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# THE PROJECT-ORIENTED FRACTAL COMPANY: AN ENTERPRISE MODEL FOR SMEs NETWORKING OVER GLOBAL MARKETS

**M. Mercedes Canavesio* and Ernesto Martinez****

To address competitive threats and concentrate in their core competences and strengths networking is the alternative of choice for survival and prosperity of most small and medium enterprises (SMEs). For this potential to be fully realized an enterprise model describing the main organizational structure and relationships, information flows, management roles, actor behavior and constraints in the network is required. This work presents a conceptual model for SMEs networking that is based on the fractal company approach and concepts like projects, resources, goals, specialized actors, plans, and relationships thereof. The fractal company idea is a conceptual enterprise design that seeks to achieve a high degree of flexibility to react and adapt quickly to environmental changes using decentralized and autonomous organizational units known as fractals. In this work, each fractal management unit is modeled as a project. SMEs networking using projects is aimed at facilitating the establishment of a temporary set of relationships between project-manager and resource-manager actors interacting so as to diversify product portfolio, gain economy of scale and share expensive costs. The proposed enterprise model can be used to specify the requirements of an integrated information and management system for SMEs networking.

## INTRODUCTION

At present, manufacturing companies face an unprecedented process of change in their business environment. This change is mainly caused by globalization, product customization, variations in demand patterns and rapid technological developments. This situation is placing all manufacturing enterprises under significant competitive pressure. To survive, companies must increase product portfolio, reduce time-to-market, shorten product-life cycles and at the same time maintain good product quality and reduce investment costs. Competitive threats are much worse for small and medium enterprises (SMEs) which are forced to reengineer their production and management systems to compete successfully. SMEs have to organize themselves into effective production networks (Mezgar et al, 2000) to achieve a higher degree of flexibility, agility and low costs to cope with the increasing rate of change and complexity of a highly competitive environment. To address competitive threats and concentrate in their core competences and strengths networking is the alternative of choice for each individual SME survival and prosperity (Westkamper et al, 2000; Mezgar et al, 2000; Gou et al, 2003;). For this potential to be fully realized, an information/ management system describing roles, functions, tasks, objectives, goals, etc., of all actors and resources involved is required.

Objectives of a SMEs network include increased agility to competitive threats, a more comprehensive pool of skills and resources, economy of scale and product portfolio diversification. The main benefits of networking for each individual SME are (Mallidi et al, 1999):

- Access to new markets, by integrating product portfolios that are out of reach for a single SME,
- Productivity improvement, by increased usage of each node productive capacity,
- Improved stability, through joint response to perturbations that would be unbearable for a single SME,

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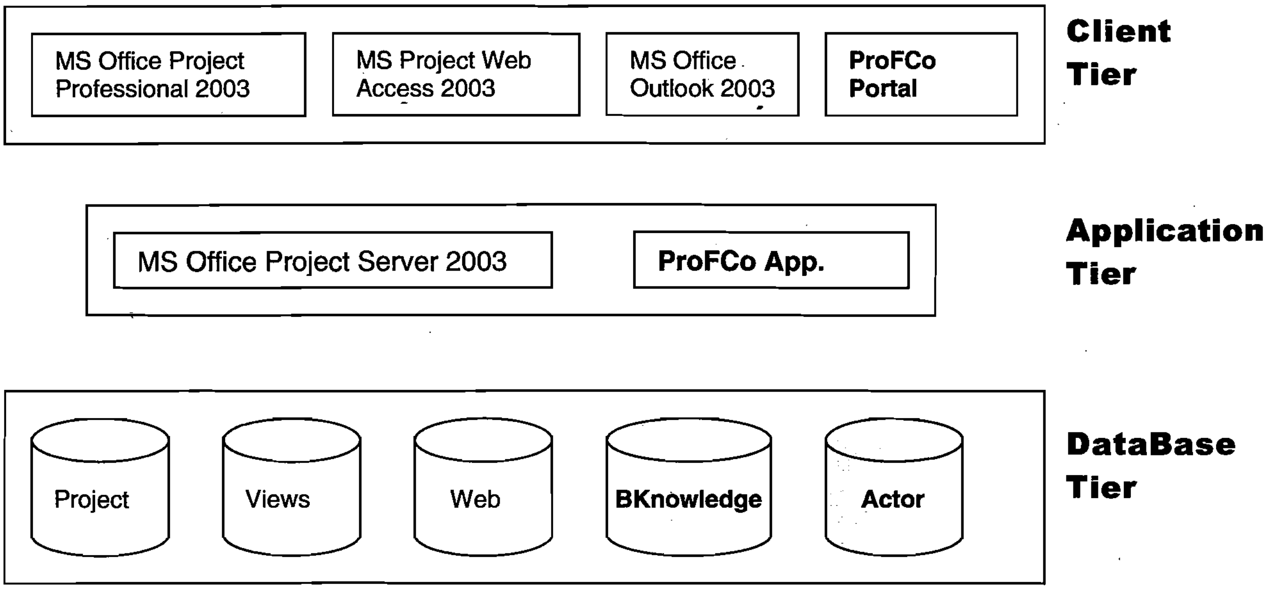


**Figure 10.** *ProFCo* prototype architecture.

data tier, two new databases were introduced. The BKnowledge database stores statistical data of closed projects for future project proposals. The Actor database manages and stores actor-related data.

## CONCLUSION

An enterprise model of a fractal management system for SMEs networking using projects has been proposed. In this model, each project is an interdependently acting self-similar unit within the SMEs network. The key to the project-based fractal company is establishing client-server relationships between project-manager actors and resource-manager actors. The fractal management unit is made up of concepts like: goals, plans, roles, management actors and their relationships. The proposed enterprise model can be used to specify a detailed design for information systems in a network of SMEs. A prototype of the project-based fractal company for SMEs network was implemented using the Enterprise Project Management Solution™ of Microsoft Project 2003. This commercial set of project management tools has been tailored in order to framework the interactions between actors. New software components that emphasize a different perspective of resources depending on the role played by an actor (project-manager or resource-manager) were implemented and integrated within the EMP Solution™ environment.

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# ROLE OF STATE IN CONTRACT FARMING IN THAILAND AND INDIA: EXPERIENCES AND LESSONS FOR INDIAN AGRIBUSINESS POLICY

**Sukhpal Singh***

The experience of agricultural development in India has shown that the existing systems of delivery of agricultural inputs and purchase and use of agricultural output have not been efficient. The linkages between agriculture and agro-processing industry remain weak to the disadvantage of the farmers as well as the agro-industry. Contract farming is now being promoted and practiced as a mean to achiee the goal of better linkages and efficiency in agricultural markets. This paper examines the role of the state and its agencies in promotion of contract farming for agricultural development in two Asian countries i.e. Thailand and India. After a review of the literature on the role of the state in contract farming in the two countries with a comparative perspective in sections three and four, and then concludes with lessons for contract farming policy in India for better performance of contractual arrangements with focus on the nature and quality of the role of the state in such situations. The author would like to acknowledge the financial support extended by the Asian Scholarship Foundation, Bangkok Thailand for part of this study.

## INTRODUCTION

The experience of agricultural development in India has shown that the existing systems of delivery of agricultural inputs and purchase and use of agricultural output have not been efficient in reaching the benefits of better linkages between agriculture and agro- processing industry to the farmers or the agro-industry. The timely, quality and cost effective delivery of adequate inputs still remains a dream despite the marketing attempts of the corporate sector and the developmental programmes of the state. The farmers are not able to sell their produce remuneratively. There are frequent gluts in the markets, resulting in low prices and losses to the farmers. The farmers end up 'throwing the produce' in the market. On the other hand, processors and/or marketers face problems in obtaining timely, cost effective, and adequate supply of quality raw materials. In the emerging environment of liberalization, privatization and globalization in agricultural markets, it becomes imperative to explore the role of the state in promoting agribusiness market linkages with farmers. One such new policy paradigm is that of contract farming (CF) in India which is being promoted as a solution to most of the agribusiness sector problems including agricultural development and a large number of policy measures are being attempted. Agribusiness firms are also into it in a big way across regions and crops.

The benefits of CF to the farming community at large depend on state policies for agricultural development in general, and for regulation and management of CF in particular, besides the promotion of local institutions. Therefore, it is important to recognise the role of the state in encouraging or discouraging the agribusiness firms and in protecting the producers in contract situations (Asano-Tamanoi, 1988; Christensen, 1992; Grosh, 1994; Benziger, 1996). Also, there is a need to look at the potential role of agribusiness more specifically for different commodity sectors and regions and not as a blanket solution. This is imperative as there are certain sectors that may require a more effective public sector or state intervention especially in technological and institutional innovations, instead of a private agribusiness effort. In fact, the state has a role to play in institutional arrangements and innovations in the factor markets (land, labour and capital), product markets (pricing, linkages and standards),

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The Punjab government has also now resigned to the role of a facilitator of CF in the state. It has, like Karnataka, Madhya Pradesh, Haryana, Maharashtra, and U.P., recently amended the APMC Act which did not permit farmer level (direct) procurement by companies earlier. This legal reform process should be further accelerated to facilitate more and better linkages between firms and farmers. Further, both the companies and the state should promote group contracts with the intermediation of local NGOs and farmer organisations and institutions so that contractual relationships are more durable, enforceable, and fair. An insurance component in CF interventions is a must to protect the farmer interest, and it is noted that some companies are already doing it. But, the most important thing is to ensure market for the farmer produce at better price under these agribusiness projects as the failure of Pepsi project in tomato and chilly contacts was largely due to market problems (lack of competitiveness and currency fluctuations) it faced in Europe and the South-East Asia respectively (Prabhu, 2004).

The state should also make provision of public goods like irrigation, roads, and marketing infrastructure, besides investing in research and development. The agribusiness projects can be private-pubic partnerships with package of services like credit, extension, and marketing delivered effectively. The state should try non-standard, innovative organisational and institutional approaches for effective delivery of services as was the case in Taiwan where farmer managed co-operatives played the role and in Thailand where state agencies were instrumental during the 1990s. The state needs to have more creative interaction with agribusiness firms and other private players (Benziger, 1996). What is important to remember is that the state need not govern least in order to govern very successfully.

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# STRATEGIC LEADERSHIP: EPISTEMOLOGY OF MANAGERIAL PRACTICE

**Ahmad Raza * & A. Rashid Kausar ****

This paper makes a theoretical critique of the current paradigm on strategic leadership and proposes an epistemology of managerial practice as unfolded in the business contexts. It is argued that there exist diachotomic views of managerial practice based on profit-logic versus responsibility-logic throughout the corporate world. The strategic leaders, instead of practicing one of these logics, should try to synthesize best of the both at the cognitive level and then apply them into the business and management environment. The rapid technological changes coupled with the profound cultural heterogeneity at the workplace have also created the determinants of humanly responsive and socially aware strategic leadership, which must respond sensibly to the hyper-transformative forces both at the regional as well as global level.Therefore,this paper suggests that strategic leaders in business, society and industry must cultivate a culture of courage, vision and will to transcend the established strategic straitjackets and usher into the new brave world of strategic opportunities and alliances.

## CONTEXT OF STRATEGIC LEADERSHIP

The hyper transformative business markets of the world have created conditions, which impress upon the local as well as international business leaders, to think and lead their firms strategically. As described by Hitt et al (2003), "strategic leadership is the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary". The emerging competitive scenarios of international finance, trade, communication technologies, and business have set the stage for a new kind of strategic leadership in the arena. Because of the unfolding complexity and fluidity of the business firm's global environments, strategic leaders must demonstrate an ability to interact across divergent behavioral and cultural recipes, and of course, in an unpredictable environment. They must demonstrate skills, personal and visionary in nature, which can influence the behaviors, thoughts and feelings of those with whom they work (Peters 2001).

Managing the human capital may be the most critical skill of strategic leadership (Collins, 2001; Finkelstien et al, 1996). In the new millineum, intellectual capital, includuing a dynamic knowledge resourcefulness and an ability to create and commercialize innovation, can affect a strategic leader's success very significantly (Teece, 2000).Business contexts are also important in the effectiveness of strategic leaders performance. The competent strategic leaders also establish the context through which stakeholders can perform at peak efficiency (Kets de Vries, 1995).The firm without leadership may be a rudderless ship, wavering amongst the changing market winds and stormy business environment. The effects are experienced both within the firm and outside. The employees within the firm may suffer crisis of confidence, resulting in lower productivity, coupled with the stakeholder's fears about the security of their investments. The primary focus of the strategic leadership happens to be its ability to manage the firm's operations effectively and sustain high performance overtime (Maccoby, 2001).

The locus of strategic leadership happens to be multidimensional in its nature. The strategic leaders are primarily concerned with managing large enterprises through others. They are not interested in managing the small business units (Hitt et al, 2003) They focus on rapid business and economic changes which may affect their business enterprise and its competitiveness as well as performance

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a flexible and creative fashion taking into full consideration the human consequences of their business agendas(Dreskey, 2003; Lassere, 2003). The one notable trend which has emerged very strongly is that of forming regional and bilateral strategic alliances in business and economy. NAFTA and ASEAN are two significant examples of strategic economic alliances.EU have also rapidly emerged as a strong strategic economic and business alliance. In the South Asian context, SAFTA is fast growing strategic economic reality, with only one setback, that is of India-Pakistan 'strategic straitjacket' fixed in a long standing political issue of Kashmir. Strategic leadership from both countries need to demonstrate sufficient courage, vision and will to transcend this 'strategic straitjacket', in order to facilitate and help unearth the economic and trade genius of one of the largest segments of human populations on the face of earth. Apart from SAFTA shaping into a powerful global economic alliance; another economic strategic alliance can be visualized between the trio of China, India and Pakistan. These three coming together can make a strategic difference in the global business chunk. The realization of a free trade partnership between China, India and Pakistan can radically alter the traditional economic and trade realities of not only these close neighbors but also change the future course of the strategic global business and economic developments. The strategic economic alliance of these three countries can save its populations from the negative impact of globalization as currently experienced by them through MNCs and formulate a common strategic response to meet the economic and trade challenges of this century. This could be a trilateral strategic economic and trade parternership, making a historic difference in the lives of its peoples and transforming the whole region into unparallel economic prosperity. For the realization of this goal,leadership,political and economic have to grow out of the inherited 'strategic straitjackets' borne out of pseudo-historical and cultural misconceptions conditioned by a West European colonial experience. If the strategic leadership of these three neighboring states fails to respond creatively to the new global economic realities, this great region of tremendous economic potential may precipitate into economic failure, consequently being exploited by economic forces, which may not be under their control.

## CONCLUSION

Strategic leadership is more than a managerial practice; it's a kind of visionary dejavu emanating from a deep sense of working towards the collective betterment of business, society and people at large. Those who show a will to transcend the narrowness of 'strategic straitjackets'; have dreams and visions can, transform risk into advantage. The secret of sustainable growth lies 'within' firms, organizations and economies and not 'outside' the system. Only visionaries can feel and unlock that region of 'within' and make it into collective betterment of the humanity at large, what to speak of a business firm. The strategic leaders in contemporary corporate world must tamper their strategic vision of business seeking to acquire competitive advantage over their rivals, with a clear commitment towards moral and social responsibility, reinforced through a realization to protect the essential spiritual basis of managerial practice. If business loses touch with the spirit of vast majority of human beings, it can only lead to bitter conflicts, wars and intercultural rivalries. Rationality, moral responsibility and spirituality should go hand in hand in shaping the kind of strategic leadership, necessary to respond to the culturally and spiritually diverse workplace of the 21st century. One unthoughtful strategic action in business, economics or politics can cause havoc for the safe and secure environment in which prosperity and growth make strides.

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# EXTENT OF INFORMATION TECHNOLOGY AND BUSINESS STRATEGY ALIGNMENT IN INDIAN MANUFACTURING INDUSTRY: AN EXPLORATORY STUDY

**Rajeev Dwivedi*, Sushil** & K. Momaya*****

Information Technology (IT) is becoming tool for every industry, company or business for better performance and sustainability. It seems from last 5 years that IT is reshaping every industry and especially manufacturing industry. IT enabled strategy helps for sustaining in competition. "IT and Business Strategy Alignment" is called IT enabled strategy or e-business strategy. The paper aims to explain how IT helps in strategy making in Indian industry. IT addresses the major strategies for manufacturing industry. The study is conducted with the questionnaire survey in two sectors (Automobile and Home Appliances Sector of the Industry). The case of Maruti Udyog Limited (MUL) is used for discussion and explaining the strategies using IT in Indian Manufacturing Industry.

## INTRODUCTION

In assessing IT related business opportunities, companies must not let what is technologically feasible overshadow what is strategically desirable. To minimize any unintentional destruction of value, they must think through the full implication of strategic choices (Flexibility) they are making (Rangan and Adner, 2001). The Internet is powerful to opening the way to new markets, customers, products, and modes of conducting business. But it is also promoting competitions by entry of new-comers and ventures. There must be a need of strategic alignment and choices because of the long list of failed dotcoms. The literature revels that there is hardly any previous scholastic research on this in Indian context. There are hardly any secondary sources of references. However, there are some brief articles in business magazines. NASSCOM survey reports in Indian context are available. The study has covered major automobile companies and home appliance companies in manufacturing Industry.

Today, major corporations are rethinking their businesses in terms of the Internet and its new culture and capabilities. The growth of the Internet is having a major impact on the way to do business. In some cases, it is transforming whole industry sectors. No one in business can afford to ignore the threats and opportunities. IT enabled strategy is not something only for marketing or IT people to be concerned about. It affects all disciplines including marketing, operations, HR, finance, engineering, design, etc.

## LITERATURE REVIEW

The literature reveals that alignment means 'bringing parts of components into proper coordination; to bring into agreement and close cooperation" Strategies are simple rules for executing the business plan. Successful alignment may be accomplished via coordination of strategic objectives with a number of key components such as resources, management processes, decision making mechanism, rewards and incentives. Aligning IT with business strategy becomes the e-mantra for businesses because IT behaves like catalyst in business strategy and results advantage for companies, industry and nation. IT is playing an important role in coping with multi-faceted challenges which is from advancement of these same technologies. The dual role of IT is an essential component of the knowledge base of all functional areas (Kalakota and Robinson, 2000). Companies in all industries have clearly understood the importance of proactive application of IT in pursuit of sustainable competitive advantage. Recognizing that strategic utilization of IT depends on effective

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opportunities in different areas. MUL portal provides the online process for dealership of the company while previously it was very time consuming task for getting dealership. Similarly new opportunities are available through IT Maruti portal for B2B stakeholders.

*IT and Marketing Strategy* : The main advantage of IT is cost free marketing using e-networking as channel. Advertisements of various products are displayed on the famous portals to enhance awareness and look of the products. This way of marketing is cheaper as compared to use of news papers or magazines as media. It is valuable also because customers are Internet savvy. E-Marketing has impacted Indian environment shown by the respondents with mean value 3.87 and low standard deviation and standard error of mean. MUL sends monthly e-newsletter to customers and shareholders. It promotes various schemes through IT enabled channels. Indiatimes, Rediff and many other Indian portals are used to advertise Maruti vehicles.

*IT and Human Resource Strategy* : Employees are getting benefits of Intranet based survices in the organization. The response of the profession is mean 3.56 on five point scale in manufacturing organizations in India. They get career related information, helath policy, insurance policy and various schemes through Intranet based portal through individual log in of every individual. MUL has created the portal OASIS in the organization

An MUL employee can see his performance, pay, incentives, health information, loan information, and separate e-mail account.

*IT and Financial Strategy* : Finance sector is taking full advantage of IT as compared to manufacturing. This is the time of e-finance. Internet has become the payment gateway and daily transaction of money through it. It has also very positive response in manufacturing organization but due to B2B transaction. Maruti is using Internet for financial transaction and 90 of financial transaction is conducted through it. Maruti dot com has financial calculator of loan schemes and other financial services for customers.

*IT and Global Strategy* : Internet is erasing the boundaries of nations. Global village concept has developed due to it. IT has helped the companies to enhance its global reach and operation for business. Maruti is having dealers and distribution network in 90 countries around the word. New dealers globally can interact with MUL and the website is helpful for global customers. The Maruti is enhancing its global reach using www.marutiudyog.com

## CONCLUSION

The Organization's primary concern should be to integrate IT strategic planning process with the general strategic management process. The process should result in a coherent program that works across the corporate, business, and functional levels. If the system is appropriately linked to the firms overall strategy, IT can be a major opportunity to strengthen the firms strategic positioning (Kovacevic and Majluf, 1993). Indian manufacturing industry has perceived high value of IT for sustainable competitive advantage. Sustainable competitive advantage can be achieved through right mix of IT and Strategy and supported by professionals on ten strategic areas of manufacturing. There is a need of proper strategic planning considering IT and proper execution for getting success. The case of Maruti Udyog Limited is the witness of extent of IT and strategy alignment considering the vision and mission of the company. The result of the company is well known to every Indian.

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www.ibm.com

www.nasscom.org

www.marutiudyog.com

## Appendix A

Questionnaire on "Extent of IT Strategy Alignment"

| **Strategic Areas of Manufacturing** | **Code** | **Low 1** | **2** | **3** | **4** | **High 5** |
|---|---|---|---|---|---|---|
| Considering IT is helpful in business planning | EISA1 | | | | | |
| IT provides input to profit and growth centered strategy | EISA2 | | | | | |
| IT as a support function in competitive advantage | EISA3 | | | | | |
| IT creates new business opportunities | EISA4 | | | | | |
| IT helps in manufacturing strategy | EISA5 | | | | | |
| IT supports global strategy (International Business) of business | EISA6 | | | | | |
| IT support in marketing strategy | EISA7 | | | | | |
| IT helps in cost reduction strategy | EISA8 | | | | | |
| IT Helps in HR Strategy | EISA9 | | | | | |
| IT helps in financial strategy | EISA10 | | | | | |

# A New Systems Approach to Design Gender-Training for the Government Officials In Achieving Higher National Productivity: Bangladesh Perspectives

**Kazi Hasan Imam***

The optimum National Productivity (NP) can be achieved when both men and women are developed as Human Resources (HR) with equal importance and they can work supportively together with their full potential. The measures of NP are generally depicted in a manner more economically tuned rather than socially valued. Women's contribution to economic development in the past often went unmeasured and unrecognized. Their potential were ignored, their access to services, assets and opportunities were restricted, rationed and sometimes denied by the patriarchal society. As a result, their productivity relative to their potential remained low. Social re-engineering of the existing value systems through gender-friendly attitudinal changes of people in the society would increase their productivity, which in turn, would help achieve higher NP. Social re-engineering of value systems calls for effective training capable of changing attitudes of the society towards gender issues. Imparting such training to the Government officials, the key social change-agents in the developing nations, would be a step forward to this end. Gender-Training carried out so far around the developing world has never been able to address the problems emanated from the deep-rooted patriarchal attitudes of the society, rather it has become to be the charity functions of the sponsoring development partners. The new systems approach developed to design gender-training based on social engineering of attitudes would be of immense help for reversing women's roles in development. This would obviously, in turn, help achieve higher national productivity.

## INTRODUCTION

National Productivity is a composite measure of how efficiently a nation converts its input resources into output goods and services. A nation's productivity performance and its ability to make meaningful improvements are determined by various factors. Human resources are considered as the central factor of productivity functions. Women folk constitute half of the country's total workforce. Therefore, the optimum NP can only be achieved when both men and women are developed as HR with equal importance and they can work supportively together with their full potential. But the persistent discriminations against women at various magnitudes in different gender issues do not support to release their full potential.

Basically women have no identity of their own. They are identified as somebody's daughters or sisters or wives or mothers throughout their life in reality, this is their so called social and family status. Kamla Bhasin has rightly pointed out that *"nature produces males and females, society turns them into men and women, feminine and masculine"* through its patriarchal attitudes, cultures and practices (Bhasin, 1999).

The practitioners have realised after decade-long development efforts that enhancing women's participation in development is essential not only for achieving social justice but also for reducing poverty and achieving higher NP. Analysing world-wide experiences the World Bank argued that supporting a stronger role for women contributes to economic growth, improves child survival and overall family health, reduces fertility, thus help to slow population growth rates (The World Bank, 1994, p. 7). Experience suggests that women produce half the food in some parts of the developing world, bear most of the responsibilities for household food security and make up a quarter of work force in industry and a third in services. In addition to income-generating activities, women's household activities include caring for the sick, maintenance of house and such vital works as caring for children, preparing food and fetching firewood and water. Despite these known returns, women still face many barriers in contributing to and benefiting from development. The barriers begin with comparatively low investment in female education and health, continue with restricted access to services and assets and are made worse by social, legal and regulatory constraints on

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areas of employment opportunities like medical treatment, teaching, nursing, day care services, secretarial jobs, computer including IT, telephone operating, banking etc. They should also be given appropriate opportunities to develop themselves in such lines.

- Women should be encouraged to shoulder more responsibilities in the working environment. Such engagement will increase and improve their capabilities.
- The problems of reproductive rights should be handled at personal and family levels, until the government changes its population policy. Extensive motivation, conscientization, advocacy and counselling can be very effective to this end.
- Working women need to be provided with more security in working place. More protection measures should be ensured against any kind of harassment.
- In the country's present context, the nation should adopt a strategic plan to bring women into national and other level politics through a comparatively safer ways like UP election system, where women have provision of some reserved seats to contest.

## CONCLUSION

Gender issues bear socio-economic, cultural and political connotations. Therefore, these should be handled socially, economically, culturally, legally and politically. As a key social change agent, the Government officials can play vital roles in actualizing gender parity, equity and equality. In playing such roles they should undergo such gender training designed maintaining aforesaid and the following three strategic systems approaches. Firstly, the attitudes of the Government officials themselves that regulate their life style, need to be changed to some specific aspects of gender issues. Secondly, their attitudes towards formulating policies, plans and programmes need to be gender friendly. Thirdly, the problems mostly lie in the grass root levels, where lack of education is very high; religious superstitions are still deep-rooted in every pore of the society; cultural believes have been integrated into life styles and poverty has stricken the doorsteps of people. There is a need for undertaking effective motivation and conscientization strategies by owning the problems at all levels, in the family, community, society and nation. The Government officials of different levels should undergo such training that they can understand all these problems appropriately and take gender-friendly steps towards various gender issues. This would in turn help develop women as productive forces by reversing their roles in development and as a result higher national productivity would be achieved.

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# CORPORATE GOVERNANCE PRACTICES IN INDIA

**V. K. Kohli* & M. K. Sehgal** & Ashok Khurana*****

It is extremely important to have the interest of a Company aligned with those of the stakeholders. Without the common interest of the two, a Company cannot run successfully. That is why the concept of Corporate Governance is gaining momentum which speaks of the transparency and accountability in the system. The paper highlights the various committees which are formed to ensure that the principles of corporate governance are followed. The Research paper also details the practices of corporate governance which are being adopted by Public and Private Sector Companies in India. The paper, after a study of various public and private sector companies, concludes that corporate sector can improve by adopting internationally accepted practices on corporate governance.

## INTRODUCTION

Corporate Governance has attained utmost importance with the advent of liberalization and globalization of the Indian Economy. Good Corporate Governance is increasingly being stressed in today's competitive business scenario. These days most of the organizations endeavor to fulfill its various obligations towards the customers, shareholders, employees and society at large in a manner acceptable to various interest groups as well as the Corporate Philosophy. Now organizations accord top priority for Corporate Governance within the framework of highest professional standards. Investors and other stake holders do take notice of well managed companies and respond positively to them. This also helps in higher valuations for shares and creating wealth for the shareholders.

Corporate Governance pertains to systems, by which companies are directed and controlled, keeping in mind long term interests of stakeholders. It refers to a blend of law, regulation and voluntary practice, which enable companies to attract financial and human capital, perform efficiently and thereby perpetuate it into generating long-term economic value for its shareholders, while respecting interests of other stakeholders and the society as a whole.

There are many ways to define the Corporate Governance. One of them is "to define a relationship between those who own it and those who manage it". There is a rich literature advocating a "broad definition" of Corporate Governance. The World Bank, for example, defines it as broadly as " the organizations and rules that affect expectations about the exercise of control or resources in firms. The purpose of the corporate governance is to ensure the total value chain; undoubtedly, the financial value is a part of it. By ensuring the corporate governance, a company makes its brand name. And branding is the best way to project a value system. By building a brand, a company assures to the customers to deliver a consistent set of satisfaction to them.

Corporate Governance aims to align interests of a company with all its stakeholders. The incentive for companies and those who own and manage them, in adopting global governance standards, is that these standards will help them achieve a long term partnership with its stakeholders and thereby accomplish its corporate objectives efficiently.

The cardinal characteristics of corporate governance are: Transparency, Accountability/ Trusteeship, Fair and Timely Disclosure, Credibility, Social Responsibility, Empowerment, Control. (Panchali, 2001)

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party transactions and compliance by the company have been disclosed by all the selected companies in both the sectors. Means of communication is another important item of corporate governance. The analysis of this item reveals that none of the companies in the public sector is sending half yearly report to its shareholders. In the private sector, the percentage of companies sending half yearly report has decreased to 14.7 percent in 2001-02 from 20.58 percent in 2000-01. In both the sectors, 100 percent companies are publishing quarterly & half yearly results in newspapers and their web-sites. For the year 2001-02, 100 percent companies of both the sectors have reported MD&A as a part of the director's report. Shareholder's Information has been disclosed by 100 percent companies belonging to both the sectors for the year 2001-02. However, the percentage of private sector companies disclosing this item is higher i.e. 94.12 percent as compared to 87.5 percent in the public sector for the year 2000-01. Percentage of companies disclosing corporate governance structure and practices have increased to 14.7 percent in 2001-02 from 5.88 percent in 2000-01 in the private sector. None of the public sector companies has disclosed this item in their annual report. Further, compliance to clause 49 of listing agreement has been reported by 100 percent companies of both the sectors during the period of study. The percentage of companies disclosing most of the items discussed above are satisfactory. The percentage of companies disclosing corporate governance has improved due to the reason that compliance to clause 49 has become mandatory. The position to voluntary compliance on CII code on Corporate Governance and Global Code on Corporate Governance is far from satisfactory. Only 5.88 percent of the private sector companies as compared to zero percent companies of the public sector have adhered to CII code of corporate governance. None of the public sector companies has reported compliance to Global Code on Corporate Governance. Compliance to Cadbury Committee, Blue Ribbon Committee, Euroshareholders Corporate Governance Guidelines 2000, Compliance to corporate governance requirements of any other country have been disclosed only by 5.88 percent of the private sector companies during the years 2000-01 as well as 2001-02. The percentage of the private sector companies complying with global code on corporate governance have not shown any improvement in 2001-02 over 2000-01. On the basis of analysis of results it can be concluded the private sector has better compliance with code of corporate governance as compared to public sector.

## CONCLUSION

It is clear from analysis of results that percentage of companies in both the sectors disclosing items Corporate Governance as Management Review and Responsibility, Corporate Governance structure and practices, contribution to the cause of corporate governance is low and hence not satisfactory. Similarly, Voluntary compliance to CII code on corporate governance and global code on corporate governance is also extremely poor. Hence, for good corporate governance it is recommended that companies must disclose information on management review and responsibility, corporate governance structure and practices etc. Corporate sector can contribute to the development on corporate governance by organizing seminars/ research studies and co-sponsoring of workshops on Corporate Governance. With the advent of the 'Global Village', doing business in the world market has become a major challenge of this era. Corporate sector can further improve by adopting Internationally Accepted Practices on Corporate Governance.

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Annual Reports and Web-Sites of Private Sector Companies

Annual Reports and Web-Sites of Public Sector Companies

## LIST OF COMPANIES

**( A ) PUBLIC SECTOR:**

1. Hindustan Photo Films
2. GAIL
3. HPCL
4. IOC
5. IBPCL
6. BPCL
7. Bongaigaon Ref & Petro Ltd
8. Chennai Petrochemical Corporation Ltd
9. India Petrochemicals Corporation Ltd
10. Hindustan Zinc Ltd
11. HINDALCO

# Impact of Learning and Market Orientations on Business Performance

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This paper presents the findings of the study undertaken to identify market and learning orientations and their impact on business performance in the Sri Lankan context. A survey was undertaken and 33 companies which represent approximately 33% of companies being traded daily in the Colombo Stock Exchange participated in the study. The findings indicate that there is no statistically significant impact of learning orientation and market orientation on business performance. The researchers suggest that the level of competition prevailing in Sri Lanka moderates these relationships. The paper concludes that market orientation of a firm influences its adoptive learning orientation and questions the validity of operationalizing learning and market orientations as two different constructs.

## BACKGROUND OF THE STUDY

Business performance and the ways of improving it are highly discussed issues among the managers and scholars alike. Throughout the last century or so, researchers have made a number of "prescriptions" which are either just conceptual or backed by substantial empirical evidence. Among them, market orientation has widely been recognized for decades and as Day (1994) points out that "managers have being exhorted to 'stay close to the customer', 'put the customer at the top of the organization chart' and define the purpose of business as the creation and retention of customers". Though, learning orientation is having its roots date back to 1960s, discussions on it seemed to appear only after 1970s and gained recognition in 1990s. Meanwhile, organizational learning is very often identified as a factor that has let organizations to have long life (Farrel, 2000). Further, as stated by Farrell (2000), DeGues, goes on saying that being market oriented may not be enough, and the ability of an organization to learn faster than competitors may be the only source of sustainable competitive advantage. Sinkula (1994) observed though the impact of learning and market orientation on business performance is widely discussed, the empirical studies on this theme seem to be rare and studies that focus synergetic effect of those are even rarer. However, since then there appeared several studies on the present theme (Farrell,2000; Harris, 2001; Baker & Sinkula, 1999; and Lukas & Farrell, 2000). But, still the number of studies undertaken in this area is not many compared to areas like leadership, motivation etc. and the confusions about the relationships among them continue. Hence, no doubt it is yet to discover the impact of learning and market orientation on business performance and our knowledge about it is yet to be improved.

According to the present writers, a sufficient attempt has not been made to investigate not only the impact of learning and market orientation on business performance in the Sri Lankan context but also the degree of learning and market orientation of Sri Lankan organizations. Certainly, several researchers (Harris, 2001) have emphasized the need of studying market orientation in different contexts. Hence, the present study raises the following research questions to be investigated.

- What is the level of market and learning orientations of Sri Lankan business organizations?
- What kind of relationship has appeared between market and learning orientations and performance in Sri Lankan business organizations?

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performance. However, this argument requires further validation in future researches.

Findings also suggest that though firms value organizational learning, they have failed to translate those values into behavior. Therefore, it could be worthwhile to study the factors that inhabit organizational learning in the Sri Lankan context.

Further, the present research questions the possibility of taking market and learning orientations as two different constructs. Though, in general these constructs are considered different at the conceptual and the empirical level, correlations among the variables of these constructs indicates the difficulty of segregating these variables into two constructs. Though it is not widely discussed, there seems some confusion even in the conceptual level. Hence, it seems that these constructs need further corroboration in future research work.

This study also lets organizations to question applicability of their strategies. Most of Sri Lankan business organizations spend heavily on marketing management related activities hoping it would lead to a better performance. However, the findings do not indicate such relationship between market orientation and business performance. Therefore, the organizations may need to rethink about their strategies.

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# LEVERAGING KNOWLEDGE FOR COMPETITIVE ADVANTAGE

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The emergence of the new economy brought in a paradigm shift in conduction of business operations. A clear shift in Critical Success Factors (CSFs) in the organisations towards human resources brought in new complexities. Industrial revolution brought in automation, large scale production with focus on manufacturing. Continuous change ushered in through winds of Liberalization, Privatization and Globalization (LPG) blowing across nations led to hyper competition. Free mobility of resources both human as well as capital in the borderless world gave rise to substantial cost differentials in production and products and services. This in turn affected comparative and competitive advantage of companies. Opening up of economies widened the wide varieties of opportunities. Local players, hither to started competing with the global leaders in the highly vibrant competitive environment. Traditional CSFs in an organisation, such as their past experience, technology, automation took back seat and **'Skill of the Skull'**, Human Capital, Quality of Knowledge started emerging as CSFs in the organisations giving scope for growth of knowledge society, knowledge workers, knowledge capital, etc. Author expresses profound thanks to Mr. Sailesh Sampathy Director (Administration) for his cooperation & Prof. Venugopal Reddy, Vice Chancellor, Nagarjuna University, Prof. Ramesh of Goa University for their comments on the draft paper.

## INTRODUCTION

Knowledge is considered as prime success factor of an organisation in creating core competency in turn competitive advantage. Success of any organisation depends on the people we choose. Knowledge workers gained ground in the recent years through innovative Knowledge Management practices in most organisations to achieve success. Knowledge workers, knowledge leaders started dominating the scene in the organisational success. This assumes greater relevance in the light of bulging service sector where services are inseparable from individuals and can't be isolated completely. Indian software professionals in Information Technology (IT) with rich rewards and attractive compensatory packages reveal the fact that the knowledge workers do rule the roost.

It can be observed that the employee's compensation package constitute sizable segment of the total costs of the company. Bio-Technology (BT) Industry is no way different from IT where knowledge worker, scientists, and drug designers dominate the scene. However, the R&D is expensive in BT industry compared to IT as the equipment in IT is relatively cheaper. Agribusiness is another important area. India's competitive advantage lies in Agribusiness apart from IT and BT. Our agricultural strength include vast human resources (about 700 million people) as per Ganesh Natrajan(2000).

"Growing importance of Human Capital and Knowledge Capital in business further encourages new comers to set up their businesses. This shifts the focus from financial ability of partners to HR dimension", Amrit Tiwana (2001) elaborates.

For the sake of convenience this Paper is divided into three parts. Part One gives a brief note on relevance of knowledge for organizations. Part Two discusses how to create knowledge and issues in building learning organisation. Part Three discusses Knowledge Management initiatives.

## RELEVANCE OF KNOWLEDGE

### *Rise of Knowledge Captalism*

The first systematic description of Capitalism was is Adam Smith's "Wealth of Nations (1776)". The concept of Division of Labour was also first used by Adam Smith in The Wealth of Nations (1776) through his famous example of Pin

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## KNOWLEDGE MANAGEMENT INITIATIVES

Organisations initiate Knowledge Management practices through sharing of knowledge among employee/ groups through formal and informal interactions. Forming employee clusters, Quality circles, community practices, teamwork will promote Knowledge Management culture.

- Knowledge Management practices needs huge investments.
- Proper allocation of budget is a must to ensure the success of Knowledge Management practices.
- Appropriate technical support transforming organization culture conducive for Knowledge Management practices is crucial.
- Collective wisdom, measuring the results of Knowledge Management practices and assimilation of information about the value benefits to the company will help in promoting Knowledge Management practices.

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# E-SERVICE AND E-BROKING REVOLUTION IN THE GLOBAL MARKET: PERSPECTIVE AND PROSPECTS

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The Internet has played a vital role in transforming the business of the new millennium. As an innovative tool, the Internet is gradually entering our lives and improving cost efficiencies, catalyzing disintegration, and increasing convenience for businesses and their consumers. Perhaps, nowhere else is the impact of the Internet felt as much as in the 'services' sector: opened new channels for service delivery, shortened turnaround times, and offered unprecedented convenience to customers.

The focus of this article is on financial services with special reference to e-broking. In section one, we portray an overview of e-commerce by defining it as a business transaction by electronic means, especially by the Internet. Section two is devoted to the e-service revolution. Here, we reviewed five categories of e-services. In section three, we familiarize the readers' with the basic concepts, such as, e-market, e-broker, e-trading, e-broking, etc. It also summarizes distinct phases in the development of e-broking and mechanism of e-trading. The highlight of section four is the "Six 'S' Model", which provides a framework for analyzing the e-enablement possibility of a service. Section five succinctly portrays the benefits occurring to the users and brokers, and a few problems caused by switching over to e-broking system. Any e-trading system to be successful, as stressed in section six, should provide for full-proof security, reliability and confidentiality of data. Here, we discuss layers in the cycle, key success factors, and various security models adopted by the e-broking industry.

Last but not least, an attempt is made in section six to portray the future prospects of e-broking scenario especially in the USA, South Korea, Japan and India. Finally, we conclude, by reporting about the challenges faced by e-broking industry. However, despite all the challenges, e-broking industry seems like a sector set to grow day-by-day. Paperless environment, virtual organizations, mass customizations, and the Internet-based customer services are some of the hallmarks of organizations in the new millennium.

Over the last few centuries, human beings have experienced two major revolutions—the industrial revolution and the electronic revolution. The former transformed our society from being agriculturally based to industrially based, whereas the latter transformed our society from being mechanically based to electronically based. "As we enter the 21st century, we are seeing the beginning of a new revolution, namely the network revolution. It interconnects different parts of the world, enabling the seamless flow of information. The Internet is the engine of this revolution and electronic commerce (e-commerce) is its fuel," observes Turban *et al.*, (2000). In the mid-1990s, the term "Web economy" had not yet been coined; it is now a common phrase in business circles.

The media has been as prompt in writing-off the Internet as it was in canvassing for it. However, the truth is that the Internet is neither a sweeping change that could change the face of business overnight, nor as banal a force as the media would now-a-days have us believe. Hanson (2001) sums up the situation as: "It is definitely a force with potential to change the ways the world operates, though not overnight... It is slowly entering our lives and becoming as ubiquitous as electricity... It is improving cost-efficiencies, catalyzing disintegration, and increasing convenience for businesses and their consumers." Thus, the world has become a global village with the dawn of Internet era.

## AN OVERVIEW OF E-COMMERCE

With the advent of Internet technologies and advanced cryptographic techniques, it is now feasible to implement e-commerce over a public network—the Internet. The development of the World Wide Web (www) greatly accelerates the development of e-commerce and expands its scope

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over 65%, upping from Rs. 71 billion in 2001-02 to touch Rs.117 billion in 2002-03," concludes *NASSCOM*. A study titled *"e-Commerce and Development Report, 2002"* conducted by the *UNCTAD* revealed that the global e-commerce market was worth around US $615.30 billion and expected to grow to US $ 4,600 billion by 2005. Another estimate by the *Forrester Research* indicates that global online sales accounted for approximately US $ 2,293.50 billion of world trade during 2002 (as reported at www. Nasscom.org). Despite the development of Internet e-commerce and the hype that surrounds it, the amount of business done online as a proportion of all retail sales remains stubbornly small.

Despite the challenging global economic environment and overall reduction in IT spend, the number of people connected to the Internet rose substantially during 2002, as did related e-commerce activity. A study by the *International Telecommunication Union* showed that the number of Internet users at the end of 2001 was around 500 million. Estimates showed that these numbers jumped to 655 million during 2002.

## REGION-WISE E-COMMERCE ACTIVITY

- **Asia Pacific:** The UNCTAD study showed that the Asia Pacific region was ahead of the others in terms of e-commerce growth. Around 50 million Internet users are being added every year.
- **Africa:** Africa has witnessed a hike in Internet subscribers, with growth happening at 30 percent during 2001 and the continent touching 1.3 million users. Most key African cities are "Internet-enabled," with high data traffic. The market, however, has low e-commerce activity and poor infrastructure.
- **Latin America:** Countries such as Argentina, Brazil, Chile and Mexico have significant Internet activity though typical applications are e-mail and information gathering. Apart from the automobile sector, online transactions in other industries are low.
- **US and Europe:** These two geographies represented the highest Internet penetration and e-commerce activity. Despite a slowdown in e-commerce transactions during 2001-02, the share of online transactions in total B2B sales is growing rapidly in both regions. Companies in these geo's are expected to take up e-business tools and practices for procurement, supply chain operations and BPO tasks.

The e-brokerage industry continues to be battered by several complex challenges: collapse in pricing structures, reduced return on IT investments, shaken value propositions, and crisis in consumer confidence. A Research from the Tower Group in 2004 very strongly asserts (visit www. Towergroup.com) these challenges may change not just the way brokerage firms conduct their day-to-day business, but may begin to re-define the e-broking industry as a whole. They must make tough decisions as to where to deploy their IT dollars, as well as what strategies and what customers to pursue. They must re-invent themselves in a real-life world where 'service' is the key differentiator. There is an urgent need for firms to place a new emphasis on customer relationship that combines selling with personal financial consultation to meet clients' specific needs. Thus, financial planning, portfolio allocation and advice tailored to each individual's risk tolerance and life stage will become the hallmarks of the new full-service orientation, as firms are both pushed and pulled toward the brave new world of the retailing of brokerage. Despite all the challenges, e-broking industry seems like a sector set to grow day-by-day.

For any organization to thrive in today's dynamic business environment, it must learn to deal effectively with intense global competition, and cope up with an increasingly rapid pace of change. Sometimes, a fundamental change in the manner in which business is done is the only way to succeed or even to survive. Paperless environments, virtual organizations, mass customizations, and Internet-based customer services are some of the challenging hallmarks of organizations in the new millennium. These days, it is very difficult to imagine any organization that does not strive to use the innovative tools of information technology to increase its competitiveness, and to capitalize on opportunities that contribute to its success.

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