

E-Procurement Initiative in Indian Industry: A Case Study

Manas Kumar Sanyal*
Anindya Guha**

Abstract:

Electronic procurement (e-procurement) has, in recent years, been used as a means to significantly reduce costs, as it enables volume purchases, allows wider choice of buyers and suppliers, brings about better quality, improves delivery, reduces paperwork, and lowers administrative costs. Earlier, inter organisational information systems like EDI (Electronic Data Interchange) were introduced, electronic markets emerged for business purchasing. After that, in view of the advancement of Information Technology, business organizations are using the Internet technology for transferring information between them. This process ultimately leads to Internet based e-procurement systems and business to business electronic markets. The rise in the popularity of Internet and the rapid spread of electronic procurement across the world markets, each and every company is now aware of the system. They are also eager to use the system. In the developed countries, organisations are utilizing this facility from the very beginning. Indian industries as well as Government sectors are trying to adopt the new technological wonder. The paper discusses about the initiatives of e-procurement system in Indian industry. The present case study highlights the initiatives of the e-procurement platform across several government departments and public sector units in India and the benefits it has acquired. The secondary data was used for the case studies in which only Indian industries were studied and analyzed. The general findings indicate a positive attitude among the industries in adopting the e-procurement system.

Introduction:

Throughout history, invention and adaptation of new technologies and ideas increase the productivity of the business organizations, which will ultimately lead to high economic growth and high living standards. In industries technological advancement over the past decade has mainly focused on the plant design and manufacturing process improvement. At the same time, the process of physical movement of raw materials, components and products through a firm's value chain comprises a significant portion of the total cost of goods in many industries. But in recent years total scenario of business has been changed. Technological advancement in the field of telecommunication network and information technology has changed the business processes. Online procurement (e-procurement) is a technological solution to facilitate corporate buying using the Internet and other Information and Communication Technologies (ICT). In other words, E-procurement is

the electronic (B2B or B2C or B2G) sale and purchase of goods and services. The medium used might be the Internet or any media like EDI (Electronic data Interchange) and Enterprise Integration. According to the studies of Croom (2000), de Boer et al. (2002), Presutti (2003), Kim and Shunk (2004), Albrecht et al. (2005), and Tatsis et al. (2006) on purchasing, e-procurement, and e-marketplace, which this study defines that “*e-procurement is organization's procurement using the internet technologies, including e-design, e-sourcing, e-negotiation and e-evaluation*”.(4)

The purpose of E-procurement is to reduce cost and to improve operational efficiency in the procurement process. Given the potential benefits of the Internet and other web-related technologies to revolutionize the procurement process, numerous companies worldwide have already adopted e-procurement in an attempt to leverage this technological infrastructure. In an ISM/

* Reader, Department of Business Administration, University of Kalyani, West Bengal.

** Asst.Prof., Department of Humanities, JIS College of Engineering, Kalyani, Nadia, West Bengal.

Forrester Research Report (2001–2003), seven out of ten firms in the US market were reported to have engaged in online procurement of strategic items and critical services (namely those products and services that are closely linked to the firm’s production or service delivery). Survey data from the report also show that organizations have experienced between 11% and 12% business growth due to the adoption of e-procurement tools, and 35% of the survey respondents reported cost reductions after adopting e-procurement. As an example, General Electric estimates that the company has saved more than US\$10 billion annually through its e-procurement activities [3]. Although, this system has largely been adopted in US and European markets, the system still has not been successfully implemented in developing countries like India.

Following are some constraints for the implementation of E-procurement systems in India:

- ❖ The lack of IT infrastructure
- ❖ Lack of security
- ❖ Limited broad band facilities in rural areas

But, keeping aside the limitations, the E-procurement system has much positive side. Some of these are given below:

- ❖ Reduced administrative cost
- ❖ Shortened order fulfillment cycle
- ❖ Increased technology collaboration and planning with business partners.
- ❖ Reduce wastage of manpower and labour hour etc.

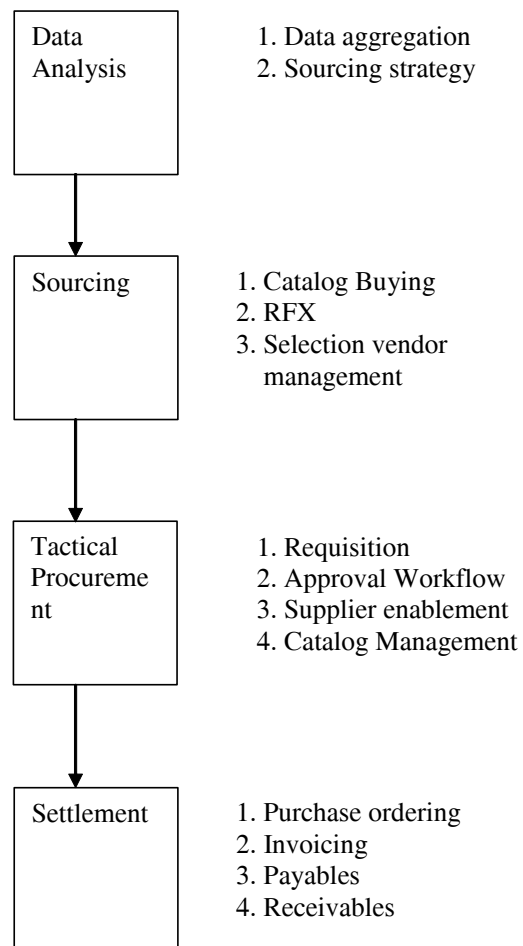
Now, we may consider the case of the success of Metaljunction.com. Metaljunction .com Pvt. Ltd. has brought considerable benefit to Tata Steel during the first full year of its operation. Metaljunction.com is a joint venture of TISCO and SAIL, the steel makers contributing more than 60% to India’s total steel production. Metaljunction.com has two units, commerce junction which handles e-procurement issues and metal junction, which focuses on e-sales and fulfillment services. On the procurement front, Tata Steel sources said, the company has procured materials upto Rs.90.25 Crore upto March 2003. Company sources claimed that the procurement method resulted in savings of Rs.5.37 crore.[7]. On the other hand SAIL has procured caustic

soda, welding electrode, pipes, transformer coil, lamps and fittings and stone bricks worth Rs. 520 million through online bidding.

Besides the private sectors, Government sectors also involved in the process of procurement with the help of Internet. Certain Government sector or public sector undertakings like Indian railways, ONGC, IOL, BHEL etc. have all taken up E-procurement initiative. Vizag steel, for reverse auction and for forward auction, contracts were signed with MIS Metaljunction.com and MSTC respectively. First auction took place in the year 2004. Another big house, Jindal Steel Ltd. has implemented Oracle E-Business Suite 11i.10 to enhance its production capacity and drive the expansion plan.

In the procurement process, purchase department of an organization plays a vital role. Typical purchase activities might involve the following activities as shown in fig-1

Fig: 1



Data aggregation includes the all related data relating to purchase as well as production of the organization. The data related to the material specification as well as the data related to the suppliers of materials also accumulated under this procedure. On the basis of these data the purchase department will fix a strategy for purchase of materials. Next job for the purchase department will be selecting the source of materials. In other words, department should select the source of the material.

In this process the department has to check the RFX. The Request for Information (RFI), Request for Quotation (RFQ) and Request for proposal (RFP) collectively known as RFX. After checking the RFX, the next job is selection of supplier of materials and the inflow of materials from the suppliers. Next part is to raise the proper requisition for materials and also take a formal approval for the whole procedure from the higher authority. Purchase department will hire a website or use its own website for this e-procurement procedure. The rules and regulations for the vendors are also to be framed and displayed in the website. The specifications of the materials are also to be fixed up and displayed in website. After receiving all the applications from the vendors, the department will select the most appropriate supplier. After that the department will issue a purchase order for supply to the supplier. After the dispatch of materials, the vendor can send invoice of materials through the Internet. After receiving the materials from the suppliers, purchase department may take the initiative for payment. The payment maybe made through the Internet. This method includes Electronic Data Interchange (EDI), online market places or e-market places and various blends of two.

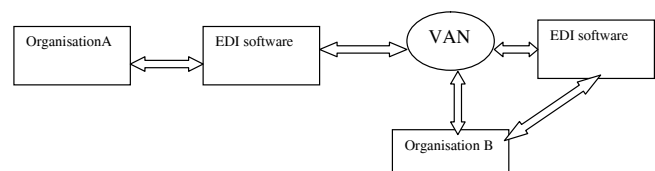
EDI (Electronic Data Interchange)

Since 1960, many large companies have relied on electronic data interchange (EDI) for the procurement of goods. Basically EDI is the process of electronic exchange of business information like purchase orders, invoices, inventory data and various types of confirmations between the organizations and the trading partners. EDI has two special types of characteristics. First, EDI only involves business to business transactions; individual consumers do not directly use this kind of service to purchase materials or services. Secondly,

EDI involves transactions between computers or databases, not individuals. Therefore, individuals sending e-mail or sharing files over a network does not constitute EDI. EDI can occur point-to-point, where organizations communicate directly with one another over a private network via Internet (also known as open EDI) and most commonly via value-added networks (VAN) which functions like telephone lines by allowing the transfer of information.

We can describe the process of EDI with the help of a simple diagram.

Fig: 2



Advantages of EDI:

- Prevention of error prone and cost intensive data entry
- Automatic data interchange with standardized format
- Communication between computer application
- Quick flow of information
- Cost savings

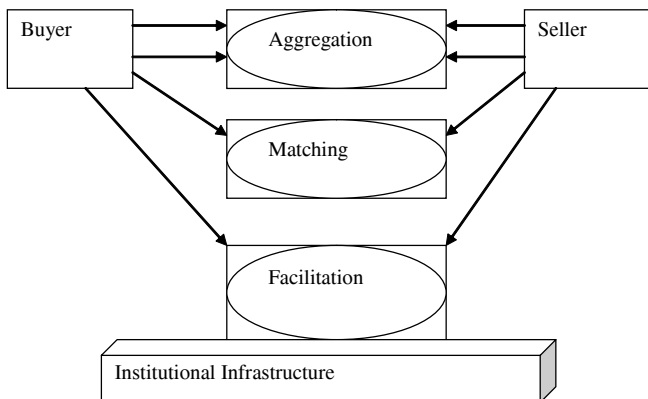
Online Market Place

Online market places bring many buyers and sellers together in an online environment and function as intermediaries between the two parties.

In the early 2000, third party companies like Commerce One Inc. and Arriba Inc. offered high end e-procurement software and services and services that operate different online market places. Online market places existed for many different industries ranging from food and beverage industries to consumer packaged goods and interior design. In some cases, participating companies (Suppliers, Purchasers, or both) were required to purchase special software from the third party. Third parties also levied different charges for making transactions, joining the network and uploading catalogs of available products.

The structure of online market place can be described with the following diagram:

Fig: 3



Advantages:

- No geographic fragmentation obstacles
- While buyers get to know about new sellers with better products, suppliers discover new buyers
- Less order processing costs and low interaction cost for both buyers and sellers

Core functionalities of e-procurement Marketplace:

- ❖ Electronic tendering
- ❖ Publication of notice inviting tenders/ Invitation for bids
- ❖ Issue of tender documents to the prospective bidders
- ❖ Submission of tenders
- ❖ Receipt of tenders
- ❖ Opening of technical bids
- ❖ Evaluation of bidder compliance to the qualification criteria
- ❖ Opening of price bids of qualified bidder
- ❖ Approval of tender
- ❖ Issue purchase order
- ❖ Contract management
- ❖ Rate contract based procurement

Other Approaches:

In addition to EDI and Online market places, there are other approaches to e-procurement. One involves software applications that allow purchasing agents to establish system for managing things like invoices, purchase orders, receipts and request for quotation.

These applications also enable companies to place orders for products from many different suppliers through one simple interface.

Case description:

Prior to the use of IT in an inter-organisational relationship, it was believed that investments to increase the level of explicit coordination with suppliers would result in increased risk to the firm. Consequently, buyer firms have traditionally avoided this increased risk by becoming vertically integrated or by under investing in coordination.

According to eprocurement.gov.in the status of e-procurement is given in table-1 and the year wise tender values and the corresponding number of tender is given in table2. [8]

Table-1

Department/Users	Number
Govt. Departments	12
Public sector Units	19
Municipalities	100
Universities	5
Govt. users	1500
vendors	22000

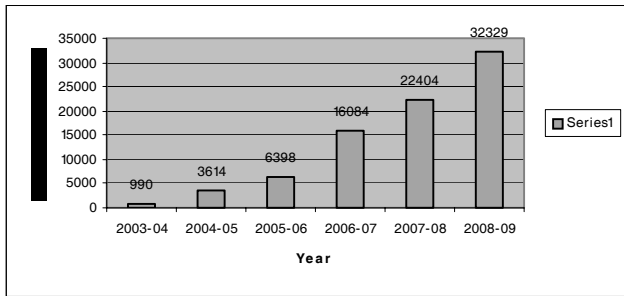
Source: eprocurement.gov.in

Table-2

Year	Tender Values Rs.(Crore)	Number of Tender
2003-04	663	990
2004-05	12791	3614
2005-06	7734	6398
2006-07	27143	16084
2007-08	59563	22404
2008-09	1,04,436	32329

Source: eprocurement.gov.in

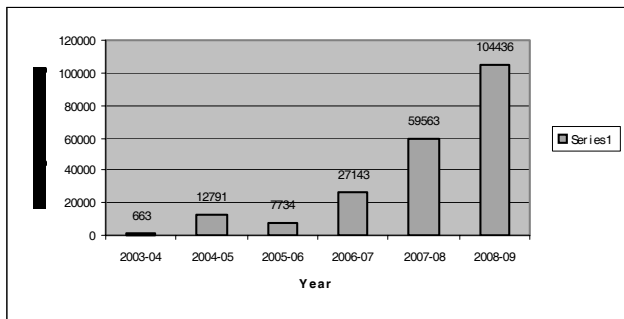
Fig: 4



Source: eprocurement.gov.in

We can describe table2 with the help of bar graphs shown in fig. 4 and fig.5. From the graph it is clear that the number of tenders through is increasing day by day. Again we can see that the tender values also increase except in the 3rd year.

Fig: 5



Source: eprocurement.gov.in

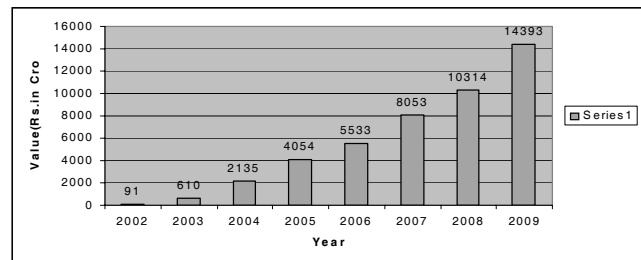
Now we consider the example of metaljunction.com. Metaljunction.com Pvt. Ltd., is the 50:50 SAIL-TISCO joint venture companies in the business of providing e-business services and solution to the Indian industry. Metaljunction started its operation from the year 2002. In the very first year they did transactions worth Rs.94.35 Crores. The transactions have grown in a significant way over the years. In FY09 total transactional value stood at Rs14393 Crores. In these years the total transactions made by the company was around Rs.45193 Crores [7]. We can describe the year wise transactional values and types of services with the help of the following table3.

Table-3

Year	Transaction Values Rs.(Crores)	Types of services
2002	91	e-selling, e-Sourcing, Channel financing
2003	610	eAsset selling
2004	2135	Receivable purchase
2005	4054	Events & Conferences, BPO selling
2006	5533	Coal sales, Logistics
2007	8053	Auto sales, Publications, Buyer finance, Procurement KPO
2008	10314	Auto esales, Enterprise procurement system
2009	14393	High-end Industry Reports

Source: Metaljunction.com

Fig: 6



Source: eprocurement.gov.in

From the figure, it has been clear the growth in transactional value and benefit will be obtained after adoption of e-procurement. It is also clear from the above data if we will continue to look at newer markets more transactional value will be obtained.

Table-4 also depicts the Indian companies as well as Government sector who implemented the e-procurement system for their organizations.

Table-4

Name of the Organisation	Year of implementation
State Government of Haryana	2003
Andhra Pradesh Government for its all departments	2004
Nothern Railway	2005
State Government of Gujarat	2007
West Central Railway, Jabalpur	2008
Chittoranjan Locomotave	2009

On the other hand, we can take an example of State Government of Andhra Pradesh regarding this e-procurement. Andhra Pradesh will leverage Information Technology to attain a position of leadership and excellence in the information age and to transform itself into a knowledge society. The Government envisions providing good governance by establishing a COMMITTED, ACCOUNTABLE, RESPONSIVE, INSPIRING, NATIONALIST, GENUINE Government - CARING Government. eProcurement is one of the vehicles that can be gainfully used in reaching the goal of CARING governance. E-Procurement.gov.in is a comprehensive e-infrastructure that will help the government and the citizens to realize the vision of fuelling growth via profitable B2B e-commerce. Providing a robust, proven platform used by the largest companies in India and the world, it enables trade between companies of different sizes, platforms and locations. To this end, eProcurement.gov.in will provide services like eProcurement, eTendering, eSelling and eAuctions.

The eprocurement.gov.in platform provides its members with access to several trading suppliers. e-procurement Auction Services offers government departments easy-to-use, web-based solutions for conducting dynamic exchanges in an on-line environment. It provides real-time bidding solutions for buyers and sellers that bring an unprecedented level of profitability, control, and simplicity to corporate procurement and liquidation processes.

Conclusion:

Our studies indicate benefits are the drivers for Government sectors and public sector units in India to implement e-procurement solution. It stressed that e-procurement leads to professionalism in work, better business control and cleans up the processes within the company. Researches indicate an agreement between most companies regarding the benefit of *better information flow between buyers and suppliers*. Some of the main points worth mentioning are increase in number of transactions, transparency in process, standardization of best practice and increases in responsiveness to customers. Efforts are now being made by the government to broaden the existing e-procurement functionality so as to include supplier performance measurement, sourcing collaboration, contract management and process and commodity specific templates.

Limitations of the study and future scope:

All the data considered here are secondary type. The data mainly collected from the Government websites, namely metaljunction.com and e-procurement.gov.in and some private websites, although all the private portals could not be considered in the present study. In the future study, primary data will be considered for the above case and some detailed statistical analysis would be applied to test the advances of e-procurement system over manual system. Further, the dissimilarities regarding e-procurement amongst companies, if exists, could be properly checked and the findings could be an area for future research to be undertaken.

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www.metaljunction.com

www.eprocurement.gov.in

Sustainability Leadership: The Next Practice in the age of Corporate Responsibility

Harish S Vangala*

Abstract:

The concept of sustainable leadership includes three dimensions of welfare such as economic, environmental and social - and involves complex synergies and trade-offs among them. It highlights “a Triple Bottom Line” approach that encompasses profit, people and planet. The article describes the process of Sustainability Leadership in terms of engaging in the challenge of co-creating a sustainable future; with an integrated focus on the environment, society, technology, economy and public policy. The article provides a framework of Sustainability Leadership, which helps to steer business organizations to satisfy the interests of diverse stakeholders who are part of its social, economic and physical environment. The paper adopts an ‘externalities’ approach that enable business leaders, to take accountability of social, environmental impacts that are not just directly attributed to their business, but also ameliorate problems in the larger interest of human welfare and survival.

Evidently, the issues of fossil fuels, greenhouse gas emissions, global warming and poverty affect every organization’s social and environmental performance, as well as its financial health. This recent awareness has led to a new discourse in contemporary business practices - Sustainability Leadership - highlighting “a Triple Bottom Line” approach that encompasses profit, people and planet. The “Sustainability Leadership” has become a term used with greater frequency at academic conferences and in corporate practice. It refers to a process of engagement in the challenge of co-creating a sustainable future; with an integrated focus on the environment, society, technology, economy and public policy. Sustainability Leadership advocates that corporate executives should make a difference by deepening their awareness of themselves in relation to the world around them. It enables them to adopt new ways of seeing, thinking and interacting that result in innovative, sustainable solutions.

To reiterate, the concept of sustainable leadership includes three dimensions of welfare such as economic, environmental and social - and involves complex synergies and trade-offs among them. It allows business leaders to aim at the human progress in an integrated

direction for all the present and future generations while building a sustainable business enterprise. It also offers a Wholesome Leadership perspective for doing business in the times of fairness, transparency and accountability.

The importance of sustainability leadership is a result of changing global trends namely - a) hyper-competition, b) environmental changes, c) challenges of talent mobility/retention, and d) ‘nano-second culture’ (a pervasive wireless culture) which are effecting many industries today. These challenges have made leaders to realize the issues of sustainability and gauge the impact of business operations on three basic constituents of organizational eco-system say, People, Planet and Profit. The following paragraph illustrates how sustainability leaders would address these issues and make a difference.

Sustainable leaders humanize business by recognizing that ‘People’ are the only source of differentiation and value creation, thereby promotes a value driven leadership culture in their business operations. They enable, motivate and empower the people to cultivate a world view that transcends narrow dimensions of business. Similarly, they thrust on innovation and facilitate

*Research Associate, Centre for Organization Development, Hyderabad

an organic growth through research and development. They encourage innovation in the product, process, services and business models to optimize the utilization of 'Planetary' resources to create a positive global ecological footprint. On the 'Profit' front, sustainability leaders do not focus on short term profitability or inorganic growth through mergers and acquisitions. The emphasis is not only on income generation but also on income distribution by paying taxes and creating employment opportunities. In short, they envision a path towards long term significance than the short term success for their business organizations.

Sustainability Leadership helps to steer business organizations to satisfy the interests of diverse stakeholders who are part of its social, economic and physical environment. A cornerstone of this approach is to take on responsibility for 'externalities' – which refers to spill over effects of business operations that have an impact on its broader milieu, either directly or indirectly. These 'externalities' for instance, like pollution are the impacts that companies have on the planet, which are not part of immediate business environment. Therefore, earlier thinking is that, business need not be accounted for that. But, Sustainability leaders understand these externalities and do not wait for government regulation, stakeholder Law suits to act on. They proactively respond through well-formulated company policies and demonstrate an overarching commitment through their beliefs, values to deal with these side effects of their business actions. Sustainability leaders thus, take accountability of social, environmental impacts that are not just directly attributed to their business, but also ameliorate problems in the larger interest of human welfare and survival. They consciously embrace choices that serve common interests, knowing that in the long run doing so also serves their own interests. This shift in perspective indeed opens a new path for the collective work to sustain people, organizations, communities, and life on the planet. Sustainability leadership is therefore beyond the business – integrate aspects of ethics, individual responsibility and entrepreneurship. It is primarily a mindset that focuses on long term relationships in contrast to short term transactions. It is a thinking that upholds an organization's purpose than mere performance.

However, many business leaders in the past, with their vision and belief in future have responded proactively

towards sustainability before the issue became a *Cause Célèbre*, by changing their products and processes or through voluntary philanthropy and CSR. Sustainability Leadership as a concept and practice share certain similarities with other styles of leadership. One may also compare it with transformational leadership because of certain attributes such as vision, passion, ability to make things happen, sustaining energy and momentum. But, Sustainability leaders unlike the others lay greater emphasis on externalities and try to internalize them through innovation. Their focus is on wholistic approach to use sustainability frameworks for integrated analysis and action. They create a shared vision of possible future by inviting diverse voices and perspectives to develop competencies to ameliorate conditions, where distance ripple effects of their business decisions have been identified.

Sustainability leadership - traversed from rhetorical to reality - has achieved the planetary scale of awareness in recent times. It enables a responsible business corporation while steadily internalizing the externalities, thereby developing capabilities to measure and manage its impacts on society and environment. This mindset allows business leaders to respond rationally and in ways that are simultaneously defensible to all stakeholders. In addition to that a strong commitment on sustainability ensures regulatory compliance; enhances reputation and improves corporate performance and competitiveness. Classically, business leaders and companies failed to see these visible opportunities. They viewed sustainability only as a corporate social responsibility - not as a path to growth. However, today, sustainability leadership has become an enabler of new business models for engaging people in collective innovation. It has been predominately treated as an opportunity to innovate next practices than as a problem.

Thus focussing on innovation led organic growth enable the business leaders to establish the link between inclusive growth and sustainability. To conclude, As C.K. Prahalad observed, "if the planet is in peril because of an industrial system that has served some 1.5 billion people for two centuries, adding 4 billion consumers and producers will place unsustainable stresses on it in the future. Sustainable development is therefore another mega-opportunity"

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The leaders who work most effectively, it seems to me, never say "I." And that's not because they have trained themselves not to say "I." They don't think "I." They think "we"; they think "team." They understand their job to be to make the team function. They accept responsibility and don't sidestep it, but "we" gets the credit.... This is what creates trust, what enables you to get the task done.

- Peter Drucker

The final test of a leader is that he leaves behind him in other men, the conviction and the will to carry on.

- Walter Lippman

If your actions inspire others to dream more, learn more, do more and become more, you are a leader.

- John Quincy Adams

Learnings on Management from Indian Epics: An overview through the Mahabharatha

Hari Sundar G. Ram*

Soumya Narayanan**

Abstract:

If you had thought management gurus were the ultimate problem solvers, think again! It is all there in the great Indian Epics like Mahabharata, Bhagavad-Gita, Quran, Bible etc. For instance, The Gita speaks about making right choices, optimism, honesty and strategic analysis. And all the new-fangled management principles arise out of here. It includes areas like Complex Military Formations and Strategies, Philosophy, Psychology, Sociology, Spirituality, Religion, Politics, and, even Modern Management Lessons. The basic task for today's manager is not just co-ordination but to display a high degree of optimism. Also science cannot be studied in abstract sense; it should be studied in the backdrop of societal values. In the present day, world filled with cutthroat competition and corporate wars, it is needless to say that one should have hardcore planning and strategies to achieve success.

This article makes an attempt to extract the strategies, planning, organizing, co-ordination etc. from Mahabharata and how it can be implemented even today and gives the mantra behind success.

Introduction

Mahabharata is considered to be the Second Longest Epic of the World which is narrated thrice, by Vyasa to Ganesha as "Jaya", by Vaishampayana to Janamejaya as "Bharata", by Suta/Sauti to the Rishisat Naimisharanya as "Mahabharata". Take a look back for a while to know how the concept of management, the skills and techniques that was being practiced then. Lord Krishna, probably, one of the best leaders the world has ever seen, exhibited lots of managerial skills which are being practiced even in today's corporate world. For that matter, most of the leadership traits, management techniques', forecasting, planning, motivation, communication skills were already being implemented then in its own way. In fact, today's situational theory, traits theory of leadership was successfully practiced by Lord Krishna who used to play a tactical role under different situations of pressure, he was able to manage the issues and provide best solutions. He played a very crucial role and was able

to manage the big, strong crowd against him with a small group he had. This shows how good he was in organizing and managing the human resources (speaks about HR policy!) and thereby framing a right strategy. The art of waging a war, that too against his own cousins was not so easy for a great warrior like Arjuna, who executed it excellently under the leadership and guidance of Lord Krishna (just imagine what must be the degree of motivation Krishna must have imparted on Arjuna!!) Look at the emotional balance he had. I am sure that he would have developed such a degree of emotional balance because of his spiritual quotient. Most of the companies today give great amount of importance to EQ (Emotional Quotient) and SQ (Spiritual Quotient) than IQ (Intelligent Quotient) which is a matter of fact. Managers of today no doubt have to wage a corporate war in this competitive world (should not be worried much about meeting the targets!!) and needs leaders who can inspire, build confidence, and develop such skills. We really need to think on the ground that how best our personality development programs,

* Assistant Professor, VIT Business School, VIT University, Vellore, Tamil Nadu

** Assistant Professor, Academic Staff College, VIT University, Vellore, Tamil Nadu

confidence building programs can be synchronized with the skills cited by supra. Also, "Science cannot be studied in abstract sense; it should be studied in the backdrop of societal values". (Speech of the Justice of Kerala High Court Justice B N Srikrishna) Look at the way of Vidhura (Subordinate) narrating the entire war to his king (Superior). (Explaining the war to a blind man by creating clear picture of what exactly is happening before him is no doubt it is a tough task!!) One needs to understand the superior -subordinate relationship from them. Vidhura has exhibited the best subordinate style. He would always think about the pros and cons, aftermath effects before he would tell anything to his superior. Managers of today need to develop this quality to improve their communication skills, negotiation skills etc. One of the great lessons that corporate world has to now learn is to follow most ethical way of conducting their business and whatnot. Since a long time it has been proved that the one who is ethical and prompt has a long-term survival and can achieve success. Swami Bodhananda, a spiritual founder and the director of the Sambodh Foundation, New Delhi once in his preaching's cited that, "We find brothers fighting for the fiefdom left behind by their illustrious predecessors. The infamous or famous squabble between the Ambani brothers is the most recent example. Though one may not be able to say that there were ethical issues involved between the brothers what we learn is that human ambition invariably leads to conflict even among brothers." Krishna prevails upon Yudhisthira, who never lied, to lie to psychologically harass and depress Dronacharya. From the absolute moralistic standpoint, such a lie may be considered immoral and unethical. But as long as such lies contributed to a desirable final outcome and public good - it was acceptable. So the greatest challenge for the modern corporate leader is the fine-tuning of these responses keeping in mind the ethical and legal issues but without compromising corporate interests, like Krishna in Mahabharata.

The Background:

Kauravas:

In power for 13 years, Duryodhana has been a benevolent king. Not only do the Kauravas have the wealth and power of Hastinapura, but also that of

Indraprastha, the kingdom that the Pandavas had really taken a great labor to build it up and which had surpassed the Hastina of old in all degrees. Karna had gone on a nation-wide conquering quest on behalf of Duryodhana. They were the national sovereigns.

Pandavas:

Exiled for 13 years, they had no kingdom. Their main strength both in terms of political and financial power depended on their friends and relatives: the Panchalas, the Yadavas, the Magadhas and the Chedis.

Motivation:

It has been presumed for many years that satisfying lower order needs of workers -adequate food, clothing and shelter, etc (Abraham Maslow needs hierarchy) are key factors in motivation. However, it is a common experience that the dissatisfaction of the clerk and of the Director is identical - only their scales and composition vary. It should be true that once the lower-order needs are more than satisfied, the Director should have little problem in optimizing his contribution to the organization and society. But more often than not, it does not happen like that. ("The eagle soars high but keeps its eyes firmly fixed on the dead animal below.") On the contrary, a low paid schoolteacher, or a self-employed artisan, may well demonstrate higher levels of self-actualisation despite poorer satisfaction of their lower-order needs. The following is a talk between Kauravas and Pandavas, where Pandavas were denied the land by Duryodhana before the war started.

Kauravas: "Without war, will not concede even a needle-prick's size of the earth." – said Duryodhana.

Pandavas: "We will fight over a Kingdom, as dogs over a piece of meat."- Yudhisthira says.

Logistics:

The concept of Logistics' Management which has emerged as a new area in the field of Management can be traced in the army of Kauravas which was a fully fledged one with 11 akshauhini's and that of pandavas was 7 akshauhini's.

[**Note:** 1 akshauhini = 21,870 chariots, 21,870 elephants, 65,610 horses and 109,350 foot-soldiers (in a ratio of 1:1:3:5)]

Result: War Lasted for 18 Days: 10 Days (Bhisma), 3 Days (Drona), 2 Days (Karna), 1 Day (no generals), 1 Day (Shalya), 1 Night (Ashwatthama).

Proper Planning & Preparation:

Kauravas: Karna went on a country-wide military mission, subdued the different kingdoms and acquired wealth. (But it meant a loss in terms of both men and money, and creation of new enemies).

Pandavas: Arjuna set out on a mission to acquire the Divyastras. Bhima met his brother Hanuman and got a blessing of enhanced strength. Yudhisthira acquired teachings from the various wise Rishis, and also learnt the Game of Dice from Gandharva Chitrasena. (Though in exile they turned their attention to improving over their weakness).

Managerial Lesson; Turn your Weakness into your Strength.

Making Allies:

Kauravas: Centralized power system. The greatest empire of the time. But not many powerful allies, except from old relations from far off places like Gandhara (Shakuni), Sindhu (Jayadrath) and Kambodia (Camboja - Bhagadutt)

Pandavas: No wealth. No power of their own. But powerful allies all over India.

- Panchala through Marriage with Dravpadi.
- Dwarka through marriage with Arjuna and Subhadra.
- Magadh through marriage of Shadeva and Vijaya.
- Chedi through marriage of Nakula and Karenmayi.
- Kasi through marriage of Bhima and Baiandhara.
- Kekaya through marriage of Yudhisthira and Devika.
- Matsya through marriage of Abhimanyu and Uttara.
- The Rakshasas through marriage of Bhima and Hidimba.
- The Nagas through marriage of Arjuna and Uloopi.

The first lesson on successful management as reflected in these Epics is to choose resources wisely. Citing an instance from Mahabharata, during battle preparation, Duryodhana chose Krishna's army while Arjuna selected

Krishna's wisdom and in the end Arjuna emerged as a winner as he had made the right choice after having weighed all options carefully. "The basic task for today's manager is not just co-ordination but to display a high degree of optimism. In the era of liberalization where competition is stiff, one should have a positive approach". Also science cannot be studied in abstract sense; it should be studied in the backdrop of societal values.

Management Lesson: *Make Powerful Allies*

Leadership & Organization Structure:

Kauravas: Centralized leadership. One Head of Army at a time, who has supreme authority of 11 akshauhini's of the army. Bhishma, Drona, Karna, Shalya and Ashwatthama, in the order of succession.

Pandavas: Distributed leadership. Seven commanders for the seven divisions (1 man commands an akshauhini each).

- Virat (King of Matsya)
- Drupad (King of Pancala)
- Sahadeva(King of Magadha)
- Dhirshtaketu (King of Chedi)
- Satyaki (Only warrior from Dwarka)
- Shikhandi (Prince of Panchala)

Dhirshtadyumna - Commander in Chief

Arjuna -Supreme Commander, Lord Sri Krishna - Arjuna's Charioteer and Counselor.

Management Lesson: Share your responsibilities

Team Spirit:

Kauravas: No team spirit. They all fought their individual wars.

- Bhishma: For his Vow to protect the throne Hastinapur. Drona and Kripa: They owed allegiance to the throne.
- Shalya: Simply cheated by Duryodhana to be there. Was originally a Pandava ally.
- Karna: To prove his mantle against Arjuna and friendship for Duryodhana. They did not get on well with each other. (What happens when two heads/executives do not get along well with each other!!)

- Bhishma and Karna.
- Bhishma and Shakuni.
- Karna and Shakuni.
- Karna and Shalya.
- Shalya and Bhishma.

It was like bees, hornets and mosquitoes put together in a jar.

Pandavas: One Team, One Goal. As men, they all had huge respect for Krishna and Yudhisthira. While as warriors they were in complete awe of Bhima and Arjuna. Most of them were close relatives - cousins, brother-in-laws, father-in-laws. More than that, they all were part of the decision-making process. It was their “common” war.

Management Lesson: Teamwork succeeds where Individual effort fails.

Individual Motives & Organizational Motive:

Kauravas: Except for Duryodhana nobody wanted the War. All the four main generals had strong ties with the Pandavas.

- Bhishma (grandchildren) - Would kill a thousand soldiers each day but won't kill the Pandavas.
- Drona (students) - Won't kill the Pandavas, would only capture them.
- Shalya (Nakula-Shadeva's maternal uncle): Loved the Pandavas and covertly helped them by humiliating Karna
- Karna (brother to the Pandavas): Promised not to kill any of the other Pandavas except for Arjuna.

A Team of Traitors:

Pandavas: Common goal. But the individuals had their individual targets. They had their own agenda, which happened to become one with the teams' agenda.

- Dhritsadyumna: Drona.
- Shikhandi: Bhishma.
- Satyawati - Bhurisravas.
- Arjuna - Karna.
- Bhima - Duryodhana and his brothers.
- Sahadeva - Shakuni and his sons. Nakula - Karna's sons.

Management Lesson: The right team is made by selecting the right individuals. Get the right person for the right job.

Commitment:

Kauravas: As already said, the ‘Big 4’ had a big emotional attachment with the 5 Pandavas. Looking further on their commitment:

- Bhishma himself gave away the secret of how to kill him to the Pandavas. He prolonged the war by killing only inconsequential soldiers. He did not fight a warrior like Shikhandi because of his personal bias.
- Drona too indirectly gave away his secret; by saying he was invulnerable as long as he held a weapon. Moreover he abandoned weapons as soon as he knew his son had died.
- Karna did not kill Yudhisthira and Bhima when he got the chance. He gave away his Kavach and Kundala prior to his war. Karna fled innumerable times from the War when he was hurt. He did not save Duhshasana when Bhima was killing him.
- Shalya kept on insulting Karna while in Battle.

Pandavas: Let's look at their commitment:

- Abhimanyu, just 16 years old. Ventured beyond enemy lines alone. This was clearly a suicide mission but he still went in and took a great part of the Kaurava army down with him. It took the combined effort of 7 maharathis to take him down.
- Ghatotkach, even in death took with him almost half the Kaurava army.
- Yudhisthira, he knew he couldn't face Karna in War, but still went in to set an example. Yudhisthira did not hesitate to tell a lie or a twisted truth when faced with the decision of whether to stick to his personal integrity or welfare of the team.
- Krishna took up arms twice and almost entered the War, in spite of his promise, only to be stopped by Arjuna.

Management Lessons: The interests of the Individual should never exceed the team interest. The best person for a job is not the one with the best capabilities but one with the greatest commitment.

Right Managers:

Krishna: The Greatest Crisis Manager the world has ever seen.

Yudhisthira: Low-key strategist.

- On the first day of the War, he played a master game. He went over to the Enemy side to seek blessings from elders. In reality he made a covert deal with them, wherein all of them agreed to help him and unfolded the secrets of defeating them.
- While coming back, he took a calculated risk. He made an offer to all the assembled people to change sides if they wanted to. He knew well of the lack of cohesiveness among the Kauravas and they would welcome his invitation. Yuyutsu, son of Dhritarashtra crossed over to the Pandavas. This exposed the Kauravas' weakness before everyone.

Management Lessons: Know your enemies weaknesses and exploit them.

Take calculated risks. Inspire, invigorate, and counsel your own team during critical situations.

Always know the root cause of the Problem & not just the symptoms:

Kauravas: Princes brought up in the comfort of the Royal Palace, matured on romanticized ideals of Power, Fame, Courage and Valour. No experience of ground reality.

Pandavas:

- Spent the greater part of their lives in Poverty. Childhood in the Himalayan foothills among Rishis. Spent one year of their exile among the poor people of Kuru-Panchala, 12 years of Vanvas and 1 year of Agyatvas.
- Had the experience of ground reality. Contact with people from various strata of the society. Sannyasis (celibate monks), Acharyas (householders, teachers), poor brahmins, lower-class Potters.
- Different races of people. Rakshasas, Gandharavas, Apsaras, Nagas. People from different regions Uttarkuru, Bengal etc.

- They had the Sense of Sharing. A Sense of Brotherhood.

Management Lessons: Know ground realities. Know different ideologies. Share.

Empowerment of Women:

Kauravas: Patriarchal structure. Bhishma, Drona, Kripa, Dhritarashtra, Vidur, Shakuni, Duryodhana, Karna, Duhsasana. No women in the decision-making process. Gandhari retreated to the Inner Chambers, moreover no one listened to her.

Pandavas: Matriarchal Structure.

- Kunti was the authority supreme for the Pandavas.
- "Whatever my mother says is Dharma to me" - Yudhisthira.
- Dravpadi was a companion in whatever the Pandavas did. She had a big role in all the decision-making.
- Without her the Pandavas would have most probably retired to the forests. Even the younger Pandavas, Ghatotkach, Abhimanyu and Iravan were brought up by their mothers. So the female influence was huge.

Management Lesson: Women = Better Half. Any team which doesn't have women is unbalanced. The Masculine traits of Aggression and Dominance should be balanced by the Feminine traits of Harmony and Sustenance.

Recap of Management Lessons that one can learn:

- Do not get disappointed or dejected with the weakness you suffer from. Always turn your weaknesses into strengths. Where ever possible turn your enemies into allies.
- Always share your responsibilities, for your long-term success. Teamwork scores over Individual Effort.
- Right Team means Right set of Individuals. Assign the right person for the right job. Always Commitment scores over Competence. What matters is how committed you are than what competence you have.

- Team interests over Individual interests/ Organization goals over individual goals. Know your enemy/challenges, learn to exploit their weaknesses. Take calculated risks.

The Right Managers: To inspire, invigorate, and counsel the team in times of crisis. Know Ground realities, accept different ideologies, Foster sharing and co-operation.

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The key to successful leadership today is influence, not authority.

- Kenneth Blanchard

Our chief want is someone who will inspire us to be what we know we could be.

- Ralph Waldo Emerson

The very essence of leadership is that you have to have vision.

You can't blow an uncertain trumpet.

- Theodore M. Hesburgh

COMMENT

Impact of 2005 Amendment of Clause 49 of listing agreement of SEBI on Indian Corporate Governance Landscape

Shrikant Patil*

Overview

During mid 1990s, India Inc was plagued by various stock market scams and to add to the woes, country's BoP (Balance of Payments) crisis led to plummeting of investor confidence to an all time low. It took almost a decade of structured planning and consistent efforts to drive home buoyancy and optimism at the bourses. During this period, Indian government undertook a critical task of modulating corporate governance (CG) culture & practices by striking at the helm of corporate affairs, categorically through Clause 49 of SEBI Listing agreement. In this article, we discuss a critical 2005 amendment to Clause 49, which ushered India the legacy of Sarbanes Oxley Act of 2002. The implementation of amendment is believed to be culmination of efforts by SEBI to align with global Corporate Governance practices and code of conduct. As observed during the research supporting this article, Clause 49 has significantly impacted the shades dimensions of CG canvass; especially board composition, independence of committees / directors & disclosures.

India's Economic Value Proposition to the world is significant

Today in 2010, Indian economy in its new avatar is buzzing as one of the largest (GDP ~ USD 1.2 Trillion: World Bank) and fastest (growth projection - 6.5 % by IMF & 8.5 by Indian Government) growing economies in the world. With over 20 million shareholders and over 9,000 listed companies, India holds third largest investor base in the world after the USA and Japan. India accounts for significant amount of capital flows (Net capital flows as percentage of GDP increases from 2.2% in 1990-91 to around 9% in 2007-08). NSE

(National Stock Exchange) and BSE (Bombay Stock Exchange) in India are the leading stock exchanges with market capitalization crossing way over a Trillion USD.

The enormous size and scale of Indian economy (to attain 1 / 10 th of world GDP project in just few years), need for Good Corporate Governance (GCC) is felt as urgent and immediate.

Capital Management is considered extremely critical for economy at this stage.

Well managed capital flows can be used to the advantage in many ways i.e. External capital can supplement domestic savings and stimulate economic growth (Soumyen Sikdar ADB).

More critical than acquisition of capital, is the process of deployment, utilization & retention of the same for sustainable growth. Capability & maturity of Indian companies in harnessing and managing the investments plays crucial role in long term success of "India story"

Best practices around Capital Management can be mapped along 2 dimensions

A. Performance : Optimism about factors including economic growth trajectory, overall stability of the political system both additionally represented by ratings by agencies such as Moody's and S&P Equally or more so on

B. Conformance : Confidence in the compliance rigor, regulatory framework and the preparedness and competency of judicial system in India.

* Senior Advisory Consultant, IBM Strategy and Transformation Practice, Bangalore

Good corporate governance (GCC) might not assure the success of a company, but bad corporate governance can destroy or severely limit a Company's prospects of success. Good corporate governance creates public confidence that management is devoting itself as best it can to the best interests of the company. Public confidence translates into a willingness to invest capital.

Also endorsed by Mckinsey in a report (2000), "Investors have acknowledged their awareness of importance of governance, demonstrating a willingness to pay premium of up to 20 percent on shares of enterprises known to have a governance framework in place", investment in good governance pays back.

It is only through adaptation of GCC principles; enterprises can embed the required assurance (conformance) into their DNA and also boost the business (performance).

Corporate Governance context in India is rapidly evolving and GCC could be the game changer.

Globally, corporate governance principles are contained in a variety of written instruments, described through following hierarchy

1. Company Law : Status under which the companies are formed provides structural and operation requirements
2. Article of Incorporation : Sets forth fundamental structural provisions that are of public record and cannot be changed without both board and shareholder approval
3. Bylaws : Generally adopted to develop internal rules necessary for the orderly administration of the corporation.
4. Requirements by Stock exchanges : Regulators can govern the compliance requirements through Listing agreement (discussed in the context of the article)

All the above instruments are not mutually exclusive and rather are consistent with each other.

Present regulatory framework around Corporate Governance in India resides on following pillars

1. **Indian Companies' act 1956 (together with its 24 amendments):** A blend of political, social & cultural aspects governed through Company Law Board formed by Government of India.
2. **Listing agreement (specifically Clause 49) by Securities Exchange Board of India (SEBI) :** The stock market regulator SEBI, was established in 1992 (paradoxically almost 120 years after the first stock exchange i.e. BSE was formed), through a special act passed in parliament.

Critical amendments have been based on the recommendations of committees, notably the Kumar Mangalam Birla Committee, the N R Narayanmurthy Committee and the J J Irani Committee etc.

India achieved this CG reforms primarily through regulations imposed by SEBI e.g. Clause 49 in 2000, followed by subsequent major amendments in 2005 & 2008. SEBI actively exercises the control over Indian bourses through regularly introduced new regulations. Companies have to mandatorily sign a listing agreement with the NSE & BSE as part of their listing process.

2005 Amendment of Clause 49 provided the much needed acceleration of CG practice adaptation as well as brought Indian CG practices at par with those of developed & leading emerging economies.

2005 Amendment was based on a proposal by N R Narayanmurthy Committee with objective of assessing the adequacy of current corporate governance practices and recommend improvements in 2004. Also had strong influence of 2002 Sarbanes-Oxley Act in the US, which mandatorily restricted corporate board structure in an attempt to improve corporate governance.

The primary contributions of Clause 49 was its dictum and elaboration of role of independent directors, summarized as follows :

1. **Composition of Board:** For a company with an Executive Chairman, at least 50 per cent of the board should comprise of independent directors. In the case of a company with a non-executive Chairman, at least one-third of the board should be independent directors

2. **Mandatory disclosures of fees paid to non-executive directors:** All fees/compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting.
3. **Limit on the number of committees that a director could serve on:** A director shall not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director
4. **Board Meetings:** The board shall meet at least four times a year, with a maximum time gap of three months between any two meetings
5. Key changes introduced in code of conduct, director qualifications, governance and disclosures including mandatory setting up of an Audit committee and a Shareholders' Grievance committee and compulsory Management's Discussion and Analysis (MD&A) section and interestingly addition of Report on Corporate Governance in the Annual Report.

IFAC (International Federation of Accountants) Report 2008 is considered as a significant survey exploring the concept of enterprise governance, featuring a series of case studies covering 10 countries and ten market sectors.

IFAC Causal Analysis of "what went wrong?" in corporate governance listed following

1. Ethics, Culture, Tone at the top
2. CEO
3. Board of Directors
4. Internal Control, Compliance, Risk management
5. Aggressive Earnings Management

Interestingly, 2005 Amendment of Clause 49 made an attempt to address various failure reasons identified by IFAC.

Challenges Faced in complex environments were multifold, pointing A. inertia of family owned businesses B. lack of government commitment in PSU management & C. inability to exert thrust through operational dexterity by the regulator

- § **Overwhelming workload for SEBI :** SEBI was entrusted with responsibility of Enforcement of Clause 49 and with 6000 listed companies to monitor and enforce the code, it turned out a mammoth task. While there is no debate around strong foundation of law in India, the efficacy, speedy delivery and result orientation legal and judiciary system has always been in question.
- § **High influence of family owned businesses in India:** In the 1970's, astonishing high percentage i.e. 93% of Private owned firms were family-owned. Liberalization and globalization did very little to dilute the influence of families on large businesses in India, leaving them and in totality being the largest employer (more than government of India) even as recent as 2009. As stated by Dr. Ritu Bhattacharyya from IIMK, family relationship was considered the most important factor in determination of the position a person holds in the business and Family members including those who are not contributing or are involved in the business were on the Board of Directors.
- § **Government Mismanagement & lack of appropriate control over PSUs** clearly emphasized government's apathy and had resulted into Central PSUs incurring (other than Oil Sector) loss of Rs. 2,03,000 Crore between 85-86 to 96-97 and interestingly none of them was closed down(JMI 2000)
- § **Excessive overhead of compliance for Smaller Listed Companies:** Clause 49 imposes numerous parameters for CG, including the mandatory and non-mandatory ones. All listed companies irrespective of size have to abide by those. Some of the smaller sized companies are not able to comply with all the stipulations of this 'One Size fits all' type of Clause. Smaller sized companies having asset size of say Rs. 3 cr. may not be have been able to invest in the type of resources & maturity in areas of systems, procedures and manpower required to comply with all the requirements in the same manner as larger companies.
- § **Some narrowed it to "Only for Compliance Sake":** Some innovative Indian corporates found the way through the cracks and were able to manage compliance needs with minimum reshuffle or any

significant impact on board functioning. Study by Helen Lange & Chinmoy Sahu (2008) involving the analysis of board composition confirmed the possibility of such scenario that compliance with the Clause 49 requirements for the proportion of independent directors is more compliance driven rather than the desire to meet international corporate governance benchmarks. Possibly indicating that's the benefits to the CEO and insiders is greater as long as there is insider control of the board.

§ **Expectations from Independent Directors can be challenging:** The independent directors were expected to perform multifaceted activities as members of the Board in parallel as members of various committees. A lot of them serve Boards and Committees of several other companies, some of them have faced constraints of time and are unable to attend to matters other than finance, accounting, legal and compliance with regulatory requirements.

How did the Indian companies adapt the change? – Research suggests mixed reaction

§ Indian firms generally embraced the changes and thought that it sent positive signals to investors about the quality of corporate governance of Indian business (Businessline, 2006). The extension of Clause 49's requirements to public sector undertakings was also welcomed, with many suggesting that the regulations relating to the minimum number of independent directors was likely to improve investment flows to India (Businessline, 2006).

§ Independence became a key theme to be watched carefully in Board operations during entire cycle of election to removal of directors. As part of immediate action, most of the Indian organizations had to revise the Code of Conduct for Board and senior management with special attention to conflict of interest & independence section.

One example of redefinition of conflict of interest clause in a leading bank as follows:

A "conflict of interest" occurs when personal interest of any member of the Board of Directors and of the Core Management interferes or appears to interfere in any way with the interests of the Bank.

Every member of the Board of Directors and Core Management has a responsibility to the Bank, its stakeholders and to each other. Although this duty does not prevent them from engaging in personal transactions and investments, it does demand that they avoid situations where a conflict of interest might occur or appear to occur. They are expected to perform their duties in a way that they do not conflict with the Bank's interest in following domains
A. Employment / Outside Employment B. Business Interests C. Related parties

§ A study by SPJIMR in Sep 2008 for assessment of Clause 49 was found to be extremely useful and are summarized here for reference

1. Survey suggests that that the compliance measures adopted for adherence to various provisions of clause 49 varied significantly across companies. Well governed companies had set up appropriate systems, at times sophisticated IT related infrastructure and even appointed consultants and specialists to derive maximum benefits out of them. The rest of them had declared compliance in their corporate governance reports but the procedures adopted were not documented and the responsibility was largely assigned to the respective committees or internal auditors.
2. Study observed that a lot of companies had initiated Corporate Governance Practices in a formal manner after the first announcement of SEBI Clause 49 in 2000 but completed the process only after compliance was made compulsory since January 2006. Mandatory compliance to Corporate Governance Practices was found to be operational only for past 2 years.
3. Few of India's family managed companies demonstrated excellent CG practices even surpassed Compliance baseline, while majority companies which complied with regulatory CG norms only in letter.
4. The non family owned businesses of approximately 60% of the companies had taken even few more steps. Including adapting a consultative approach for all Board decisions, encouragement by Chairman or the CEO for active involvement of independent directors on all major issues – financial, legal and

most critically strategic; clearly demonstrating a positive shift towards better governance practices. A few of these had appointed professional experts or independent directors as their CEO or Non-Executive Chairman to lead

5. However, prior to this, some of the larger sized Family Managed Companies had taken some initiatives like setting up an audit committee or appointing independent directors on their Boards or restriction of insider trading.
6. The internal control framework in majority of the surveyed companies needed further strengthening and this fact was recognized by most of them. Over 30% of the companies interviewed had made the extra efforts and invested in an ERP based system for maintaining continuous checks and balances in all their transactions. Nearly half the companies had assigned this task to independent auditors.

Satyam Fiasco – Hopefully is only an exception to the rule

In September 2008 the World Council for Corporate Governance honored 4 th largest Indian IT firm Satyam with a “Golden Peacock Award” for global excellence in corporate governance. Just 3 months after the declaration of the awards Satyam sent shocker throughout Indian subcontinent and US.

It was highlighted that the scam took place in spite that the violating facts (as listed below) were publicly known

- § **Lack of financial acumen & adequate oversight:** The company admitted in its August 2008 Form 20-F filing with the Securities & Exchange Commission “We do not have an individual serving on our Audit Committee as an ‘Audit Committee Financial Expert’ as defined in applicable rules of the Securities & Exchange Commission. This is because our board of directors has determined that no individual audit committee member possesses all the attributes required by the definition ‘Audit Committee Financial Expert.’” also stated “We do not have a Nominating/Corporate Governance Committee.”

- § **Composition of Board:** Of the six non-management directors serving on the Satyam board, four were academics, one was a former Cabinet Secretary of the Indian government, and only one was a former Chairman/CEO of a tech company. Also only 5 of the 9 directors were declared independent making it to bare minimum.

Implementation & Compliance of clause 49 has remained an operational challenge for SEBI. SEBI’s last resort on serial non-compliance has been delisting, but this ultimate weapon was not taken up as popular action as delisting unwarrantedly penalizes the non-controlling dispersed shareholders as their exit options are closed. Hence, SEBI selected the least resistance path of dialog (The Hindu, 2006), and in some cases monetary penalties (The Economic Times, 2007).

Closing Remarks on Clause 49 Implementation

- Clause 49 has fundamentally changed the corporate governance landscape in India. Most of the organizations, including family owned businesses, have embraced the change from a very positive perspective.
- While the effectiveness of enforcement of the framework e.g. through SEBI remains an outstanding challenge; the corporate governance framework established in India is found to be robust and in principle as effective as those of the UK and US and in many areas superior to continental European and other emerging markets, in view of many commentators (for example Grant, Gavin, et al., 2007; and Institute of International Finance, 2006).
- Ram Charan has described the Board Maturity Model in his book “Boards that deliver”. With Clause 49 the journey from ceremonial (level 1) to liberated (level 2) and from there to ultimately progressive (level 3) boards is graduating at a systemic scale in India.
- India Inc has been exposed to high level of globally competitive corporate governance practices through adaptation of Clause 49, much needed ingredient for the sustainability of “India Story”.

Let us hope that value proposition of implementing Clause 49 transcends much beyond compliance and empowers business performance.

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13. Sustainable CSR Should Be the Mantra for Corporate India: ASSOCHAM on July 27, 2010
14. Reforming global economic governance: A strategy for middle powers in the G20 by Daniel D. Bradlow on 13th August, 2010

Asian Development Outlook 2010: Macroeconomic Management beyond the Crisis by Asian Development Bank

The Asian Development Outlook, popularly known as the ADO, is a series of annual economic reports on the developing member countries (DMCs) of the Asian Development Bank. The ADO provides a comprehensive analysis of macroeconomic and development issues for the DMCs of ADB. Asian Development Bank (ADB) released its annual Asian Development Outlook 2010 on April 13. In terms of each Asian country, this report specifically reviews its economic performance in 2009, points out underlying economic challenges as well as possible proposals to resolve them, and finally aims to forecast its economic prospect.

The ADO features:

- an assessment of economic trends and prospects for the world and for the developing economies of Asia and the Pacific
- economic profiles, economic management issues, development policy concerns, and economic projections, for the DMCs of ADB
- theme chapter covering important issues confronting the region

Source: <http://www.adb.org> > Publications > Key Resources

Making Trade Preferences Work for the Poorest Countries by Kimberly Ann Elliott, Policy brief of The Center for Global Development on 4th January, 2010

The Center for Global Development works to reduce global poverty and inequality through rigorous research and active engagement with the policy makers in the community to make the world a more prosperous, just and safe place for all. This brief is based on final report of the “Global Trade Preference Reform Working Group”. The brief observes that the trade preference programs can reduce poverty and promote prosperity and stability in the world’s poorest countries, but they often fall short of their intended goals. They regularly exclude commodities that poor countries can produce competitively, such as agricultural products and clothing, and many programs must be frequently renewed, creating uncertainty and discouraging investment. Extending comprehensive, usable, and predictable quota-free market access to all least developed countries could provide a critical boost to the world’s poorest people with only trivial effects on preference-giving countries. G-20 leaders should embrace trade preference reform this year to promote growth and stability in the world’s poorest countries.

Source: <http://www.cgdev.org>>Content>Publications

“The growth report and new structural economies” by Lin, Justin Yifu, Monga, Celestin; Policy Research working paper; no. WPS 5336 of The World Bank on January 6th, 2010.

Despite its heavy human, financial, and economic cost, the recent global recession provides a unique opportunity to reflect on the knowledge from several decades of growth research, draw policy lessons from the experience of successful countries, and explore new approaches going forward. In an increasingly globalized world where fighting poverty is not only a moral responsibility but also a strategy for confronting some of the major problems (diseases, malnutrition, insecurity and violence) that ignore boundaries and contribute to global insecurity, thinking about new ways of generating and sustaining growth is a crucial task for economists. This paper reassesses the evolution of knowledge on growth and suggests a new structural approach to the analysis. It offers a brief critical review of lessons learned from growth research and examines the remaining challenges

— especially from the policy standpoint. It highlights how the 2008 Growth Commission Report identifies the stylized facts associated with sustained and inclusive growth. And it explains how the new structural economics provides a consistent framework for understanding the key findings of the Report.

Source: <http://econ.worldbank.org>>Policy Research Working Papers

Global Economic Prospects: The Recession May Be Over But Where Next? by Yilmaz Akyuz, South Center Research Paper on 26th March 2010

This research paper of South Centre throws interesting light on the global economic imbalances, the situation in the major countries, and what needs to be done. The paper recognizes that the US economy has to adjust, and its over-consumption problem has to be tackled. But in the debate on the global economy, attention was focused on US-China relations, to the neglect of the role of Germany and Japan. Thus it views that a post-crisis global economic restructuring is needed. This should include reforms in the sphere of finance so as to reduce the susceptibility of the world economy to recurrent crisis and to remove the deflationary bias in the international architecture.

Source: <http://www.southcentre.org> > Research Papers

Economic and Social Survey of Asia and the Pacific 2010 by Macroeconomic Policy and Development Division (MPDD) of UNESCAP

Asia-Pacific region leads the process of recovery from the global financial and economic crisis and emerges as a focus of global growth and stability. However the recovery of the world economy at large remains fragile. This poses risks for sustained recovery in Asia as well, given its export dependence. A more balanced recovery is needed and this will require more globally concerted policy efforts. This year’s Survey, entitled “Sustaining Recovery and Dynamism for Inclusive Development” assesses the critical issues, policy challenges and risks that the region faces in the months ahead as it leads the world economy in recovery from a dire recession. It also outlines the elements of a policy agenda for regaining the region’s dynamism through inclusive and sustainable growth

Source: <http://www.unescap.org>>Publications>New Titles

Global Monitoring Report 2010 “The MDGs after the Crisis” by the World Bank

The global economic crisis has slowed the pace of poverty reduction in developing countries, and is hampering progress toward the other Millennium Development Goals (MDGs), says a new report from the World Bank Group and the International Monetary Fund. The crisis is having an impact in several key areas of the MDGs, including those related to hunger, child and maternal health, gender equality, access to clean water, and disease control and will continue to affect development prospects well beyond 2015, says the *Global Monitoring Report 2010: The MDGs after the Crisis*. As a result of the crisis, 53 million more people will remain in extreme poverty by 2015 than otherwise would have. Even so, the report projects that the number of extreme poor could total around 920 million five years from now, marking a significant decline from the 1.8 billion people living in extreme poverty in 1990.

Source: <http://web.worldbank.org>

The World Economic Outlook; Rebalancing Growth by International Monetary Fund on April 2010.

The World Economic Outlook (WEO) presents the IMF staff's analysis and projections of economic developments at the global level, in major country groups (classified by region, stage of development, etc.), and in many individual countries. It focuses on major economic policy issues as well as on the analysis of economic developments and prospects. It is usually prepared twice a year, as documentation for meetings of the International Monetary and Financial Committee, and forms the main instrument of the IMF's global surveillance activities.

Source: <http://www.imf.org>> Publications

“Why Wal-Mart Wants to Take the Driver's Seat” by Chris Burritt, Carol Wolf and Matthew Boyle on May 27th, 2010.

Wal-Mart Stores (WMT), the world's largest retailer, has become famous—and at times infamous—for the power it wields over its suppliers. With its \$408 billion in sales for the fiscal year ended Jan. 31, the retailer has plenty of clout to persuade makers of goods sold in its big-box stores to create environmentally friendly

packaging and exclusive product sizes, and to participate in joint advertising promotions. Chris and his co-authors view that, now Wal-Mart wants to be their chauffeur as well. The retailer aims to take over U.S. transportation services from suppliers in an effort to reduce the cost of hauling goods. Wal-Mart is contacting all manufacturers that provide products to its more than 4,000 U.S. stores and Sam's Club membership warehouse clubs, says Kelly Abney, Wal-Mart's vice-president of corporate transportation. The retail giant wants to grab control of deliveries from manufacturers. By attempting to take over the transportation from its suppliers, Wal-Mart hopes to achieve efficiencies to cut its own prices.

Source: <http://www.businessweek.com>

India's Post-Crisis Reality Check by Stephen S. Roach on June 8th, 2010

India sailed through the Great Crisis of 2008-09 without skipping a beat. But celebration may be premature according to Stephen, as the aftershocks in Southern Europe suggest, the post-crisis world is likely to remain a very treacherous place for some time to come. Although India has one of Asia's most balanced—and therefore, resilient—macro structures, it can ill afford to ignore ever-present stresses and strains in the external environment. For India, the crisis and its aftermath should be viewed as a wake-up call—a time to sharpen its focus on the challenges and opportunities shaping its development journey.

Source: <http://www.morganstanley.com>>Global Economic Forum>Our Views

Global Imbalances and the Dollar's Future by C.P. ChandraSekhar on June 11th, 2010.

The large current account deficit of the United States, the growing foreign holdings of US treasury bills and then the recent financial crisis that erupted in the US have led to a revival of the question of the worth of the dollar as a reserve currency. In this article Chandrasekhar views that those who say that it is time for the dollar to go are not basing their argument on the greater strength of another currency to replace the dollar. Rather, the most popular alternative is the Special Drawing Right of the International Monetary Fund, which is more a unit of account than a currency and whose value is itself linked to that of a weighted

basket of four major currencies. He gives three implications for his argument. First, even when the weakness of the US and the dollar is accepted, the case is not that the dollar should be completely displaced, since even in the basket that constitutes the SDR the dollar commands an influential role. Second, there is no other country or currency that is at present seen as being capable of taking the place of the US and the dollar at least in the near future. And, third, the search is not for a currency that can be used with confidence as a medium for international exchange, but for a derivative asset that investors can hold without fear of a substantial fall in its value when exchange rates fluctuate, because its value is defined in terms of and is stable relative to a basket of currencies.

Source; <http://www.epw.org>

Globalization and Informal Jobs in Developing Countries – A Joint Study of the International Labour Office and the Secretariat of the World Trade organization prepared by Marc Bacchetta of the Economic and Statistics Division of the WTO on 2009

World trade has expanded significantly in recent years, making a major contribution to global growth. Economic growth has not led to a corresponding improvement in working conditions and living standards for many workers. In developing countries, job creation has largely taken place in the informal economy, where around 60 per cent of workers are employed. Most of the workers in the informal economy have almost no job security, low incomes and no social protection, with limited opportunities to benefit from globalization.

This joint study by the International Labour Office and the Secretariat of the World Trade Organization focuses on the relationship between trade and the growth of the informal economy in developing countries. Based on existing academic literature, complemented with new empirical research by the ILO and the WTO, the study discusses how trade reform affects different aspects of the informal economy. It also examines how high rates of informal employment diminish the scope for developing countries to translate trade openness into sustainable long-term growth. The report analyzes how well-designed trade and decent-work policies can complement each other so as to promote sustainable

development and growing prosperity in developing countries.

Source: <http://www.wto.org>>Resources>Publications

Private Equity: Part of the Crisis or Part of the Solution? by Knowledge @ Wharton on June 15th 2010

The Panelists at the recent Wharton Private Equity and Venture Capital Conference considered whether Private Equity was a key contributor to the financial crisis – or a scape goat – and also analyzed the role it might play in the recovery. Some participants put forth that if the reputation of private equity was damaged, it was largely as a result of miscommunication with the public rather than any serious flaw in the model. Other dignitaries of the conference felt that Private Equity insiders needed to reassess their practices in order to be an effective part of an economic recovery.

Source: <http://knowledge@wharton>>Finance and Investment>Articles

Sustainable CSR Should Be the Mantra for Corporate India: ASSOCHAM on July 27, 2010

Sustainable Corporate Social Responsibility initiatives which are directly or indirectly rooted in the business of an organization were the key to promote equitable economic development of the country. In the 2nd International Meet on Corporate Social Responsibility organized by ASSOCHAM in New Delhi, Mr Niraj Prakash, Director, Public Sector Marketing, Microsoft India opined that the role of CSR, especially from the point of view of IT Companies, was extremely important in bridging the digital divide prevalent in the country and help the local economy. He added that a vibrant local technology industry can contribute to strong economic growth, by bringing together local governments, independent software vendors (ISVs), universities, small businesses, and investors; who can help foster innovative ideas and then help communities translate those ideas into business success.

Source: <http://www.assochem.org>>News

Reforming global economic governance: A strategy for middle powers in the G20 by Daniel D. Bradlow on 13th August, 2010

The global crisis has helped promote the G20 from supporting role to one of the leading forums on the world stage. This article argues that the G20 presents a unique opportunity for its medium-sized members to influence the global economic agenda - but only if they base their short-term actions on a long-term vision. The global financial crisis exposed the G7 as an outdated and ineffective forum for global economic

governance. In order to reinforce their credentials and their capacity, the G7 turned to the G20 and upgraded it from merely a gathering of finance ministers and central bankers to one that includes heads of state. Daniel views that this change has created an opportunity for the medium-sized members of the new club such as South Africa. But these countries can only take advantage if they focus on a clear, long-term vision of global economic governance and use this to inform a more pragmatic and obtainable short-term agenda.

Source : <http://www.voxeu.org>Topics>

As we look ahead into the next century, leaders will be those who empower others.

- Bill Gates

It is impossible to imagine anything which better becomes a ruler than mercy.

- Seneca

Never doubt that a small group of thoughtful, concerned citizens can change world. Indeed it is the only thing that ever has.

- Margaret Mead

CEO Interviews

Mr. Mahesh Singh, Managing Director, PRTM Management Consultants (India) Pvt Ltd.

Mr. Mahesh Singh, MD of PRTM Consultants (India) Pvt. Ltd. has over around 3 decades of experience handling complex assignments both in India and United States. Apart from PRTM, where he is the Managing Director of India Operations, he worked in BPL, Johnson & Johnson.



PRTM is a global management consultancy with offices over 14 countries specialises on operations management, supply chain etc.

The interview is exclusively given to Mr. J.N.B. Kalyana Chakravarthy, Asst. Professor, GITAM School of International Business, GITAM University.

➤ **In the recent economic slowdown, how far the cost cutting measures of business houses affect the Management Consulting business?**

Economic slowdown had affected most of the businesses in developed world and some of them in developing world. At the same time it has also provided an opportunity for growth for management consulting business. As more number of firms is getting operationally focussed – by refining the way they function and by re defining the value, an expert advice from an external actor was required to help them in doing so. The concentration was more on how to be more productive even in tough times.

➤ **In the post-economic slow down, how do you see the growth in Management Consulting? What are the growth drivers in this period?**

The growth drivers for the management consulting are multi-folded and are focussed on three important aspects - Globalization, Focus on Bottom Line and Innovation excellence. In an integrated global economy, both established markets and emerging markets are playing a very vital role in growth and this calls for global management consultants with skills applicable in multiple contexts. Today many businesses are looking at the bottom of the pyramid and aligning their business processes to reach that bottom. It is not just an emerging market trying to compete in the global economy, but in cases where the market itself is emerging which

is a very important growth driver. Similarly, the world is dominated by innovation excellence, both from and within western world as well as emerging economies.

➤ **Management Consulting, as an industry, today has become the intellectual backbone of virtually all the businesses across the world, amidst this, what is the backbone of management consulting?**

The backbone of consulting rests on four important pillars – People, Accumulation and dissemination of knowledge, confidence of client and confidentiality of consulting firm and its delivery of results. As management consulting is a knowledge centric industry, knowledge plays a very important role and so the people who possess that knowledge. If this reflects the process, confidence and confidentiality reflects the organisational culture and practice they follow which, some times can dominate the process.

➤ **What is the scope of the solutions provided by management consultancy while addressing a given problem? Are they operational or do they have a strategic content also?**

There are both operational and strategic and they are both intertwined. It also depends on the core competence of the firm, issues of financial results, human capital development etc are by and large operational. Getting the right strategy is not just enough but putting it in operations is also very important.

➤ **Considering the requirement for a customised solution from the point of view of the client requirement, what do you think is the scope for a consultant to reflect a strategic vision, in their business reports and publications?**

Almost all the top tier management consulting firms do have their own newsletters, magazines whose content covers a lot of topical business concepts. Most important thing is to write those things which are relevant for today's environment. Content is rich in terms of strategy and operations in publications.

➤ **How does management consultancy balance between empirical and perceptual approaches towards an issue?**

Consulting process is highly fact based. It depends on relevant information followed by hypothesis which

is testable that is backed by facts and aimed at vision to operationalize. Collecting data is not enough but understanding and analysing the data and coming to a solution that can be put in operation are important. Having said that, it is also important to understand that 'Expected value of perfect information is an infinity' and the consultants work in ambiguity.

➤ **How do management consulting organisations create a pool of consultants from multiple disciplines? How does the pie look like? Do you see any concentration of certain disciplines?**

Management consulting works on a think tank approach. Diverse individuals who are experts in their specialised fields of study that forms the talent pool of the organisation. Consulting organisations look at analytical horsepower of creative engineering talent. It depends on the core competence of consulting firm. A wide variety of talent pool is a must for a strategy consulting firm than for an audit consulting firm.

➤ **Do you think one can strike a common ground between an academician's approach, a consultant's approach and a manager's approach to address a business problem?**

There is not much of a difference between the three professionals in addressing a given problem. Academicians, consultants and managers follow the same traditional problem breakdown approach and in many cases the end solution might be similar. Differentiating factor is the approach they take. An Academician looks for more perfection, is more theoretical and looks at process delivery. A Consultant works on hypothesis that is fact based and looks for a pragmatic realisation. A Manager might look at from his/her own shoes with a narrow outlook and with less information on the total setup.

➤ **Do you see any 'Country of Origin' effect of the consulting firm in International Business consulting both in terms of business generation as well as giving a solution (I mean, adherence to specific business models, philosophies that are trademarks of management thought in a specific country)**

People from West and East have different cultural stands that reflect in their employees and their business practices. Western people are more open and so are their practices. They concentrate on industry application

and in country specific models. They possess cross cultural management teams that enables them to help clients with an overall perspective with cross functional and cross cultural approaches. On the other hand, individuals in emerging economies are more dogmatic in nature.

➤ **As India is termed as a sub-continent where people can bring in multi cultural learning on to the table, do you think Indians have an edge in international business consulting?**

By Virtue of being born in India might not really help Indians to bring in a cross cultural approach on to the tables. Indian management talent will be successful in international business consulting when they amalgamate with world class business practices and continuous learning from cross cultural teams.

➤ **Among the projects you receive, to what extent there is a scope for cutting edge research? Are there institutions in place to grasp the scope for the next generation business dynamics and developing them into Models?**

There are institutions in place to bring cutting edge business research. Corporate publications, books and newsletters are some examples of the practices in place. It is not that the clients approach a consultant with less or no information. They bring in a lot of Intellectual Property and management consultants make it more structured. By virtue of being associated with a lot of complex business problems, scope of developing models is more.

➤ **How do you see the future of International Business Consulting?**

Management consulting is getting more and more results-driven. There is a growing concentration on operations and not just limiting with strategy formulations. In the context of a continuous growth in International Business operations, concentration in just one location is not sufficient. All the consulting firms are becoming global by expanding. It is almost a "must" to have a presence in the US, EU, Japan, Middle East, India, China, Russia, Australia, Africa and Latin America because these are the places with growth opportunities. By establishing in multiple geographical contexts, delivery capability of a firm is getting increased with absorption of diverse knowledge into organisation memory. Hence, all businesses in general and management consulting firms in particular are building global talent and global teams to address the global river of change.

**Mr. Urvil Modi, Director & Chief Executive officer,
Boston Analytics**

Mr. Urvil Modi is the Director & Chief Executive Officer of Boston Analytics. He has professional expertise in the areas of Strategic planning, corporate finance and M&A and has a decade of experience in India, Europe and United States.



Boston Analytics is a global management consulting firm specialising in both business and financial analytics with a strategic outlook.

The interview is exclusively given to Mr. Kalyana Chakravarthi JNB, Assistant Professor, GITAM School of International Business, GITAM University.

➤In the recent economic slowdown, how far the cost cutting measures of business houses affect the Management Consulting business?

This is one of the obvious questions in recent times. There are both sides for it. There were two contradictory forces acting together during economic slowdown. On one hand, It has spun a lot of work in the difficult times. This is an unforeseen experience for many people who did not see this in their whole career. This calls for external help, which can give a better advice for the companies to mitigate the risk. This has created more business for management consulting. On the other hand in the cost cutting measures of the firms, more often external research and support is sidelined – either curtailed or postponed which acted as a counterforce for the management consulting business and resulted in terms of reduction of business. Really it depends on the positioning of the firm. Those firms which specialised in cost cutting measures etc has got more business inspite of the cost cutting measures adopted by firms and those ones which specialised in intangible things like brand strategy etc lost some of their business.

➤In the post-economic slow down, how do you see the growth in Management Consulting? What are the growth drivers in this period?

As the global economy is getting more and more complex both in terms of more countries are integrated into

the global economy either as sourcing hubs or selling centres and increased complexity in business operations, management consulting is going to play a very important role in helping the clients in this changing environment. Understanding new growth opportunities in this changing environment is the key growth driver of management consulting. Both western and emerging market firms are planning to expand beyond their borders in many forms and M&A is in prima focus. This international expansion calls for more help from the management consulting firms. Dealing with uncertainty is also one of the major drivers of management consulting because firms and countries are dealing with statistically improbable situations in the present day scenario. Management consulting firms are learning and adding these capabilities into their portfolio in order to help their clients.

➤Management Consulting, as an industry, today has become the intellectual backbone of virtually all the businesses across the world; amidst this, what is the backbone of management consulting?

Fundamental aspect of management consulting is acquiring knowledge, building and leveraging on that and creating more knowledge. Complete reliance on knowledge is the backbone of management consulting. It is not enough to recognise the problem but also important to learn and develop to advise organisations how to overcome it. In simple terms, if you want to advise an organisation, you have to be ahead of it. Backbone of this business is the reliance on cutting edge knowledge and creating new business models and theories to address business problems.

➤What is the scope of the solutions provided by management consultancy while addressing a given problem? Are they operational or do they have a strategic content also?

It depends on the circumstance in which the advice is sought. For a short term problem the requirement is by and large tactical. Long-term plans are by and large strategic; for example, expansion of business portfolio, entering into new markets etc. It depends on requirement and the core competence of management consulting firm. Some of them choose to specialise in operations consulting and some of them choose to concentrate in strategic consulting and some of them choose to operate only on operations.

➤ **Considering the requirement for a customised solution from the point of view of the client requirement, what do you think is the scope for a consultant to reflect a strategic vision, in their business reports and publications?**

There is always a fine balance. It is a question of how much is too much. Some of the knowledge must be shared and one cannot divulge so much. The idea is to introduce a concept without going into too much of details. The interesting thing is, even if some one is putting all the knowledge in publishing, a potential client or a competitor might not put it in practice. It is always to those specific companies the clients approach for problem solving because theory is theory and practice and executing is different. Clients choose to go to those firms which specialise in addressing a given situation and who has got experience in solving a given problem across industries and countries.

➤ **How does management consultancy balance between empirical and perceptual approaches towards an issue?**

It is more of a science than an art. There is always a balance between these two. Management consulting as a profession relies more on empirical approach. Clients come to management consulting firms for data based and fact-based opinion and not for personal judgements. They come to management consulting houses to know the data, how can that be interpreted and what should be understood and analysed. There is always an amount of personal opinion, which comes out of experience and perception. It cannot be backed by data. There is always a lack of data and always something is missing. Building up a scenario is very difficult. One has to make sure they are not too opinionated and judgement driven and has to rely on data to the extent possible. But, in game changing situations where there are global conditions, which require a perception one has to give a smart weightage to both. A smart consultant should decide which weapon has to be used at times against whom.

➤ **How do management consulting organisations, create a pool of consultants from multiple disciplines? How does the pie look like? Do you see any concentration of certain disciplines?**

It is always better to have diverse knowledge disciplines ranging from liberal arts to physics to medical sciences to business management in the talent pool because each of these disciplines teaches a person to see a problem from different directions. Management consulting firms should have the capability of looking at the problem from different sides and it can happen only from the talent pool they build from divergent knowledge streams. The pattern of problems is getting more and more complex with the industries getting more mature and it calls for a divergent knowledge pool in management consulting houses.

➤ **Do you think one can strike a common ground between an academician's approach, a consultant's approach and a manager's approach to address a business problem?**

All of them look at the same problem from different perspectives. A business manager, rooted in day-to-day business of the firm looks at the problem from a tactical perspective in giving a solution. A consultant tries looking at the same problem and tries to give an out of the box solution. An academician tries to back it with a theoretical perspective in support of a given solution.

➤ **Do you see any 'country of Origin' effect of the consulting firm in International Business consulting both in terms of business generation as well as giving a solution (I mean, adherence to specific business models, philosophies that are trademarks of management thought in a specific country)?**

Industrial history in developed countries is much larger which exposed them for wider variety of situations, both at tactical level and at strategy level and exposed them to a constant learning atmosphere and building knowledge. This helped them in building models n processes, which are again tried and tested. Hence, the firms originating from these places have far better experience in understanding and addressing a given problem. But, given the changing global paradigm, there is a lot to understand and analyse in international business context, where all the models and theories which work in western world might not work in an emerging market and firms in these markets will have an edge in analysing and providing a solution.

➤ **As India is termed as a sub-continent, where people can bring in multi cultural learning on to the table, do you think Indians have an edge in international business consulting?**

Passing a judgement on this might be difficult, but there is a fair chance of doing it. But, it is difficult to come to a conclusion on it in the absence of proven results. Coming to a conclusion based on perception might be difficult.

➤ **Among the projects you receive, to what extent there is a scope for cutting edge research? Are there institutions in place to grasp the scope for the next generation business dynamics and developing them into Models?**

More often consultants do their work and build on their expertise that is eventually grasped into the organisational memory but it is very difficult to say

if there are any formal institutions or there is a conscious effort in building one such in the organisations. There is a lot of scope for doing that but formalising it not going at the same pace.

➤ **How do you see the future of International Business Consulting ?**

It is certainly going to be bright because businesses are going to work across the geographies and they require a lot of information of entering and consolidating their businesses. This requires professional help both at strategic and tactical levels from 'why expanding' to 'what to expand', 'if it is a diverse business' house and 'how to expand' from the level of portfolio expansion level. There is a always a requirement for specialist knowledge on international business because international business environment is not only a 'content rich context but also a context rich content'

I suppose leadership at one time meant muscles; but today it means getting along with people.

- Mahatma Gandhi

Management is efficiency in climbing the ladder of success, leadership determines whether the ladder is leaning against the right wall.

- Stephen R. Covey

I think you have to work with people, and when I talk about managing relationships, don't think the derogatory "managed relationship". It is a question of sharing emotion and feelings. The common denominator of everything can't be money, and it should not be money.

- Anil Ambani

Women Entrepreneurship

**Meera Patvardhan, Co-Founder & Partner,
Leapfrog Strategy Consultants.**

Meera Patvardhan, Co-Founder & Partner of Leapfrog Strategy Consultants. She has over two decades of experience in advertising, brand management etc and worked in India and abroad. Before founding leapfrog, she was in JWT in senior position and for some time took up independent workshops.



Leapfrog Strategy Consultants is a niche brand management-consulting firm located in India & United States and specialises in brand strategy and advertising.

The interview is exclusively given to Mr. Kalyana Chakravarthi JNB, Assistant Professor, GITAM School of International Business, GITAM University.

The following are the ideas expressed by Mrs. Meera Patwardharn, Hamsini Shivakumar, Ishwari Store in her words.

For many women, if gender specific problems provided a point of obstacle in achieving their said goals, fortunately for us (Meera Patwardharn, Hamsini Shivakumar, Ishwari Store), We have seen gender specific opportunities that helped in founding and running leapfrog strategy consultants. It's a young business, which is small and new. We all have come from similar work backgrounds and value systems that helped us in founding Leapfrog. Our reasons for starting a business are similar and those reasons and opportunities are in a way gender specific.

We found this business at a stage of life where certain family constraints got over and we can concentrate on career. Most of the family related issues like marriage, children etc are over when we were working in different capacities in different organisations. After having around 20 years of work experience, we really wanted to do some thing meaningful in our life and profession, some thing on our own and without being dictated by some compulsions in a large multinational.

From the business standpoint, again gender proved to be one of the opportunities for us. We are into brand consulting that is by and large creative and intellectual profession with its core into marketing, advertising etc.,

This profession is highly dominated by women across globe. Our clients also are used to see women in these jobs, their work culture etc. In a way, that is an opportunity for us. At the same time, clients see the women as some one who has nurturing abilities etc, which in turn is advantageous for us. When we went Global, it is far more pronouncing in the way CEOs abroad receive us. Most often they say, 'its quite exciting to see the women coming together and working across continents in the virtual business model'.

We achieved this by managing certain constraints and certain ambitions. Though we can work across globe and our capabilities are not limited and industry specific, location proved to be an important underpinning for us. One of us chose to stay in Mumbai and the others in Delhi and New York both by personal preferences and family compulsions. So, though we are separated in terms of geography, 'skype' provided a wonderful opportunity for global communication helped us to handle complex business assignments across globe.

We collectively work on all verticals from research to the output. As the business is about brand strategy, we need not sit in just one place. We can work locating in multiple geographic locations. Over the project period, we work along with the client in a collaborative model organising workshops etc and always at least two of us will be there in each project at any given point of time. As our work is more mind-based location did not become an important constraint for us. This way we are trying to manage both our professional ambitions and family aspirations.

Brand consulting is a niche discipline which always had a premium tag attached to it. Over years of work both as employees and entrepreneurs, we are able to understand the brands better. Today, Branding has made its way across industries, functions, organisations and even to individuals. But most of the models in Branding are developed in the context of products and more often they do not suit the requirement of services. Realising this, we have developed a model for service branding and even patented it. This not only adds value for the client but also for the Leapfrog. It helped branding our own selves not only as creative individuals but also as a creative organisation.

So some times, gender can also provide a wonderful opportunity to grow and succeed.

Diamond's Third Annual *Digital IQ* Study

Dear CIO, Grow the Business or You'll Lose your "C"!

There has never been a better time to be a CIO. Every product's information wrapper is growing, social media is transforming marketing and service, the infrastructure of the organization has new cloud-based options, and personal devices from the iPad to those running Google's Android are flying off the shelves. Every business needs an informed, capable, and decisive technology executive to help the company unlock the productive and innovative power of these new choices, while simultaneously running the information factory efficiently.

However, Diamond Management & Technology Consultants' third annual *Digital IQ* survey uncovered some disturbing news that indicates the role of the CIO is weakening. Our survey of 724 business and technology leaders had three key findings:

- First, innovation efforts of three out of four CIOs were focused not on new products or services, but on internal business process or IT improvements (see Figure 1).

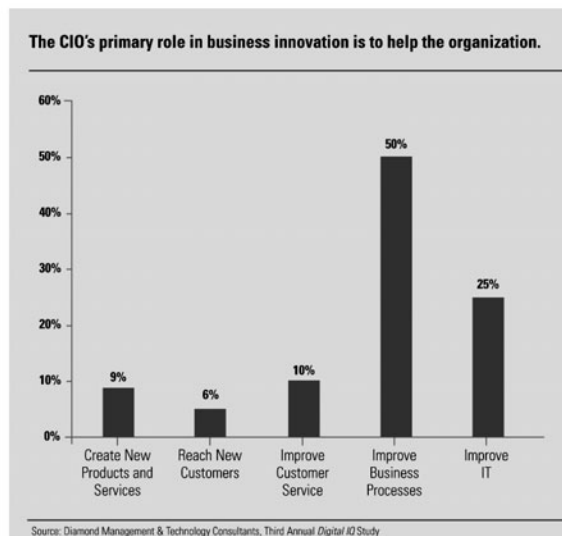


Figure 1

- Second, we discovered that in more than half the companies surveyed, business leaders other than the CIO control at least 30% of the money spent on IT.
- Third, firms with the strongest financial performance not only had strong alignment among the business and IT leadership, but also strong mobilization and execution capabilities. The results of this year's survey once again indicate that achieving superior growth and profit require more than simply aligning the business with IT. Rather, the CIO must also drive mobilization (preparing the organization and understanding details of the strategy) and execution. Among respondents, the strongest indicator of performance was the existence of a single roadmap for designing and executing the corporate strategy (see Figure 2).

About the Diamond *Digital IQ* Study

from 724 senior business and IT executives. The companies greater than \$1 billion. Survey questions covered an array of issues, ranging from attitudes about information technology's contribution to corporate competitiveness and business/IT alignment to IT management practices. Collectively, these issues help determine a company's *Digital IQ*.

Our core findings have two critical implications for the technology executive—one personal and one organizational. On the personal have more influence within the organization. The organizational implication is that CIOs who do not have sufficient influence cannot

shape the resources, organization, and processes required to drive business success. A lack of willingness to step up to creating business growth and profit relegates the CIO to the singular role of “order taker”—instead of also being a “demand shaper.”

When we asked business executives (half our sample) for the thinking” and “leadership abilities” topped the list, ranking much higher than “deep experience in running IT operations.” In other words, the business wants the IT executive to drive growth as well as lead the function. Only slightly more than one in two (55%) of the entire sample viewed the IT executive as both a business and IT leader. It appears that almost half of the IT executives were not delivering on the hopes of the organization. Not only that, but we found that the majority of executives (60%) do not know how much they spend on technology—which, again, implies a shortcoming of the IT executive. If the business is asking for broad up to that challenge.

Which Actions Lead to Better Performance?

The results do, however, show that some CIOs appear to be driving significant business value at their firms. We believe that what sets those companies apart is an executive team that creates the “trifecta” of alignment, mobilization, and execution. In 77% of the better-performing organizations, the CEO was a champion of IT’s business value, and the level of integration of business and aligning business and technology starts at the top.

Sixty-eight percent of the top-quartile firms had a single roadmap for corporate strategy, while such a roadmap existed only 44% of the roadmaps were in place at four out of five of the top-performing firms, and only about half of the lower performers. Again, the ability to translate from plan to mobilization correlated with higher performance.

The ability to execute correlated even more strongly with performance. In this regard, only one in four bottom-quartile firms showed an ability to mobilize the resources to execute the roadmap.

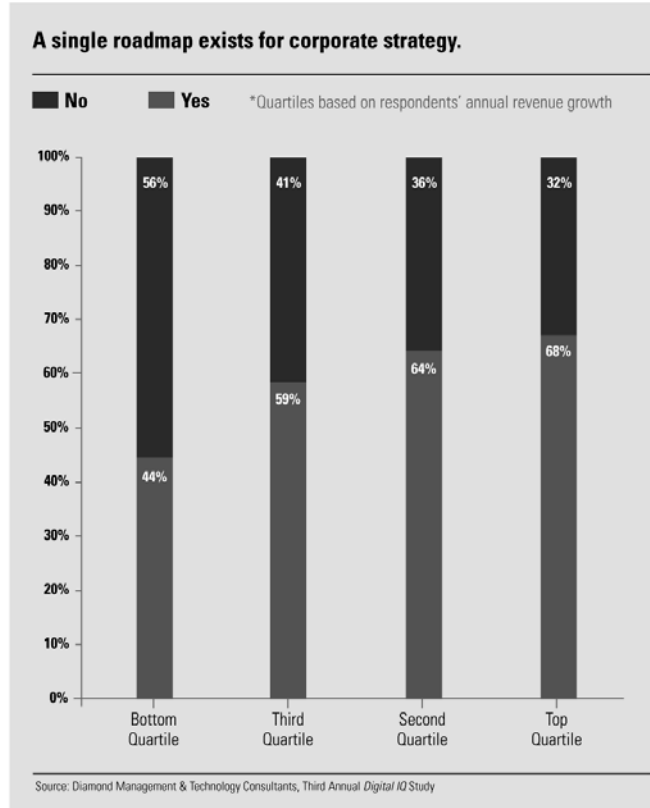


Figure 2

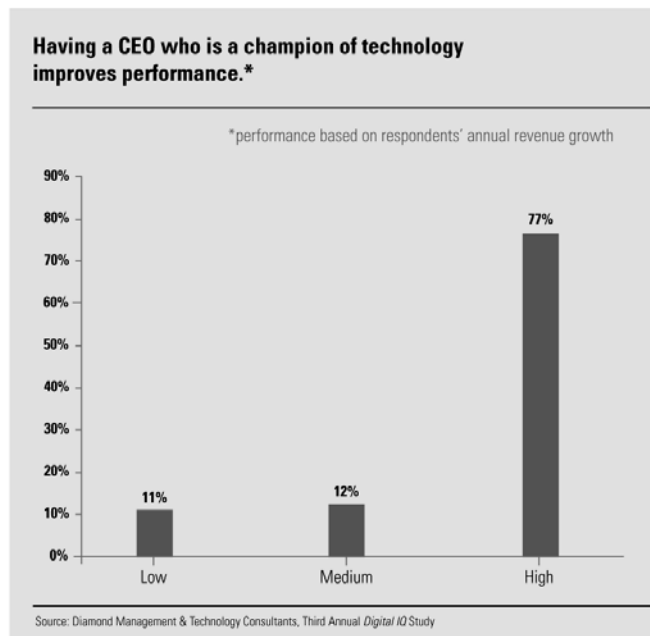


Figure 3

For comparison, the better-performing firms reliably found the resources to put behind strategic initiatives 54% of the time—even resources (see Figure 4). Notably, the better-performing companies roadmap milestone delivery (25% for the bottom quartile vs. 55% for the top – see Figure 5).

In our experience, the CIO is the only C-level executive who fills both “staff” and “line” roles. In the staff role, the CIO has to provide the information to control the business, comply with regulations, and measure performance. In the line role, the CIO drives productivity, increases sales, and helps foster innovation. The chief financial officer, for example, is clearly staff while the vice president of sales clearly fills a line function. It is only the CIO who plays this dual role. As a result, it is the CIO’s duty to shape his or her role and responsibilities as both a staff and a line executive.

A CIO’s keys to success are to create the “trifecta”—alignment, mobilization, and execution—and to make sure he or she drives new business value in addition to running the function efficiently. The reward is not only the confidence of your fellow executives (higher-performing organizations were three times as likely to have confidence in the CIO), but also getting the resources to help grow the business. Not to be forgotten, you also get to keep your “C”!

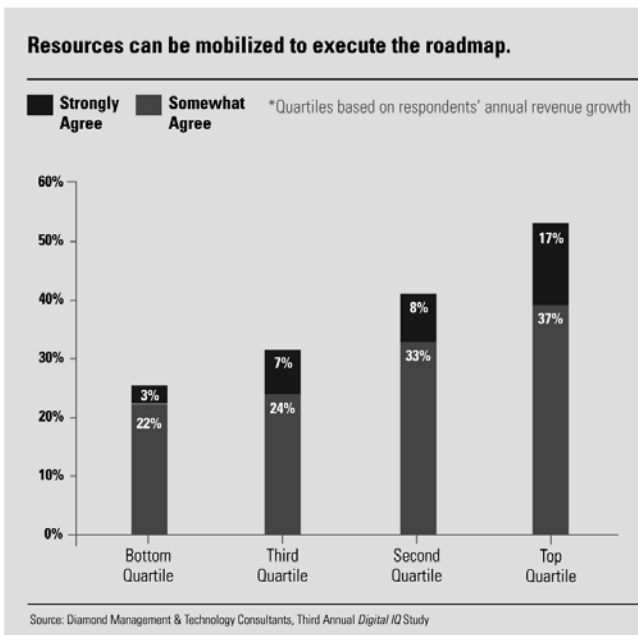


Figure 4

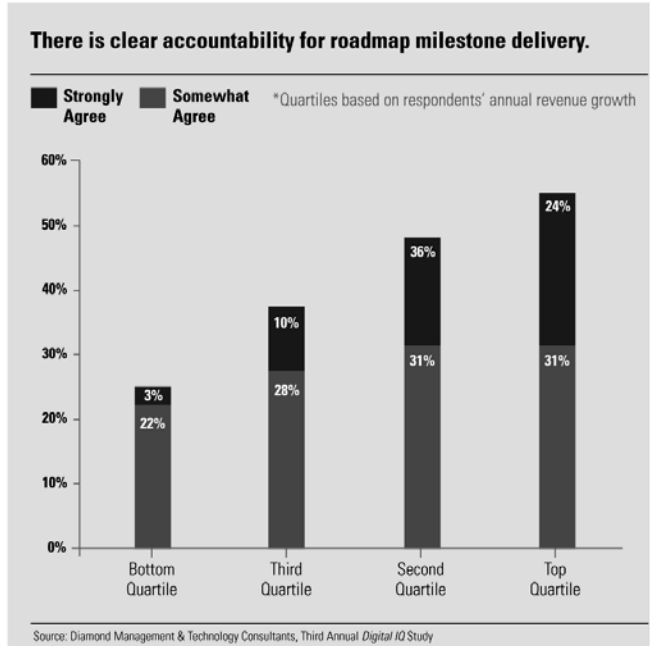


Figure 5

What Should CEOs Expect from the CIO?

Our Digital IQ study has three big implications for top business executives. First, it is vital that the CEO expects the CIO to deliver both excellent leadership of the technology function and of performance. If the CEO does not expect that technology can deliver utility and capabilities, then IT will never drive innovation or new value.

Second, when the CIO is delivering excellent support for business operations, make sure he or she is included in the senior executive team to help shape strategy, resource allocation, and execution. The CIO can only create significant value if he or she can help shape the organization’s demands and plans. If the CIO is only an make the optimal design and tradeoff decisions.

Third, make sure the CIO has visibility into all IT spending in the other organizations or functions. Our study indicates that a large share of the IT spend is outside the CIO’s budget. If the technology leader lacks full visibility into the technology spend, it will lead to future problems in turning that investment into business value over time.

Book Review*

Prem Shankar Jha, *India & China - The Battle Between Soft and Hard Power*,
New Delhi, Penguin/ Viking, 2010

Reviewed by K. SUBRAMANIAN

Prem Shankar Jha belongs to that class of journalists that transcends reporting and enters higher reaches of scholarship. In his analysis and perceptions, he has not gone by commonly held notions and even dares to question them.

Last year, he published two books on China's development. The first, "Managed Chaos," dealt with the fragility of the Chinese miracle. He challenged the pet view that China would continue to grow indefinitely at 10 per cent. He identified the different areas that may hamper sustained growth. More importantly, he attempted to establish the complex web of social, political, and economic factors that shape China's growth. The second book, "Crouching Dragon, Hidden Tiger: Can China and India Dominate the 21st Century?" dismissed the notions about China having an edge over India and suggested that both have different problems at the ground level. However, he noted the "similarities in their trajectories of growth" and "experiences that have remained unnoticed."

Intermediate class

In this book, Jha takes some of these themes further. The title, "The battle between soft and hard power", sounds rather intriguing, and there is no attempt to portray any such battle.

In the first four chapters, there are comparisons and contrasts between the two countries. He develops his hypothesis of the "intermediate class" that accelerates growth in China but inhibits it in India. It turns Michal Kalecki's theory on its head and is difficult to accept. Neo-Marxians can argue that the rise of the intermediate regime is the result of transition per se and not exogenous to it. The rest of the chapters are in the nature of

case studies on China and India. Some of the similarities drawn between the two countries are far-fetched, while some others are Procrustean.

Jha debunks the notion of rising BRIC. In retrospect, it was an attempt by a leading investment company, Goldman Sachs, to lure investments into Asia at a time when the United States market was sagging. Though the financial crisis has robbed the U.S. of its relevance to emerging economies, it continues to hold sway over some of them. As he says, "projections of China's and India's future, such as those made by Goldman Sachs in its BRICs report, ... fail to take into account the fact that the two countries are not simply undergoing rapid economic growth, but undergoing transformation into capitalist states." The big picture provided by Jha is that both China and India lack the institutions to reconcile or absorb the social and political conflicts stemming from growth. While China lacks the political institutions to achieve the aim, India has them but "has allowed many of them to atrophy..." and therefore "the future will not be assured for either country until it succeeds in harmonising their interests."

Strength

In coming to this rather shocking generalisation, what Jha fails to reckon is that economic transition is not a garden party, but a struggle for resources and survival fought between "winners and losers." In China, local authorities seize the levers of power (bank credit, taxation, etc.,) and check the power of the centre. In India, coalitions and the rising power of the States have tried to achieve the same ends. Gradualism perforce marks the process in both the countries, even if Jha does not agree.

* Courtesy: The Hindu, 6th July 2010, online Edition.

The growing strength of local authorities has not checked growth in China; rather, it has contributed to it. Nor has it weakened Beijing, as it became evident when China put through a massive stimulus programme of \$590 billion after the financial crisis. Perhaps, Jha has not appreciated the role and strength of the Communist Party of China (CPC). In his recent book, *The Party: The Secret World of China's Rulers*, Richard McGregor captures it better. Although he regards CPC as "rotten, corrupt and often dysfunctional," he notes that it has, at the same time, "proved to be flexible and protean

enough to absorb everything that has been thrown at it."

In the case of India, Jha argues that the decline of Congress, the advent of coalition politics, and the Supreme Court's decision on the Centre's powers under Article 356 of the Constitution have weakened the state. No one who has faith in democracy will find this position acceptable. On the whole, this is a provocative addition to CHINDIA research.

The price of greatness is responsibility.

- Winston Churchill

Example is not the main thing in influencing others, it is the only thing.

- Albert Schweitzer

I am a man of fixed and unbending principles, the first of which is to be flexible at all times.

- Everett Dirksen

Do not follow where the path may lead.

Go instead where there is no path and leave a trail.

- Harold R. McAlindon



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Chairperson-Research Programmes
GITAM School of International Business
(Formerly GITAM Institute of Foreign Trade)
GITAM University
GITAM Campus, Rushikonda,
Visakhapatnam-530 045, A.P.,
Ph. +91 -0891-2840406, 09441354376
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