him and guides towards the achievement of those objectives. He also creates and sustains enthusiasm among them for achieving organizational objectives (Aswathappa, 2010). Difference style of leadership include (a) Autocratic Leader: it is also known as authoritarian or directive style of leadership, (b) Participative leadership: he is one who gives order after consulting the group, (c) Laissez Faire: this leader does not lead but leaves the group on his own (Aswathappa, 2010; Burns, 1978; Robbins, 2003). Based on Ways to Work, Leadership can also be classified as (a) Transactional Leadership, also known as managerial leadership, focuses on the role of supervision, organisation, and group performance, (b) Transformational leadership which focuses on enhancing the motivation, morale, and performance of followers through a variety of mechanisms (Bernard, 1985; Bernard, 1990; Kuhnert & Lewis, 1987)

It is evident from the previous researches that difference in the attitudes, values, and beliefs influences the expectations for leadership. Successful leaders are the ones who adapt themselves according to the changing needs of their employees (Tulgan, 1996). Differences in the attitudes, values, and beliefs of each employee affect how they view leadership. It is therefore justified to conduct a study to investigate the preferences of faculty members for their leadership expectations and to compare the preferences across demographics.

## II. Research Design & Methods

To determine the factors influencing leadership expectations among faculty members. To study the impact of demographics on identified factors influencing leadership expectations.

$H_0(1)$ : Gender of respondents has no significant impact on the importance given to factors influencing leadership expectations

$H_0(2)$ : Generation (birth year) of respondents has no significant impact on the importance given to factors influencing leadership expectations

$H_0(3)$ : Marital Status of respondents has no significant impact on the importance given to factors influencing leadership expectations

$H_0(4)$ : Occupation of respondents has no significant impact on the importance given to factors leadership expectations

$H_0(5)$ : Organization of respondents has no significant impact on the importance given to factors influencing leadership expectations

### Research Instrument & Sample

For finding the leadership expectations, work of Pierce & Newstorm (2000) was taken for reference. Faculty members working in Universities / colleges in Delhi and NCR form part of the study. 690 usable questionnaires were received out of 1100 resulting into 62.7% return rate. The response population was 38% female and 62% male, with 46% participants identifying themselves as Assistant Professors, 25% as Associate Professors and 29% as Professors. % of married and unmarried faculty members included 79% and 21% and that of Government and Non – government employees 36% and 64% respectively. % response from all generations i.e. Baby Boomers, Generation X and Generation Y was kept as equal i.e. 230 each.

## III. Results & Discussion

A. Factor analysis is a set of techniques, which, by analyzing correlations between variables, reduces their number into fewer factors, which explain much of the original data, more economically (Nargundkar, 2005). Please refer Table 1.

B. Study of impact of demographics on identified factors influencing leadership expectations

For achieving this objective, Null Hypothesis that ‘there is no significant relationship between the demographic variables and the factors’ was taken. T Test and one way Anova were used based on the number of groups available in independent variable for finding out the differences. Mean scores were calculated for factors where significant relationship between independent and dependent variables (factors) was observed. Decision Rule: When the significance value of F-test/Welch test is less than 0.05, Null hypothesis is rejected. When the Null Hypothesis is rejected, Post Hoc analysis in case of one way Anova is used for further ascertaining which groups differ among their mean score.

1. Effect of Gender on Leadership Factors

Null Hypothesis  $H_0(1)$  is accepted as it was found there are

---

no significant differences among genders for factors influencing their leadership expectations. Refer Table 2

## 2. Effect of Generations on factors

Null Hypothesis  $H_0(2)$  was partially rejected and it was observed that significant differences exist among generations for their leadership expectations. Please refer Table 3.

Significant differences were observed in factors, Team Orientation and Creativity and Foresightedness. Through post hoc analysis, it was found that Team Orientation is very important for Baby Boomer Generation (1945 – 1964) as compared to other two generations i.e. Generation X and Generation Y. The reason can be attributed to the fact that since this generation is the senior generation, rather than doing the whole task themselves they want a team wherein they can just give their ideas and suggestions and rest of the members can follow them. Similarly factor Creativity and Foresightedness was also rated more important by Baby Boomer Generation as compared to other two generations. Baby boomer generation has struggled a lot during their early years. They have learnt to fight with all hardships whatever coming their way. They want their leader also to be forward looking and with strong determination who can look for opportunities outside and then achieve them using their experience and skills. Further, since they experienced scarcity of resources in their early childhood, they have learned how to make big out of small. Similarly, they expect their leader also to have creativity and imagination power so that they can do wonders out of limited resources and prove their point.

## 3. Effect of Marital Status on factors

Null Hypothesis  $H_0(3)$  was accepted and it was observed that there are no significant differences among faculty members based on marital status for their leadership expectations. Please refer Table 4.

## 4. Effect of Occupation on factors

Null Hypothesis  $H_0(4)$  was partially rejected and it was observed that significant differences exist across occupations (Professor, Associate Professor and Asst. Professor) among faculty for their leadership expectations. Please refer Table 5. While studying leadership expectations, factor – Team Orientation, it was found that Professors give more importance to leaders who create teams and give group goals. Professors want to be associated more with the teams wherein they get the opportunity to give their suggestions and get the work out of their juniors. On the other hand, Asst. professors are always keen on doing individual assignments since they still have to prove

themselves in the organization. On the leadership expectation factor – Creativity and foresightedness, post hoc analysis showed that this factor is very important for Professors as compared to Asst. Professors. The reason can be attributed to the facts that since Asst. Professors are new in the profession, preparing lectures or their Ph.D. assignments occupy most of their time. Professors on the other hand are relaxed as they have developed expertise in subject over years, they get more time to devote in research projects or collaborating more with industry people.

## 5. Effect of Organization on factors

Fair and competent leader was rated more important by non – government faculty members rather than government teachers. This may be because performance evaluations are in the hands of immediate seniors. If they are fair, there are more chances that promotions and incentives will be distributed on merit basis. Please refer Table 6. Further non – government employees because of their job demands always like to work as individual rather than in teams so that they get full credit for the task completed. On the other hand, government employees prefer to work in teams since they don't mind sharing their resources and there is no such tug of war between them to show their worth.

## Implications for Management

To remain competent in the market and to make sure that good and skilled employees are choosing teaching as their career, it is very important for the universities to come out with innovative human resource strategies to become attractive and lucrative for the younger generations. It is evident from the findings that younger employees are keen to join organizations which offer facilities like flexi timings, convenient location and opportunities for maintaining work – life balance. Occupation wise also, Asst. Professors and Associate Professors like to be associated with organizations which have sound and fair policies for performance evaluations and incentive and promotions are decided accordingly. Professors on the other hand wants to be associated more with job assignments where can mentor their juniors and give them advice based on their expertise and experience. Their expertise and talent can be therefore used for collaborating with foreign universities and industry people. Similarly, non – government employees always like to work with colleges which have fair and unbiased rules and regulations. Further, good working conditions including infrastructure, pay scales, timings, incentives and superior subordinate relationships are other factors which attract employees towards the particular colleges or universities.

---

## IV. Conclusion

1. Performance Appraisal Methods emphasizing on merit, quality of performance and targets achieved rather than seniority should be introduced and given more weightage. This will help in both attracting young and fresh blood from the market and also sharpening the skill set of employees already available in organization.
2. Since Baby Boomer generation prefers challenging and interesting tasks, their expertise and knowledge can be used in jobs like designing syllabus for the new programmes, conducting executive or management development programmes keeping in mind the needs and demands of industry
3. Another area where universities and colleges can work is through research and consultancy. Making consultancy work essential by sending faculty on training on paid basis to corporate world, will help them not only to experience the real difficulties faced by corporate people but it will also help them in relating their experiences in companies in the classrooms with theoretical concepts to make their classes more alive.
4. The organization should appoint leaders based on their knowledge, skills and merit rather than their qualification or seniority. Because only talented leaders who are experienced and are experts in their field can lead a team with confidence. This will also develop respect among team members for their leader.
5. Independent and challenging work assignments should be assigned to young faculty members so that they can prove their worth by achieving them.

### Future Research

The scope of the study was very limited as it is confined to faculty members working in Universities, Colleges and Institutes approved by AICTE in Delhi and NCR. Similar research work can be conducted on all India bases to have a wider view of work force diversities. Similar studies can also be conducted in sectors other than education or population of other countries and culture where such work has not been done so far in much detail for broadening the understanding of diversity among demographics.

## References

- Abramson, M.A.(1997). New behaviors, new roles and new attitudes. *Public Manager*, Vol.26, No.1, pp.3-5
- Amundson, E.N. (2007). The influence of workplace attraction on recruitment and retention. *Journal of Employment Counseling* , 44.
- Aswathappa, K. (2010). *Organisation Behaviour - Text, cases and Games*. New Delhi: Himalaya Publishing House
- Bernard, M. B. (1985). *Leadership and Performance Beyond Expectations*. New York: Free Press.
- Bernard, M.B. (1990). From Transactional to Transformational Leadership: Learning to share the Vision. *Organisational Dynamics*, pp. 19-31.
- Burns, J.M. (1978). *Leadership*. New York: Harper and Row.
- Eddy, S.V., & Burke, R. J. (2006). The Next Generation at Work: Business Students' Views, Values and Job Search Strategy: Implications for Universities and Employers. *Education and Training* , Vol. 48, 478 - 492.
- Gaylard, M., Sutherland, M., & Viedge, C. (2005). The Factors Perceived to Influence the Retention of Information Technology Workers. *South African Journal of Business Management* , 36(3):135–143
- Kuhnert, K.W., & Lewis, P. (1987). Transactional and Transformational Leadership: A Constructive / Developmental Analysis. *Academy of Management Review* , pp. 648 - 657.
- Nargundkar. (2005). *Marketing Research*. New Delhi: Tata McGraw Hill, India
- Pierce, J. L., & Newstorm, J. W. (2000). *Leaders and the Leadership Process: Readings, Self-assessments and Applications*, rev. ed. Burr Ridge, IL: Irwin Press
- Robbins, S. P. (2003). *Organisation Behaviour* (10th Ed.). New York: Pearson Education.
- Rose, D.M., & Waterhouse, J. (2005). *Graduate Employment Preferences: Implications for 'New Public Management' Agencies*. Milan: IRSPM IX, Bocconi University.
- Schwartz, S. H. (1998). Are there universal aspects in the structure and contents of human values? *Journal of Social Issues*, 50(4), 19-45.
- Tulgan, B. (1996). *Managing Generation X: how to bring out the best in young talent*. Capstone Publishing Limited, Oxford.

**Table 1: Showing loadings of factors for various variables**

Variable	Name of Dimension	Item No.	Statements	KMO	Variance Explained	Factor Loading	Reliability
Leader 1	Fairness and Competency	4	A leader must be caring towards his subordinates.	0.834	21.738	0.837	0.715
		3	A leader must be very ambitious.			0.738	
		5	A leader should be competent enough in his job to lead others.			0.643	
		6	A leader should be very honest to his job and organization.			0.453	
Leader 2	Team Orientation	1	A leader should be able to motivate his team members to give their best.		20.237	0.785	0.662
		2	A leader must be self - confident.			0.744	
		10	A leader should encourage team performance rather than individual performance.			0.646	
Leader 3	Creativity and Foresightedness	7	A leader should always be forward looking.		18.962	0.805	0.718
		8	A leader should have the strong determination to complete all the assignments very successfully.			0.759	
		9	A leader should have good imagination and creative skills.			0.64	

**Table 2: Influence of Gender on Variables**

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		f	Sig.	t	df	Sig. (2-tailed)
LD - 1 Fairness and Competency	Equal variances assumed	.000	<b>.986</b>	0.628	688	0.53
	Mean Score (Male)					0.018606
	Mean Score (Female)					-0.03077
LD - 2 Team Orientation	Equal variances assumed	.107	.744	1.027	688	0.305
	Mean Score (Male)					0.0304
	Mean Score (Female)					-0.05028
LD - 3 Creativity and Foresightedness	Equal variances assumed	.770	.381	1.702	688	0.089
	Mean Score (Male)					0.050307
	Mean Score (Female)					-0.0832

**Table 3: Influence of Generations (Year of Birth) on Variables**

Factors	Levene Statistic	Sig.	F	Sig.	Welch Statistics	Sig.
LD 2 – Team Orientation	5.994	0.003	3.327	0.036	3.395	0.034
Mean Score	Baby Boomers (1945 – 1964)					-0.1384
	Generation X(1965 – 1980)					0.068011
	Generation Y (1981 – 2000)					0.07039
LD 3 – Creativity and Foresightedness	0.592	0.554	5.193	0.006	5.205	0.006
Mean Score	Baby Boomers (1945 – 1964)					-0.16506
	Generation X(1965 – 1980)					0.039254
	Generation Y (1981 – 2000)					0.125802

**Table 4: Influence of Marital Status on Factors**

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		f	Sig.	t	df	Sig. (2-tailed)
LD - 1 Fairness and Competency	Equal variances assumed	1.611	<b>.205</b>	-.038	688	<b>.970</b>
	Mean Score (Married)					-0.00073
	Mean Score (Unmarried)					0.002888
LD - 2 Team Orientation	Equal variances assumed	.197	<b>.657</b>	-.026	688	<b>.980</b>
	Mean Score (Married)					-0.00049
	Mean Score (Unmarried)					0.001938
LD - 3 Creativity and Foresightedness	Equal variances assumed	.094	<b>.759</b>	-1.423	688	<b>.155</b>
	Mean Score (Married)					-0.02719
	Mean Score (Unmarried)					0.107794

**Table 5: Influence of Occupations on factors**

Factors	Levene Statistic	Sig.	F	Sig.	Welch Statistics	Sig.
LD 2 – Team Orientation	4.847	<b>.008</b>	3.987	.019	4.633	<b>.010</b>
Mean Score	Professor					-.1625481
	Associate Professor					.0301951
	Assistant Professor					.0871118
LD 3 – Creativity and Foresightedness	4.746	<b>.009</b>	6.978	.001	7.301	<b>.001</b>
Mean Score	Professor					-.1001407
	Associate Professor					-.1625117
	Assistant Professor					.1504887

**Table 6: Impact of organization on factors**

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		f	Sig.	t	df	Sig. (2-tailed)
Ld 1 – Fairness and Competency	Equal variances assumed	52.324	<b>.000</b>	3.646	688	.000
	Equal variances not assumed			3.295	376.619	<b>.001</b>
Mean Scores	Govt. University					.1854194
	Non - Govt. University					-.1020848
Ld 2 – Team Orientation	Equal variances assumed	2.087	<b>.149</b>	-2.619	688	<b>.009</b>
	Equal variances not assumed			-2.725	563.087	.007
Mean Scores	Govt. University					-.1338085
	Non - Govt. University					.0736699

# AN EMPIRICAL STUDY ON EMPLOYEES ATTRITION AND RETENTION IN BPO INDUSTRY: A TOOL TO EMPLOYER BRANDING

Manish Madan★ Esha Jain★★

*The main aim of study is to develop a plan or a model for the BPO industry to lower down the rate of attrition and retention in the industry by working on certain independent variables. The broad objectives of study are to identify the factors of Attrition in BPO industry, to analyze/identify various dimension of Attrition and retention in the BPO industry. The study is explorative in nature. A systemized and organized study was done to reach the desired objectives of the study. The responses obtained from the respondents working in BPO industry in Gurgaon are analyzed using various statistical techniques. The significance of the study lies in the fact that in the last few years the BPO industry has deteriorated and is known as the symbol of attrition and retention of employees. As far as the growth is concerned, this BPO industry is the most growing industry in India in few years but also alarmed us about the employee turnover. The models developed are E-M Employee Attrition Model, and E-M Employee Retention Model.*

Key Words: Employee Attrition, Employee Retention, BPO Industry

The IT and ITeS sector has generated massive employment in the past and continues the trend of providing jobs. With online shopping, social media and cloud computing flourishing more than ever before, there is great demand for IT professionals in e-commerce and business to consumer firms. BPO! One reads the word and myriad of well-groomed youth on calls, fast money, and phenomenal lifestyles seem to flash the mind in a jiffy. That's just the start. One reads it again, contemplates over it, dives into the unveiled afflictions, and gives it a second thought and a completely differing depiction blazes the mind. Lopsided working hours, unimaginable attrition rate, stress and burnout exhibit its ugly side. No matter how the seesaw balances between the pros and cons, the fact remains conspicuous, loud and unchanged. BPO, Business Process Outsourcing, is the mantra of employment, the buzz of present, and the promise of future!

The Business Process Outsourcing Services industry has undergone a rigorous transformation; it has effectively grown to provide strategic partnership for clients today. It has surely left an indelible impact on the Indian BPO industry. The sector has rapidly evolved, in terms of expanding its verticals and geographic markets, attracting new customers, transforming from a technology partner to a strategic partner, thus cementing India's position as the premier global sourcing destination. The fact that the gamut of services has seen a significant change with BPOs managing end-to-end services indicates the growing maturity of the industry. The industry has already begun moving from enterprise services to providing 'enterprising solutions' —

incorporating SMAC (Social, Mobile, Analytics and the Cloud) to create client impact, not only on cost, but revenues, profit margins and cash flows.

Attrition in BPOs has terrible effects on the organization. The high attrition costs increases the costs to the organization considerably. They have to combat the amount of disruption due to unplanned exits. The more the people leave an organization, the more it is a drain on the company's resources like recruitment expenses, training and orientation resources and the time. The high attrition rate also affects the productivity of the organization. Therefore, it is extremely important to curb attrition not only for an individual firm but also for the industry as a whole. Many researchers have worked enormously on the BPO sector, citing its challenges, issues, and opportunities in and around employee performance, employee satisfaction and employee turnover.

Mr. N. Chandrasekaran, Chairman, NASSCOM, said, "The Indian IT-BPM industry has demonstrated resilience and agility in the past year. Technology has today become an integral enabler for growth across all sectors and the industry is continuously evolving and innovating to emerge as a strategic partner to its customers. He further added that, "The thrust is IP led solutions served over multiple platforms that has the customer at the center of every

★ Associate Professor, Rukmini Devi Institute of Advanced Studies.

★★ Assistant Professor, School of Management, G. D. Goenka University.

---

module, and is transformative in nature”.

The BPO industry is likely to be moved by two trends over the next few years. One is in the approach to outsourcing, with multi-sourcing becoming more prevalent, and the other is in technology where previously specialist services are now becoming commodity based. The latter is especially noticeable in the current trend to cloud hosting. Large BPM organizations will have to adapt to working with smaller specialized organizations and will have to become more specialized in certain areas. Equally clients will need to adapt their approach to make sure they gain the maximum benefit from these developments.

#### Need of Research

It is being reviewed from the literature that most of the studies in the BPO sector are done in the field of issue related to job stress, job satisfaction, growth and opportunities etc. Research done in the area of employee motivation and satisfaction has discussed domains like education (Sharma and Jyoti 2008, Smerek and Peterson 2006), ITES industry (Dash et al. 2008), oil industry (Okpara 2006), government ministries (Al-Ajmi 2006), labor market (Brown et al. 2007), to name a few but not much inclusive and structured work has been done in the domain of BPO sector. This study is completely based on attrition that is the burning problem of today's BPO industry as it is hindrance to the utilization of human resources and loss to organization in terms of time, money and branding. The only thing that is responsible for attrition of employees in BPO sector is lack of motivation among them.

#### BPO Industry in India

In India, Business Process Outsourcing (BPO) is the fastest growing segment of the ITES (Information Technology Enabled Services) industry. Factors such as economy of scale, business risk mitigation, cost advantage; utilization improvement and superior competency have all lead to the growth of the Indian BPO industry. Business process outsourcing in India, which started around the mid-90s, has now grown by leaps and bounds.

India is now the world's favored market for BPO companies, among other competitors, such as, Australia, China, Philippines and Ireland. The BPO boom in India is credited to cheap labor costs and India's huge talent pool of skilled, English-speaking professionals. Research by the National Association of Software Services and Companies (NASSCOM) has revealed that quality orientation among leading BPO companies, 24/7 services, India's unique geographic location and the investor friendly tax structure

in India have all made the BPO industry in India very popular.

The Indian ITes-BPO industry continues to report phenomenal growth. Further, riding on the boom, its contribution to the service sector and eventually to the country's GDP is on the rise. The industry has come a long way, from just offering traditional outsourced data entry work, to providing high end knowledge services to global clients. Its contribution to the total global back office work is around 2 per cent of the global spending on BPO. This represents tremendous growth opportunities for the industry players.

Some of the general services provided by the BPOs are receivables and payables, inventory management, order processing, cash flow analysis, reconciliation, data entry, payroll processing, quick books accounting, financial statement preparation and accounting services. Some of the web based services include live online sales and order entry, E-commerce transaction support, live online enquiry handling, web design/development. Speedy transformation is taking place in the global BPO market. It is escorted by increased investments in BPO services. Most of the principal business companies of the world are adopting BPO as a strategic business solution.

The BPO industry is quite assorted, with several sub-segments, each exhibiting its own unique and exclusive characteristics. The size of the global BPO market was projected to be \$173bn by 2007, of which \$24.23bn would be outsourced to offshore contractors (Gartner 2005). Of this, India has the potential to generate \$13.8bn in revenue. “The projection includes revenues of pure play Indian BPO service providers, captives operations of MNCs operating in India, third party service providers and BPO subsidiaries of IT services firms.

#### Employee Attrition

Employee attrition refers to the loss of employees through a number of circumstances other than firing and other employer-initiated events, such as resignation and retirement. The cause of attrition may be either voluntary or involuntary, though employer-initiated events such as layoffs are not typically included in the definition. Each industry has its own standards for acceptable attrition rates, and these rates can also differ between skilled and unskilled positions. The Indian BPO industry, which provides millions of jobs, is embracing employee-friendly policies such as job enrichment and innovative pay structures to arrest high attrition levels, say HR experts. Going by estimates, attrition levels in this industry is in the 30% - 55% range.

---

## Employee Retention

Employee retention refers to the ability of an organization to retain its employees. Employee retention can be represented by a simple statistic. BPO's are the highest job provider in the IT sector employing a total of more than 8 lakh professionals. Even big firms like Infosys and Wipro have an attrition rate of close to 20% in their BOP arms which is very high. As a quality workforce is crucial for business success, employers have started taking this very seriously and a lot of initiatives are being taken to curb attrition. As Kamal Karanth of Kelly Services India puts it, "The workforce is the backbone of the BPO industry and the attrition rates have becoming alarmingly high for the industry. Most of the companies are promoting within to ensure that talent remains."

### I. Review of Literature

With the boat of success steaming ahead in the global markets, India has already become the most privileged destination for Business Process Outsourcing. The word which one would simply slip in the beginning of this century has become the most pronounced and sought after term. Generating revenues, fostering employments, elevating the living standards, an eternal inventory of opportunities simply showcase a phenomenon which is no less than the renaissance for our Indian markets. Many researchers have talked about BPOs in their works, highlighted its capability as money making sector, showcased its doom of high employee turnover, sketched out its strengths, weaknesses, opportunities and threats, and also chalked out its dynamics of HR.

Getzlaf et al. (1984) compared undergraduate students who had dropped out from Washington State University (WSU) one year prior to the study with a control sample of students who continued at WSU with the help of Tinto's model of institutional attrition. Johnson and Gill (1993) described motivation in work organizations as "the processes by which people are enabled to and induced to choose to behave in particular ways". Jones et. al. (2003) explained that employee involvement produces improved enterprise performance through diverse channels including enhanced discretionary effort by employees. Backhaus and Tikoo (2004) explained that employer brand is used both to attract potential employees and to ensure that current employees are committed to the organization. Tapper (2004) BPO is a varied and speedily growing offshore market with an estimated annual growth rate of 60 percent. Brown and Stone (2004) reported that BPO accounted for 34 percent of the global outsourcing contract value in 2004 and

estimated that BPO services would grow from \$1.3 billion in 2002 to \$4.3 billion in 2007. Morocko and Uncles (2008) stated that retention of current employees as well as the attraction and recruitment of new employees are core processes related to the HR department. Maxwell and Knox (2009) discussed that the attributes employees consider important for their employers vary between different companies. However, there are categories of attributes that affect the attractiveness of the firm. Gilliver (2009) explained employer brand identifies an organization in the marketplace and makes it unique. It gives everyone in the organization a handle on what we are, and everyone interested in joining the organization a clear picture of what to expect. It infuses the firm's recruitment process and the interaction among people in the organization. Srivastav (2010) coded that how organizational climate operates in BPO industry. Six motives of organizational climate were measured in BPO companies. Expert Influence and Extension were respectively the dominant and backup climates. Priyadarshi (2011) observed that despite employer brand gaining considerable popularity in HR practitioner literature, empirical research is still relatively inadequate. Sengupta and Gupta (2012) said that Business process outsourcing (BPO) industry in India is progressing with an unparalleled velocity. Despite the momentous growth and brilliant future, the BPO industry has experienced high attrition rates since inception.

#### Objectives of Study

The broad objectives of study are as follows:-

1. To identify the factors of Attrition in BPO industry.
2. To analyze various dimension of Attrition in the BPO industry.
3. To identify various dimensions of employee retention in the BPO industry.

### II. Research Design & Methods

The study is exploratory in nature. A systemized and organized study was done to reach the desired objectives of the study. The responses obtained from the respondents working in BPO industry are analyzed using various statistical techniques. This study is restricted to employees working in BPO industry in Gurgaon, Haryana. The importance of this study is that it focuses on identifying the factors of attrition in BPO industry, its various dimensions and investigating the dimensions of employee retention in the BPO industry.

---

## Sources of Data

To cater the need of the research, the researchers have used primary data through self-constructed structured Questionnaire and as far as the secondary data is concerned that was obtained from web sites, journals etc. to explore the significance of impact of attrition and retention as a tool to employer branding.

## Sampling Technique

Simple random sampling technique was used to gather data from the respondents, because of which respondents diverged from every age group, gender, organization, marital status etc. but were restricted only to low and middle level employees, where the attrition is highest. The questionnaire was intricately designed to tap the demographic variables including age, education, gender, marital status, and tenure of the respondents. It also gathered information about the factors responsible for attrition, the factors that can be employed to retain the employees in a BPO, their overall level of satisfaction, motivation, involvement and life interest and work compatibility.

## Data Collection Technique

Primary data were collected from lower and middle level employees working in BPO sector in Gurgaon, Haryana. There were 221 respondents from BPO industry but only 150 were used for this study as rest of the 71 are summarily rejected due to non-response. Structured questionnaire was constructed to interview the lower and middle level employees of BPO industry in Gurgaon, Haryana.

## Statistical Tools Used

IBM SPSS 20 (Statistical Package for the Social Sciences), for data analysis which include regression analysis and for the reduction of factors the factor analysis is done using Rotated component matrix and for the reliability the Cronbach's Alpha was calculated and sample adequacy was tested on KMO and Bartlett's Test.

## About the Questionnaire

A well-structured self-constructed questionnaire is used for the collection of data. It is designed in such a manner to explore the factors that are basically responsible for attrition and the factors that are motivating employees for the job rotation. There were three parts of the questionnaire; first part includes demographic questions and questions related to their experience and the tenure of working in current and past organizations. Second part contains questions related to the reasons for changing past jobs and what problems they are facing in current job and the third

part of the questionnaire is about their current organization.

## Significance of Study

The significance of the study lies in the fact that in the last few years the BPO industry has deteriorated and is known as the symbol of attrition and retention of employees. As far as the growth is concerned, this BPO industry is the most growing industry in India in few years but also alarmed us about the employee turnover. The victims of employee turnover are basically the lower and middle level employees working in BPO industry. The main objective of this study is to assess the factors affecting such a large turnover of employees and also lack of motivation leading to reduction in job satisfaction. It is alarming for the BPO industry as this high level of turnover of employees is the loss of industry.

## Limitations of the Study

As the study is subjective, although lot of care has been taken to involve variables related to study, but may be some gaps can exist. The study can be done on larger samples and more diversified manner in terms of demographic and regions to make it more effective.

## III. Results & Discussion

### Reliability Analysis

In order to check the reliability of the questionnaire, the Cronbach's Alpha test was applied in Table 1. The value of Cronbach's alpha for the part II is found to be 0.852 and for the part III is found to be 0.921. As the value of Cronbach's Alpha, as shown in Table 1, in both the parts is more than 0.6, which consider the instrument to be reliable for the study.

### Validity Analysis

Kaiser-Meyer-Olkin test was done to measure the homogeneity of variables and Bartlett's test of sphericity was done to test for the correlation among the variables used. From table 2, it is found that the value for Kaiser-Meyer-Olkin Measure of Sampling Adequacy was more than 0.6 in both the parts of questionnaire, as it is 0.747 in part II and 0.772 in part III of the questionnaire. Also Bartlett's Test of Sphericity has significant value less than 0.05 at 5 % level of significance in both the parts of questionnaire. Thus it is concluded that instrument is accepted for the study.

### Dimensions of attrition in BPO industry

It is observed from table 3 that low perceive value and the

---

homogeneity of work play a vital role in the attrition of employees at the lower and middle level in the BPO industry. As the dissatisfaction in employees increased that leads to lack of motivation among the employees in the BPO industry and it consequently leads to the lack of efficiency among the employees of BPO industry. When the employees at the lower and middle level are less efficient that leads to dissatisfaction among the top management as their expectations are quite higher than the current efficiency of the employees. When the employees are not able to work at par to the expectation of the top management that leads to stress and become the reason for the employee to leave the job.

#### Factor Analysis (Attrition)

From the table 4, the 21 variables are condensed to eight factors viz.

Factor 1: This factor explains the First component and is designated as “Perception of Employees”.

Factor 2: This factor explains the Second component and is designated as “Undesirable work Culture”.

Factor 3: This factor explains the Third component and is designated as “Organizational Culture”.

Factor 4: This factor explains the Fourth component and is designated as “Personal Dissatisfaction”.

Factor 5: This factor explains the Fifth component and is designated as “Underemployed Job work Culture”.

Factor 6: This factor explains the Sixth component and is designated as “Organizational Support”.

Factor 7: This factor explains the Seventh component and is designated as “Self Growth”.

Factor 8: This factor explains the Eighth component and is designated as “Restricted Career”.

From these factors, we derive a new practical model for Employee Attrition for future references. This model is designed by both the researchers, Esha Jain & Manish Madan, who has undertaken this study, that’s why it will be known as ‘E-M Employee Attrition Model’.

#### Coefficient of Correlation in Factors of Attrition and Probability of Quitting of Job

From table 5, it is concluded that the only three factors which do not have a significant correlation are Restricted Career, Self-Growth and Undesirable Work Culture. That means it cannot be said with statistical significance that probability of quitting increases with the increase of other factors.

#### Regression Analysis

The nine dimensions of attrition were compared with demographic variables i.e. Gender, Marital Status, Education and Age.

From regression analysis it is concluded that the variables having p value less than 0.05 have significant difference with respect to demographic variables. In table 6, variables marked in star(\*) have significant impact on the demographic variables Gender, Marital Status, Education and Age.

#### Factor Analysis (Retention)

From the table 7, the 20 variables are condensed to four factors viz.

Factor 1: This factor explains the First component and is designated as “Intrinsic Motivation”.

Factor 2: This factor explains the Second component and is designated as “Hygienic Conditions”.

Factor 3: This factor explains the Third component and is designated as “Work of Interest”.

Factor 4: This factor explains the Fourth component and is designated as “Involvement and Decision”

From these factors, we derive a new practical model for Employee Retention for future references. This model is designed by both the researchers, Esha Jain & Manish Madan, who has undertaken this study, that’s why it will be known as ‘E-M Employee Retention Model’.

#### Coefficient of Correlation in Factors of Retention and Probability of Quitting of Job

From table 8, it is concluded that there are two factors which do not have a significant correlation are Hygienic conditions and Involvement and Decisions. That means it cannot be said with statistical significance that probability of retaining increases with the increase of other factors.

#### Regression Analysis

The four dimensions of retention were compared with demographic variables i.e. Gender, Marital Status, Education and Age. From regression analysis it is concluded that the variables having p value less than 0.05 have significant difference with respect to demographic variables. In table 9, variables marked in star(\*) have significant impact on the demographic variables Gender, Marital Status, Education and Age.

#### Assumptions of Both Models

The main assumption of both models lies in the fact that the study models has covered only limited number of

---

variables leading to attrition and retention in the BPO industry. The satisfaction of employees differs from one person to another. One employee can be satisfied on one aspect and other may not on that. The other assumption for both the models is that besides given factors, all other factors are assumed to be constant.

#### Validity of Both Models

To identify the various factors affecting Employee Attrition and Retention, the researchers validate both the models by studying the impact of recommendations on a small patch. For the final validation of both regression models, a small patch test was done on a sample of 30 employees from BPO industry. Few concrete recommendations were made to the process manager of American Express and she was asked to stringently apply these recommendations. The employees chosen for this study were the ones who had said they would leave the organization if they were offered work with the same pay elsewhere. Data which was collected, after three months of implementation, was analysed statistically. The response scores were put in the respective regression equations as derived from the second and third objective and the resultant willingness to stay in the organization was calculated. The comparison with their original scores clearly revealed that there was an escalation in the scores. Also, the predicted scores and the actual scores of the willingness to continue in the organization was put under correlation. It was found that both the values were strongly and significantly correlated with each other, with coefficient as 0.65 and 0.66 for E-M Employee Attrition Model and E-M Employee Retention Model respectively.

### IV. Conclusion

Underemployed nature of the job, Personal Dissatisfaction, Organizational Support, Perception of Employees and Organizational Culture are the main determinants of attrition in the BPO industry. The value of multiple R is 0.80 and the value of r square is 0.64 in the equation. It states that 64% of the attrition in a BPO is explained by these factors. An employee tends to leave the organization because of the Underemployed nature of the job, Personal Dissatisfaction, Organizational Support, Perception of Employees and Organizational Culture. Relationships were also found out between the various retention factors and the perceived attitudes of the employees. All the correlations had positive and significant coefficients, thus stating the fact that if an organization is able to exploit the retention factors, viz. motivation factors, hygiene factors, involvement factors, and life-interest and work

compatibility, the employees can readily and voluntarily express their willingness to continue.

It can also be concluded that intrinsic motivation factors; and involvement factors are quite instrumental in retaining the employees in an organization and at the same time, age and education negatively contribute to the sustenance of the employees in the organization.

E-M Employee Attrition Model and E-M Employee Retention Model was developed and validated also by doing patch study in American Express.

#### Recommendations

- It is known that employees are investors for the organizations as they are investing their time to work for the organizations and in return they expect similar kind of return of their investment, which either can be in the form of monetary benefits, authority, power, recognition etc.
- It should be mandatory for the organization to adopt retention of employee as their one of the objectives. It is seen organizations of great success keep retention of employees at very low rate.
- It is the duty of the organizations to develop the sense of loyalty among the employees as loyalty is earned rather given.
- Organizations must be seen as employers of choice. One has to compete on compensation and benefits, but win on culture, learning and development.

### References

- Backhaus, K., and Tikoo, S. (2004). Conceptualizing and Researching Employer Branding. Career Development International, 9(5), 501-517.
- Brown, P., and Stone, L. (2004). New BPO Definitions Clarify Service Offerings. Research Note: Gartner Research, DocumentG00123758 <www.gartner.com>.
- Brown, P., Luthar, H., and Bhatnagar, J. (2006). The Dynamics of HRM Systems in Indian BPO Firms. Journal of Labor Research, 27 (3), 339-360.
- Dash, M., Singh, A., and Vivekanand. (2008). Motivation in ITES industry: Dimensionality with reference to Herzberg's theory. ICFAI Journal of Organizational Behaviour, 7(2), 18-27.
- Gartner, A. M. (2005). Correlates of Turnover Propensity

of Software Professionals in Small High Tech companies. *R&D Manager*, 19(4), 325-334.

Getzlaf, S. B., Sedlacek, G. M., Kearney, K. A., and Blackwell, J. M. (1984). Two Types of Voluntary Undergraduate Attrition: Application of Tinto's Model. *Research in Higher Education*, 20(3), 257-268.

Gilliver, S. (2009). Badenoch and Clark guide. *Employer Branding Essentials*, 4(3), 25 – 39.

Johnson, P., and Gill, R. (1993). *Theory and Practice of Leadership*. Thousand Oaks, CA: Sage.

Jones, Derek C., Takao, K., and Weinberg, A. (2003). Changing Employment Practices and the Quality of Jobs in Central New York: Evidence from Case studies of Medium-Sized Manufacturing Establishments in Central New York. Paper presented at the Joint Conference of the Rockefeller and the Russell Sage Foundations on Evidence from the Future of Work Program's Case Studies, May 2-3

Maxwell, R., and Knox, S. (2009). Motivating Employees to "live the brand": a comparative case study of employer brand attractiveness within the firm. *Journal of Marketing Management*, . 25(9-10), 893-907.

Moroko, L., and Uncles, M. (2008). Successful Employer Brands. *Brand Management*, 16(3), 160-175.

Priyadarshi, P. (2011), Employer Brand Image as Predictor Employee Satisfaction, Affective Commitment and Turnover". *Indian Journal of Industrial Relations*, 46(3), 32 – 45.

Sharma, R. D., and Jyoti, J. (2009). University Job Satisfaction of Teachers: An Empirical Study. *Journal of Services Research*. 9(2). Provided by ProQuest LLC.

Smerek, R. E., and Peterson, M. (2006). Examining Herzberg's Theory: Improving Job Satisfaction Among Non-academic Staff at a University. *Research in Higher Education*, 48(2), 229-250.

Srivastav, A. K. (2010). Organizational Climate: BPO Industry. *SCMS Journal of Indian Management*, 7(2), 15 – 23.

Tapper, D. (2004). Worldwide and U.S. IT Outsourcing Services 2004–2008 Forecast: A Potential Perfect Storm. *Market Analysis (April 2004): IDC*, Document 31089 <www.idc.com>.

**Table 1: Reliability Statistics**

Part-II	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
	0.852	0.831	21
Part-III	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
	0.921	0.882	20

**Table 2: KMO and Barlett's test of Sphericity**

Part-II	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.747
	Bartlett's Test of Sphericity	Approx. Chi-Square	8463.273
		Df	210
		Sig.	0.000
Part-III	Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.772
	Bartlett's Test of Sphericity	Approx. Chi-Square	11620.631
		Df	190
		Sig.	0.000

**Table 3: Ranks of factors for attrition**

Factors	Score (Out of 100)	Rank
Motivation of Employees in current organization	50	4
Disenchanted Employees	60	3
Pressure of top management to achieve Desirable objectives of top management	50	4
Homogeneity of Work	80	1
Job Security	30	5
Salary Expectation	70	2
Work Life Balance	30	5
Timings of duty	70	2
Low Perceived Value	80	1
Stress due to work	50	4

**Table 4: Factor Analysis (Attrition)**

Statements	Rotated Component Matrix							
	1	2	3	4	5	6	7	8
Low Perceived Value	<b>0.8325</b>							
Personal favoring of employees	<b>0.6518</b>							
Lack of Opportunities	<b>0.7391</b>							
Disagreement in Policies	<b>0.5281</b>							
Working Conditions are unfavorable		<b>0.7429</b>						
Political Environment			<b>0.7218</b>					
Dissatisfied Peer Group			<b>0.5837</b>					
Lack of Teamwork			<b>0.5273</b>					
No Incentives				<b>0.8216</b>				
Personal Reasons				<b>0.5616</b>				
Lack of Motivation				<b>0.6219</b>				
Lack of Skills					<b>0.5193</b>			
Homogeneity of Work					<b>0.8217</b>			
Lack of Target based opportunities					<b>0.5142</b>			
Undesirable Working hours						<b>0.5164</b>		
Lack of Quality work						<b>0.8219</b>		
Top Management Inefficient						<b>0.5581</b>		
Lack of Autonomy							<b>0.5513</b>	
Lack of Recognition of Work							<b>0.8263</b>	
Inefficient Mentoring								<b>0.5731</b>
Lack of Career Opportunities								<b>0.6729</b>

**Table 5: Coefficients of Correlation in Factors of Attrition and Quitting of Job**

Factors of Attrition	Probability of Quitting Job
Perception of Employees	0.418*
Undesirable Work Culture	0.041
Organizational Culture	0.312*
Personal Dissatisfaction	0.331*
Underemployed Job Work Culture	0.419*
Organizational Support	0.512*
Self-Growth	0.031
Restricted Career	0.002

**Table 6: Regression Analysis**

Dimensions	Gender		Marital Status		Education		Age	
	t value	Sig.	t value	Sig.	t value	Sig.	t value	Sig.
Perception of Employees	2.271	0.031*	2.529	0.041*	2.472	0.039*	2.157	0.000*
Undesirable Work Culture	1.521	0.025*	1.829	0.001*	1.357	0.000*	1.327	0.000*
Organizational Culture	2.182	0.072	2.810	0.721	1.389	0.813	2.249	0.621
Personal Dissatisfaction	1.921	0.027*	1.927	0.003*	2.246	0.003*	1.237	0.072
Underemployed Job Work Culture	2.721	0.091	2.104	0.916	1.379	0.836	2.248	0.031*
Organizational Support	1.290	0.318	1.928	0.031*	2.279	0.000*	1.129	0.000*
Self-Growth	2.183	0.036*	2.724	0.000*	1.145	0.003*	2.168	0.041*
Restricted Career	1.491	0.418	1.820	1.625	2.280	0.301	1.169	0.827

**Table 7: Factor Analysis (Retention)**

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Opportunity for Personal Growth	<b>0.6329</b>			
Opportunities are there to help peer group	<b>0.5192</b>			
Feeling of Self – esteem	<b>0.8931</b>			
Authority connected with position	<b>0.9231</b>			
Self-Satisfaction in Current Job	<b>0.5221</b>			
Current Job Profile	<b>0.5319</b>			
Prestigious Designation	<b>0.7217</b>			
Medical Benefits, housing, conveyance, etc.		<b>0.5529</b>		
Opportunity of developing good friends		<b>0.6201</b>		
Satisfied with salary offered		<b>0.8217</b>		
Effective Working Conditions		<b>0.5193</b>		
Job Security		<b>0.7318</b>		
Feeling of Satisfaction in current Job			<b>0.5341</b>	
Opportunities to grow			<b>0.6219</b>	
Government Consideration for current job			<b>0.8721</b>	
Reputation of my designation outside the organization			<b>0.5826</b>	
Overall involvement in work				<b>0.6629</b>
Sense of accountability				<b>0.7182</b>
Opportunities for Participation				<b>0.5581</b>
Opportunity for independent decisions				<b>0.7301</b>

**Table 8: Coefficients of Correlation in Factors of Retention and Quitting of Job**

<b>Factors of Retention</b>	<b>Probability of Quitting Job</b>
Intrinsic Motivation	0.419*
Hygienic Conditions	0.002
Work of Interest	0.439*
Involvement and Decision	0.021

**Table 9: Regression Analysis**

<b>Dimensions</b>	<b>Gender</b>		<b>Marital Status</b>		<b>Education</b>		<b>Age</b>	
	<b>t value</b>	<b>Sig.</b>	<b>t value</b>	<b>Sig.</b>	<b>t value</b>	<b>Sig.</b>	<b>t value</b>	<b>Sig.</b>
Intrinsic Motivation	2.942	0.394	2.489	0.000*	2.581	0.026*	1.682	0.028*
Hygienic Conditions	1.294	0.021*	1.639	0.721	2.470	0.000*	2.726	0.301
Work of Interest	1.837	0.000*	2.426	0.841	1.431	0.003*	2.881	0.827
Involvement and Decision	2.401	0.825	1.004	0.028*	2.936	0.629	2.559	0.925

## WOMEN AND CORPORATE SOCIAL RESPONSIBILITY IN BANKING SECTOR

Vrinda Kapur ★

*The concept of Corporate Social Responsibility has assumed importance globally in the recent years. CSR is an organisation's commitment to run its business in a socially responsible manner in a way that it leads to sustainable development. Globally, the buzz about the need for gender diversity in the board rooms is getting louder and India is no exception. The Companies Act, 2013 has proposed that certain categories of companies must have at least one woman director on the Board. Today, woman constitute more than half of the workforce and a major part of the consumer market, still their needs are overlooked. The presence of a woman director on the board makes it easier for companies to identify and address the needs of the often overlooked female market. Companies no doubt take several initiatives on the social responsibility front but very less is invested in the area of woman empowerment. The purpose of this paper is to study the number of woman directors in various public and private sector banks of India and highlight the corporate social responsibility activities taken up by some of the prominent banks for the upliftment and empowerment of women.*

Keywords: Women Directors, Banks, Board of Directors, gender diversity, Corporate Social Responsibility

The term Corporate Social Responsibility (CSR) has assumed importance globally in recent years. Various corporate failures and scandals like Satyam, WorldCom, Enron, Tyco etc, have shaken the confidence of the investors and other stakeholders creating a doubt in their mind regarding the integrity and managerial skills of the top management of large corporate. Lack of accountability and transparency and increased level of corruption has led to the emergence of the concept of corporate social responsibility. Companies use various methods to contribute socially. They may enter into partnerships with various NGOs and Government, they may undertake community development programmes by creating their own foundations that directly support in the upliftment of the community through improvement in health, education, etc. Companies may also under take environmental management. Corporate social responsibility means different things to different individuals.

Banking has been an important instrument of economic growth. As it is considered the backbone of economic development, any changes in its functioning are deemed to have repercussions on the country's growth. Banking in India started from the beginning of 19<sup>th</sup> century on western lines. At that time Bank of Bengal, Bank of Bombay and Bank of Madras were started in 1806, 1840 and 1843 respectively with financial participation of the Government. These banks were called Presidency Banks which were merged in 1921 to form the Imperial Bank of India, which was given some powers of a Central Bank. The Reserve

Bank of India was established as the apex bank of the country on 1<sup>st</sup> April, 1935. On 1<sup>st</sup> July 1955 State Bank of India was set up by taking over the assets, liabilities and establishment of the Imperial Bank of India. Since the independence of India, banking sector has evolved through various stages. The Indian banking sector became an important tool to facilitate the development of the Indian economy by the 1960.

The Government of India issued an ordinance "Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969" and nationalised the 14 largest commercial banks with effect from the midnight of July 19, 1969. These banks contained 85 percent of bank deposits in the country. The second phase of nationalisation took place in 1980 with the nationalisation of 6 more commercial banks. The contribution of financial institutions including banks to sustainable development is paramount, considering the crucial role they play in financing the economic and developmental activities of the world. In this context, the urgency for banks to act as responsible corporate citizens in the society, especially in a developing country like ours, need be hardly overemphasized. Their activities should reflect their concern for human rights and environment.<sup>1</sup>

The decisions of the senior management play an important role in the success and failure of a particular organisation.

★ Assistant Professor, Department of Commerce  
Janki Devi Memorial College, University of Delhi.

---

It has been proved in various studies that a higher proportion of women in the board of directors of companies are more socially responsible. Other studies have proved that gender-inclusive leadership is linked to increased philanthropy as well as increases in other CSR areas, such as environmental activities and women empowerment. For years the core business of banks has been taking deposits, granting loan and providing several complementary services, but no matter what kind of country the bank belongs to banks in today's global scenario need to be socially responsible. The word women empowerment essentially means that the women have the power or capacity to regulate their day- to- day lives in the social, political and economic terms -a power which enables them to move from the periphery to the centre stage.<sup>2</sup> According to Prof. D.S. Landes, "The best clue to a nation's growth and development potential is the status and role of women."

The present study has been undertaken with the objectives to examine the number and status of women in the Board of Directors of 27 public sector and 20 private sector banks in India for the financial year 2013-14 and to highlight the corporate social responsibility activities undertaken by top 5 banks of India for the upliftment and empowerment of women.

## I. Review of Literature

The present research purports to study the women directors and corporate social responsibility in Banking Sector. With the purpose in view, the available literature on the subject was scanned as no research is complete without the systematic analysis of the relevant literature.

Bernardi and Threadgill (2010) in their paper tested a sample of 500 companies- and found out that an organisation's socially responsible behaviour increases because of gender diversity. It is found that there is a relationship between the level of various corporate social responsibilities undertaken by an organisation and the number of female directors on a corporate board.

Dolors Setoç-Pamies (2013) highlighted that woman directors are the driving force behind an organisation's corporate social responsibility activities. Empirical evidences suggest that gender diversity has a positive influence on corporate social responsibility. The talent of the female have a strategic impact on the firm's management of social responsibility and sustainable practices.

Rachel Soreus et al (2011) suggest that for the betterment of business and society it is good to have gender-inclusive leadership. There is an increase in the quality of corporate

social responsibility initiatives with gender inclusive leadership. Companies that have both men and women part of their corporate board and at the executive levels are confident of achieving sustainable growth for the company.

The present study is an attempt to fill in the gap by highlighting the number of women directors on the board of public and private sector banks in India and the various corporate social responsibility activities undertaken by certain banks for the economic empowerment and upliftment of women.

## II. Research Design & Methods

The present study tries to gather information regarding the current number of women directors in 27 public sector banks of India and 20 private sector banks of India. An attempt has also been made to study the corporate social responsibility activities undertaken for 'women' by top 5 banks of India including three public sector and two private sector banks of India over the last few financial years starting 2010. The data has been drawn from annual reports of the banks and the information available on their websites. The research is based on various secondary sources. Articles published in leading newspapers, and websites have been referred for the study.

## III. Results & Discussion

There is no universal definition of Corporate Social Responsibility (CSR). Depending upon the culture and background of a particular country and its economic growth the definition of CSR keeps on varying. CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis. CSR is a process by which a corporation is able to reach out to its people as well as a link through which ideas and issues flow back to the corporation. It is a vital connect without which, over time, business will cease to have relevance.<sup>3</sup> According to the World Business Council for Sustainable Development (WBCSD), "Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of workforce and their families as well as the community and society at large". The term CSR essentially means an organization's commitment to operate in a socially responsible manner.

### Women Directors in Indian Banks

Globally, the buzz about the need for gender diversity in the board rooms is getting louder and India is no exception.

The Companies Act, 2013, also prescribes that 'certain' categories of companies must have at least one woman director on their boards. The position of women at the leadership level has not been very bright in banking industry of India. In 1969 fourteen large private banks were nationalised and seven banks were nationalised in 1980. The banking industry had to wait till June, 2000 to get its first CEO, Ranjana Kumar. Smt. Ranjana Kumar has to her credit the task of turning around Indian Bank in Chennai that was crumbling under the burden of bad loans. The second women CEO was H.A. Daruwalla of Central Bank. The nation's largest bank State Bank of India (SBI) till date has not seen any women occupying the corner room. Bharati Rao became the first deputy managing director of SBI in 2006 and Renu Challu was the second to rise up to the rank as the head of State Bank of Hyderabad. Till 2010 State Bank of India had two deputy managing directors Arundhati Bhattacharya and Soundara Kumar, but no woman had risen to become the managing director of State Bank of India.<sup>4</sup> In 2013 Ms. Arundhati Bhattacharya of State Bank of India superseded three male colleagues to take over as the first woman chairman in bank's 206 year old history.

In the private sector, women have been playing significant roles at the top. Chanda Kochhar heads ICICI Bank Ltd, India's largest private lender, and Shikha Sharma, Axis Bank Ltd. ICICI Bank, where Sharma also used to work, has been seen always as an equal-opportunity employer that encourages women professionals. There are other women powerhouses as well in the financial sector such as Naina Lal Kidwai (Hongkong and Shanghai Banking Corp. Ltd), Meera Sanyal (ABN Amro), Kaku Nakhate (Bank of America-Merrill Lynch). India's central bank has also had three women deputy governors in its 77-year history-K.J. Udeshi, Usha Thorat and Shyamala Gopinath. As per a McKinsey Report based on the data up to March 2009, women constituted about 17% of the total workforce in nationalized banks. In the clerical cadre, women accounted for a little more than one-fourth of the workforce (26.5%) but the percentage dropped to 18.87% in the officer cadre and 2.66% in the executive cadre (deputy general manager and above). There were only 17 women among 383 general managers in nationalized banks in 2009. At that time, SBI had 59 women in the executive cadre and 8,524 women officers.

Women bank chiefs are now not new to Indian banks. In a recent step towards gender diversity the finance ministry has identified Central Bank of India executive director (ED) Vijayalakshmi R Iyer as the next chairman and managing director (CMD) of Bank of India. Two banks

headquartered in West Bengal will also get women CMDs with Archana Bhargava, ED at Canara Bank, expected to be move to United Bank of India and Vijaya Bank ED Shubhalakshmi Panse shortlisted for the top job at Allahabad Bank. In all, six candidates have been shortlisted for filling up the corner offices in PSBs that fall vacant in 2012. Going forward, the number may go up as droves of women joined state-owned banks in the 1980s and 1990s.<sup>5</sup>

With the introduction of Bharatiya Mahila Bank in the public sector in 2013 the position of women has improved, as the bank aims towards empowerment of women. Almost all the members of the Bank's Board are women.

The following tables explain the position of women directors in various Public Sector and Private Sector banks of India:

22 out of 27 public sector banks in India have at least one woman on their board of directors. This means that only 81% (approx) public sector banks have a gender inclusive board. The gender diversity ratio is best computed not by looking at the absolute number of women directors on board, but by computing their percentage in the total board. The highest number of women directors on a bank's board is Bharatiya Mahila Bank, where 9 out of 10 directors are women directors. This means that 90% of the board is constituted by women. Bharatiya Mahila Bank is the first of its kind in the Banking Industry in India with a vision of economic empowerment for women. The bank was launched in 2013 and since then it has designed many women centric products keeping in mind the core strengths of women to enable them to unleash their hidden potentials. The bank also conducts from time to time programs on financial literacy, skill development, training for women of all segments of the society so that in turn women are able to generate more income and job opportunities, thereby contributing towards the economic growth of the nation.

Followed by Bharatiya Mahila Bank are Vijaya Bank, Oriental Bank of Commerce, Dena Bank, State Bank of Hyderabad and State Bank of Bikaner and Jaipur where at least 2 women directors are there on the Bank's Board. In most of the cases women are only nominee directors appointed by Government of India or Reserve Bank of India. The highest post held by women in public sector bank is that of Chairperson and Managing Director. This post is held by Smt. Arundhati Bhattacharya of State Bank of India and Smt. V.R.Iyer of Bank of India. The above analysis shows that women have been given ample opportunities in public sector banks to represent the top management.

The status of women directors on the Board of private sector banks in India shows, only 10 out of 20 private

sector banks have women as a part of the Board of Directors. This represents that only 50% banks in the private sector have women as a part of their board. Axis bank has the largest number of women on the board by giving the highest position of MD and CEO to Mrs. Shikha Sharma. The bank has three women on its board representing 21% approximately. As compared to the public sector banks the private sector banks have lesser participation of women the top management.

It is clear from the above analysis that women director can be chairperson, managing director, an executive full time working director, a nonexecutive director or even an independent director. While some countries have opted for recommendatory guidelines, EU countries have largely opted for mandatory quotas. According to section 149(1) of Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 every listed company and every other public company having paid up capital of Rs 100 crore or more, or every public company having turnover of Rs 300 crore or more shall appoint at least one women director. With the changing demographics of the global workforce and the fact that women will control 75% of discretionary spending by 2028, globally companies cannot underestimate the importance of improving gender balance on their boards.

#### CSR Initiatives for Women by Various Banks in India

##### (i) Punjab National Bank (PNB)

Punjab National Bank (PNB) has accomplished various landmarks on the corporate social responsibility front by undertaking several activities for the upliftment and empowerment of women. During the year 2010-11 PNB Prerna, an association of women was formed for carrying on the CSR activities of the Bank. This Association was formed by involving the services of the wives of the Senior Personnel of the Bank as well Senior Lady Officials of the Bank. The foundation laid by the Punjab National Bank in 2010-11 to carry out various activities for the empowerment of women also continued during the year 2011-12. PNB Prerna an association of women formed by the Bank to carry on the CSR activities completed successfully one year of its operation by bringing about transformation in the lives of the impoverished and destitute. To ensure that the leadership of the association remain with the women Smt Usha Ananthasubramanian, Executive Director of PNB was made the Vice-President of PNB Prerna. Various initiatives were taken up by PNB Prerna during the year 2011-12 such as donation of computers to NGOs. The Punjab National Bank adopted New Born Care and malnutrition Treatment ward of Shri Kalyan Rajkiya

Chikitsalya as move towards Janani Surakasha Yojana. The Bank also donated money to Swami Shradhanad Charitable Trust for constructing toilets for the girl students of a school in Dehradun run by the Trust for the destitute children residing in slum areas.

Under the aegis of PNB Centenary Rural Development Trust, 47 PNB Rural Self Employment Training Institutes (PNBRSETIs) have been established. During the year 2013-14, 978 training programmes were organised and 28011 persons have been provided training by these centres. These institutes are providing training to the Rural BPL youth and women so that they can engage themselves in productive self employment activities and raise their income level.

For undertaking the CSR activities and executing the same in planned way across the country, PNB has won the “Most Socially Responsive Bank Award” consecutively for the three years i.e. 2011, 2012 & 2013 awarded by Business World-PwC. BANK has also been conferred with an Appreciation Certificate by ASSOCHAM in the field of Corporate Social Responsibility during the year 2013-14

##### (ii) Canara Bank

‘Empowerment of Women’ a key component of socio-economic growth and stability of a developing country like India has always been the priority objective of Canara Bank since its inception. The Bank’s journey for over a century has been with care and concern for the society where we live in, especially the women folk. Canara Bank has set up the Centre for Entrepreneurship Development (CED) for Women at Bangalore with 34 centres across the country to support enterprising women looking forward for business opportunity and skill training. The Centre for Entrepreneurship Development for Women was established at the Bank’s Corporate Office, Bangalore during 1988 with an objective of assisting the potential women entrepreneurs to select income generating activities and start ventures of their own. Now 34 such Centres are functioning at all Circle Offices of the Bank across the country with a monitoring cell at the Corporate Office, Bangalore.

The Centre for Entrepreneurship Development for women has been set up to fulfil the following objectives:

- To identify, motivate and train women entrepreneurs.
- To conduct general and skill development programmes (EDPs) for different target groups.
- To assist potential women entrepreneurs to start/establish/ run an enterprise professionally.

- To guide existing entrepreneurs in improvisation modernization of an existing unit.
- To co-ordinate with government/voluntary organizations engaged in promoting entrepreneurship among women.
- To offer counselling services to the entrepreneurs existing as well as prospective.
- To popularize the concept of self help groups' among women as well assist them in formation of SHGs, credit linkage and trainings.

The CED for women at head office formulates policy guidelines related to women issues & credit flow to women beneficiaries. All the 35 Centres including the one at corporate office organize General/Skill development training programmes, entrepreneurship awareness programmes for the benefit of women. Counselling is offered by these Centres on all working days, more specifically on every Tuesday & Thursday between 3 p.m and 5 p.m. The Centres conduct various seminars and workshops related to business opportunity guidance/emerging entrepreneurial opportunities, training facilities & financial Assistance to women entrepreneurs, preparation of project proposal, market survey & management techniques. For the young aspirants at the college level the centres conduct 'Career Guidance Programmes' and workshops on 'emerging entrepreneurial opportunities'. The centres set up by the bank provide marketing support to women entrepreneurs by arranging exhibition cum sale of products manufactured by them by organising events like:

- Canara Utsav/Canara bazar/Canara mela throughout the country for a duration of 3-5 days at prominent places.
- Nammura Santhe-Marketing assistance for Micro women entrepreneurs and women SHGs operating in and around Bangalore provided through Hi-tech

Canara Bank has also started the concept of 'Mahila Banking Branches' which is first of its kind in the banking industry. Two exclusive specialized branches of the Bank one at Bangalore and another at Chennai cater to the needs of women customers. As at June 2011, an amount Rs 28767 crores has been lent to more than 13.11 lakhs women constituting 14.26% of Bank's net credit as against Government of India's stipulation of 5%.

#### (iii) State Bank of India

Corporate Social Responsibility has been a part of State Bank of India (SBI) since 1973 under the name of Community Service Banking covering various social, environmental and welfare activities. The Bank has taken

special initiatives for girl child through the concept of 'Adoption of girl child'. Under this practice branches of the bank adopt girl children in the age group of 6-14 years who are orphan/destitute/physically handicapped or belong to poor families. The initiative started in 2008 with 8,3338 children. Apart from financial assistance, individual employees from the Bank or spouses of employees adopt one or two children for care mentoring, counselling to try and fulfil the role of a guide. This includes periodic visits to the schools by staff members, talking to the girl child to understand her difficulties academic or otherwise, and offering solution. A close liaison is also maintained with the teachers and the academic progress of the girl child is monitored.

#### (iv) Axis Bank

To channelize its philanthropic initiatives, Axis Bank has set up a Trust – the Axis Bank Foundation (ABF). The Foundation has committed itself to participate in various socially relevant endeavours with a special focus on poverty alleviation, providing sustainable livelihoods, education of the underprivileged, healthcare, sanitation etc. The Bank contributes upto 1 percent of its net profit annually to the Foundation under its CSR initiatives. For the financial year ended 31<sup>st</sup> March, 2012, the Foundation has extended various grants aggregating Rs. 18.85 crores. During the year 2011-12, the Foundation partnered with 36 NGOs for educating over a lac underprivileged and special children in 13 states. The Foundation supported nurseries and focused on early childhood programmes for 2-6 year olds living in slum areas, with special focus on girl child. The Foundation works with Lifeline Foundation for providing highway trauma care and rural medical relief in the states of Maharashtra, Kerala, Gujarat and Rajasthan. It has provided aid to more than 7,500 critical accident victims and more than 15,000 minor accident victims. The Bank launched an employee payroll programme titled 'Axis Cares' in which 3,661 officers of the Bank have enrolled as on 31<sup>st</sup> March, 2012 and their monthly collection stands at Rs. 7.52 lacs. The funds collected under this programme are utilised for the programs of the Foundation.

The Axis Bank Foundation aims to provide one million sustainable livelihoods to the underprivileged in some of the most backward regions of the country in the next five years, with 60% of the beneficiaries being women. The Foundation has partnered with PREM (People's Rural Education Movement) to start anew innovative project PREMA. This project aims to provide vocational training and sustainable livelihoods to more than 10,000 youth (of which at least 8000 will be women) from impoverished

---

Adivassi and Dalit communities of Odisha. Under Project PREMA the youth have the opportunity to access quality vocational training in fields like computer hardware and software, hotel management, nursing, electronics, advanced agriculture, driving, security guard, weaving of kewada and Grihini (women's livelihood and leadership program).

Axis Bank also hosted the 15<sup>th</sup> WILL Forum (Forum for Women in Leadership) Meeting in Mumbai on 2<sup>nd</sup> and 3<sup>rd</sup> February, 2012. The WILL forum meetings bring together senior women executives from across the industries who meet to share their collective thinking in an open discussion on various issues and challenges facing women in workplace, and how one can learn from each other's experiences. WILL Forum India— is a unique and deeply committed mandate that brings together senior women executives in leadership positions from across corporate India for an open dialogue on their aspirations, opportunities, nurturing mind-sets, mentoring and harnessing the rewards of collective thinking for improving the workplace in the coming years. The WILL Forum sets the tone and a strong agenda for women executives across industry and lateral segments of Indian business and society including private sector, public sector, and multinational corporations—to make an important case for leveraging the vast talent pool of women in the workplace and creating opportunities for them that will share the rewards of best business practices, and make a contribution to business and society.

(v) HDFC Bank

HDFC Bank takes corporate social responsibility initiatives in areas like education, livelihood training and support, environmental sustainability, employee welfare, health and well being, etc. The Bank has started a public private partnership project known as 'school adoption project that ensures that children in municipal schools have access to quality education. Special educational sponsorships are provided to girl child. Girls who are at the risk of dropping out of school on account of affordability and poor academic performance are identified and supported under a special sponsorship program. This program covers their material needs with regard to their education as well as provides them with academic support. Presently, this program covers 1500 girls in Mumbai, Sheopur and Chattisgarh. The Bank positively favours Girl Child and has introduced a special sponsorship for education of the girl child.

To ensure economic upliftment of the underprivileged in mind, the bank provides support for vocational training, through on-site skill up-gradation courses in basic trade

related to the construction industry, the bank has reached out to the unorganised sector and has provided training to over 2500 youth and women. An essential element of the bank's CSR is its community initiatives which aim at empowering individuals at the bottom of the pyramid through developmental initiatives such as education and livelihood support. The bank's livelihood initiatives are aimed at training and capacity development of youth and women in the age group of 18-30 years from economically weaker section of society and to empower them to gain access to opportunities for sustainable livelihood and growth.

The Bank's Sustainable Livelihood Banking program (SLI) now operates across the country and has created significant impact on the lives of the people it touches. SLI adopts a holistic approach. It ensures that it develops a deep understanding of the needs of each of the women. As a result, the wide ranging effects of this work is not limited to financial benefits alone, they extend to changing deep rooted social attitudes towards women – like in the case of Jayamma and Rudamma, from Bellary in Karnataka who belong to the Devdasi community and have spent a large part of their lives serving as sex workers for their temple. Thanks to an SLI loan, they now live an independent, dignified life as successful farmers.

#### IV. Conclusion

To survive in this competitive world management cannot ignore the needs and expectation of the various stakeholders. The banking sector being an important part of the economy has global pressures to carry out its business in a socially responsible manner. For long, women in India have faced confinement and restrictions. It has indeed taken a long time for the position of women to change in the Indian society. Even though several reforms have been initiated from time to time for the upliftment of women, still today a very few women are the part of the top management of various corporate houses and financial institutions. Looking at the Banking sector of India only 81 % public sector banks in India have at least one woman on their board of directors. The proportion of women directors to the total board size is really low in case of private sector banks. Most private sector banks in India do not have even one woman director on their Board whereas in public sector bank woman enjoy the position of Chairperson and Managing Director also. In today's global scenario there is an increasing need for the boards to be gender inclusive so as to outperform in this competitive world.

Due to the global pressure for corporate social responsibility

banks today are spending huge amounts of the net profit on various areas of CSR such as community development through setting up foundations that support the cause of community upliftment, but very less emphasis have been given to the area of women empowerment. Only a handful of Banks from both private and public sector carry out some CSR activities for Women. It has been observed in this study the Banks that have woman as a part of their Board of directors tend to initiate more CSR activities for woman than banks that do not have a gender inclusive board. The highest level of CSR activities undertaken for women are that by Punjab National Bank followed by Canara Bank in public sector. In private sector Axis Bank has taken up several activities for woman as a part of the CSR followed by HDFC. The point to be emphasised here, is that all these banks have woman as a part of their Board. Although State Bank of India is the largest commercial Bank in India but it has not taken up many activities for woman as a part of its CSR activities, may be because till recently its board lacked the participation of woman director. It is time we recognize the different capabilities that woman bring into the workplace. An attempt must be made to introduce special policies and set up specific cells that spur the participation of woman especially at the leadership and decision making level. There is an increasing need for the Banking sector to realize that in this modern era of technological advancement where every minute there is a new innovation or invention why should the women be left behind? As has been rightly said the real growth and development potential of an economy is judged from the status of women in the economy.

## References

- Pamies, Dolores Setoç, (2013), "The Relationship between Women Directors and Corporate Social Responsibility", available at, <http://onlinelibrary.wiley.com/doi/10.1002/csr.1349/pdf>
- Bernardi, Richard A. and Threadgill, Veronica H., "Women Directors and Corporate Social Responsibility", *Electronic Journal of Business Ethics and Organizational Studies*, Vol. 15, No. 2, pp. 15-21, 2010, available at, <http://ssrn.com/abstract=1752267>
- Soures, Rachel, Marquis Christopher and Matthew Lee, (2011), "Gender and Corporate Social Responsibility: It's a Matter of Sustainability", available at, [http://www.catalyst.org/system/files/gender\\_and\\_corporate\\_social\\_responsibility.pdf](http://www.catalyst.org/system/files/gender_and_corporate_social_responsibility.pdf)
- "Empowerment of Indian Women: A Challenge of 21<sup>st</sup> Century", available at, [http://orissa.gov.in/emagazine/Orissareview/jan2006/engpdf/Empowerment\\_of\\_India.pdf](http://orissa.gov.in/emagazine/Orissareview/jan2006/engpdf/Empowerment_of_India.pdf)
- [http://www.wbcds.org/pages/edocument/edocumentdetails.aspx?id=82&no\\_searchcontextkey=true](http://www.wbcds.org/pages/edocument/edocumentdetails.aspx?id=82&no_searchcontextkey=true)
- <http://www.wbcds.org/work-program/business-role/previous-work/corporate-social-responsibility.aspx>
- [http://www.in.kpmg.com/pdf/CSR\\_Whitepaper.pdf](http://www.in.kpmg.com/pdf/CSR_Whitepaper.pdf)
- <https://www.pnbindia.in/En/ui/PNBFarmersWelfareTrust.aspx>
- <http://www.pnbindia.in/Upload/En/CSR%20Reports%202010-11.pdf>
- <http://www.efytimes.com/e1/fullnews.asp?edid=34471>
- Sharma, Nishi, "CSR Practices and CSR Reporting in Indian Banking Sector", *International Journal of Advanced Economics and Business Management*, Vol 1, Issue No. 2, available at, <http://www.ijaebm.iserp.org/archives/1-D16-31-10/Vol-No.1-Issue-No.2/1-IJAEBM-Volume-No-1-Issue-No-2-CSR-Practices-and-CSR-Reporting-in-Indian-Banking-Sector-058-066.pdf>
- "Corporate Social Responsibility, Sustainable Development and Non Financial Reporting – Role of banks", available at, <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/82186.pdf>
- <http://timesofindia.indiatimes.com/business/india-business/Women-set-to-lead-top-public-sector-banks/articleshow/11543540.cms>
- "Gender and Corporate Social Responsibility: It's a Matter of Sustainability", available at, <http://www.catalyst.org/publication/507/gender-and-corporate-social-responsibility-its-a-matter-of-sustainability>
- "Too few women at top of PSU Banks?", available at, <http://www.livemint.com/2012/07/15231050/Too-few-women-at-top-of-PSU-ba.html>
- <http://www.womensmedia.com/lead/87-women-on-corporate-boards-makes-good-business-sense.html>

# THE IKEA EDGE: BUILDING GLOBAL GROWTH AND SOCIAL GOOD AT THE WORLD'S MOST ICONIC HOME STORE

Author: Andres Dahlgv

Publisher: Tata McGraw Hill Edition 2012

ISBN: 9781259025600

**Nagendra Yadav★ Lalit Kumar Yadav★**

Many scams and unethical practices by well-known companies all over the globe in the past decade have sullied the image of private corporations. Corporations did not enjoy favourable reputations anyway. The authors concern for good public image of corporations and its significance and impact on society resonates throughout the book. "Doing good business by being a good business" is the message, hope and core concept not only of this book but of Ikea also.

The authors endeavour has been to inform the reader about the practices and principles to manage a business, successfully and ethically. The learning is general to all businesses, specific to retail companies and is done through his experiences as CEO of Ikea from 1999 to 2009. In the authors own word "My intention is to use IKEA as an example of good corporate citizenship". The author attempts to put forth a philosophy for corporate organizations where the two dichotomies – profit and sales growth on the one hand and serving the society on the other – are set to converge in harmony.

## Organization Culture

Peter Drucker, the legendary management consultant, said that 'culture eats strategy for breakfast' and this phrase was popularized by Ford President, Mark Fields.<sup>1</sup>, signifying that whatever an organization does in terms of restructuring, reorganizing and hundreds of strategy meetings would be meaningless until the culture of the organization is taken care of. The culture of the company which is reflective of its core values creates a sense of belongingness and very clear and unambiguous moral and ethical standards. The core of Ikea's philosophy, strategy, processes and practices are devised from its core values, which are its purpose and strength. The core values are in turn rooted firmly in the Swedish culture and the personality of its founder chairman Ingvar Kamprad. His beliefs, notions and personality have an indomitable impact on how Ikea does business.

Smalanders, people of Smaland region of Sweden where Kamprad was born and grew, are very straightforward

and ingenious. They have a no-nonsense approach to issues in general and business in particular. This Smaland outlook is seen ingrained in Ikea's values and culture.<sup>2</sup> Humility and simplicity in doing their work, a typical Swedish trait, are an integral part of the company's way of doing things. Organization culture is after all about "the way things get done around here"<sup>3</sup>. True to their company culture, Ikea is both at the same time - a great place to work but not the best paymaster.

## Business Success

The business proposition of Ikea is quality design, with great functionality at low prices. The company has protected these core concepts in adverse and hostile conditions. One of the key elements in Ikea's market dominance is its unique product range. It is a home furnishing company which provides an average 8500 articles for home use. But at the same time it has worked to be a leader in major categories like textiles, sofa etc. Over many continents and several countries it has tried to maintain uniformity in its stores range despite pressures from the local market. Being a global retailer it has led from the front in managing its supply chain which gives Ikea a great cost advantage. It has sourced raw material from all over the world with Asia being a dominant supplier in recent years. As its core proposition is providing products at substantially low cost then the competitor it has also acquired a wood producing company. Being a vertically integrated company it owns all its stores which have led to standardization of stores and a very motivated workforce. The stores are a one shop experience and an average Ikea store is around 3, 50,000 sq. ft.

## Strategy in External Markets

The colour of Swedish national flag, blue and yellow, adorn the Ikea stores all over the world. While dealing with

★ **Prof. & HOD-Management, Dr Shakuntala Misra National Rehabilitation University. Lucknow.**

★★ **PhD Scholar, Dr Shakuntala Misra National Rehabilitation University. Lucknow.**

---

unfamiliar terrain outside its traditional European markets Ikea has operated on its strength and not benchmarked itself with the competitor. It struggled early on in USA as the retail market was very competitive and cost of doing business was very high. With an aggressive low pricing and sourcing strategy the company was able to make a foothold in the American market. Ikea entered Russia during the recession of late 90's occupying prime real estate but well because of regulatory concerns and adverse economic situation going has been tough.

As with most companies Ikea has set its eye on China both as a market and as a sourcing hub. The author appreciates Chinese leadership as being "cooperative and decisive". With the company seeking new markets for growth Asia would be very critical to their strategy.

Becoming a global retailer has its own challenges. Ikea knows that other global giants in retail industry like Walmart, Carrefour and Home Depot have struggled. Some have abandoned their international aspirations while others had to withdraw from some big lucrative markets. High level of risk, limited international experience and cultural differences are some of the challenges any retailer faces.

#### Environmental Concerns

In pursuit of wider ethical business practices the company has a very strict environmental code for itself and its more than 1200 suppliers. It is called the Ikea code of conduct (IWAY) and it emphasizes on compliance with national laws, no child labour, safe and healthy working environment and responsibility for handling chemicals and waste. Majority of the deviations from the code of conduct are corrected. It cannot afford to be complacent in matters of environment as it uses a lot of wood for its business. It came under intense media criticism in the past for its environment practices and the author admits that the "leadership was not fully aware of the problem".

But increasingly the company has become more sensitive to the concerns of the society at large and have launched initiatives for efficient use of raw material. A companywide initiative to decrease CO2 emissions was launched in 2006 and its objective is to power all Ikea stores, warehouses and offices with renewable energy.

The book is full of statistics which are used in favour of the company. From market share, sourcing and internal and external customers, numbers become overbearing. Overuse of numbers sometimes gives an impression of stating what suits you and hiding that doesn't.

The author does raise and that too very frankly important

issues related to family run businesses and how such a large business can be sustained in the future. He criticises some opaque practices of Ikea and a tendency to hide some data, specially related to financial aspects of the business. To his credit the solutions offered are rational and does not lean either way.

Some very good advice comes at the very end for CEO'S regarding their roles, objectives and overall leadership. Dahlgren is convinced that leaders should create a vision, lead people to achieve that vision, encourage and actively construct the value system and manage resource allocation

IKEA comes across as a smart, sensitive culturally rooted and a customer oriented organization. The author had a fulfilling tenure in leading the company with its core values as the guiding force and imprinting his footprints for posterity to judge.

#### References

<http://www.torbenrick.eu/blog/culture/organisational-culture-eats-strategy-for-breakfast-lunch-and-dinner/> Retrieved on 18th January, 2015.

<http://inter.ikea.com/en/about-us/heritage/> Retrieved on 20th January, 2015.

Deal T E & Kennedy , A.A (1982) , Corporate Cultures : The rites and rituals of corporate life . Harmondsworth , Penguin Books.