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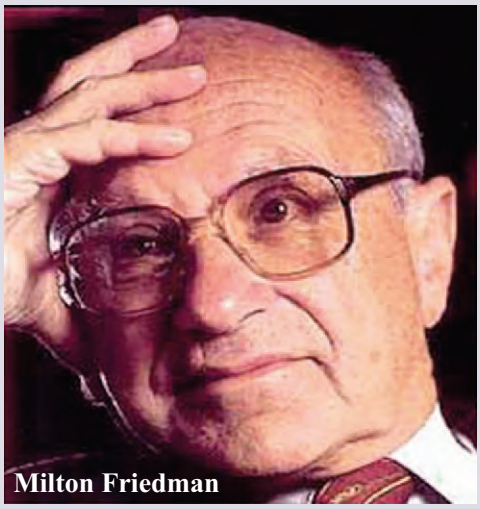
Welcome to citizen Capitalism

Yesterday's ordinary shareholders are becoming the bosses of corporations today. Private capitalism is truly making inroads


Milton Friedman

By Benedict Paramanand

Milton Friedman, the foremost advocate of unfettered free market, must have died a happy man at 94. He's lucky to have been a witness to the blossoming of his vision of a society where men and women are free, but where government is not as free to override their decisions. In more than a dozen books and a column in *Newsweek,* Friedman championed individual freedom in economics and politics.

Friedman acknowledged that "pure capitalism" did not exist, but said that nations that cherished freedom must strive to keep the economy as close to the ideal as possible. "People like myself, what we did was to keep these ideas open until the time came when they could be accepted."

The time seems to have finally come. Thanks to the rise of mutual funds and retirement plans, the actual owners of the world's corporate giants are no longer a few wealthy families. Rather, they're the huge majority of working people who have their pensions and life savings invested in shares of today's largest companies. These grassroots owners have ideas about value that differ from those of tycoons or Wall Street traders. The true owners of corporations are now stepping up and demanding accountability.

In ***The New Capitalists: How Citizen Investors Are Reshaping the Corporate Agenda,*** Stephen Davis, Jon Lukomnik and David Pitt-watson (Harvard Business School Press; October 30, 2006) observe that corporate directors and executives are coming under increasing pressure to respond to the demands of the 'new capitalists'. *The New Capitalists* provides examples - from GE to Disney to British Petroleum - of enterprises whose shareholders have recently wielded their control in ways unimaginable just several years ago. The authors describe how civil ownership will profoundly alter our world - including forcing the rise of a new species of corporation, laying the groundwork for a new "constitution of commerce."

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What's in

Think like a family

***Subroto Bagchi** asks leaders to learn from the way family functions - for building world class organizations*

High quality physical infrastructure is important but it no longer creates differentiation. Differentiation of companies comes from what I call intellectual infrastructure consisting of processes, patents, methodology, trademark, leadership development etc. But it is neither the physical infrastructure nor the intellectual infrastructure that creates memorable institutions.

Memorable institutions like the Infosys, Wipro or TCS are created only when leaders address the layer of emotional infrastructure. The great HR challenge in the next 10 years is - how to build emotional infrastructure.

While creating emotional infrastructure (EI), five major factors need to be addressed. The best example of emotional infrastructure is the family. Emotions are bred in the family and seldom in organizations. Yet, world-class organizations which can truly defend their positions, address emotions that are bred in the family.

In the organizational context, the fundamental contract is employer-employee relationship... We don't simply go to work there, but we live there. People just don't come to work, they literally go home to sleep

There is a lot that organizations can learn from how a family operates. The first is – how proximate are leaders to their people or how easily they are available on demand. At home one has no doubt how approximate parents are to us. They are there whenever we need them.

The second important learning is the all important need for communication. We need to engage with a large number of stakeholders and this should not happen on a need-basis but should be all pervasive. Today, we communicate mindlessly, we communicate without reason, we communicate without issue. There's always a chatter that goes on in the family, which makes a family what it is. In this context, when something comes up, it gets addressed without fuss.

The next factor is shared vision, I mean, shared vision beyond the quarterly results. The moment a child is born in India, parents start planning to send the child to IIT. The parents are thinking about creating a nest egg so that their child can become a world leader one day. Many a time, parents sacrifice their professional career to move closer to the child's school. So the question is, in organizations do we have the same long view of time? The family is a great example of creating a long-term vision. As leaders, as we deliver on our quarterly results, we need to have a long vision. Unfortunately, in business, success does not come in tetra packs, you need to go the distance and this philosophy needs to be engineered into organizations.

The fourth factor is the issue of values. Values are our defense against bad times. Values are like the North Star in the dark night when organizations lose their course.

A family is not simply a place where people go to eat and breed, although that's the fundamental need. A family is a larger social contract. It is a complex inter-dependent system in which there are multiple layers of networks that co-exist which makes people emotionally bond together.

Similarly, in the organizational context, we forget that the fundamental contract is employer-employee relationship. In most of our companies, we are like beehives. We don't simply go to work there, but we live there. In fact, it's true that people just don't come to work, they literally go home to sleep. In such a context, leadership should recognize that creating organizations is not simply a process of employer-employee relationships. We need to recognize the larger need of the people to come together, to aspire together and to see larger dreams.

I believe, organizations can build their emotional infrastructure by taking all the five factors into consideration. Indian HR needs to reinvent itself if it is to play a bigger role. I see HR is still an instrument of implementation. It needs to shake itself out of mediocrity and influence thought leadership. Only

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The book appears to be an extension of *The Unseen Revolution,* Peter Drucker's revolutionary 1976 book that predicted the influence of pension funds on corporations. However, *The New Capitalists* does a brilliant job of capturing the incremental improvements in investor communication and collaboration that have been quietly and gradually reshaping the economy. It provides a pointed, powerful critique of the failings of our corporate and investment systems.

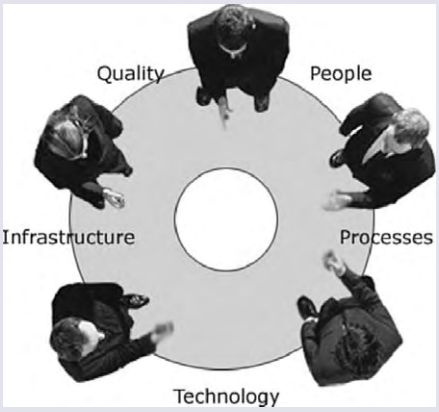
Rather than just being share "holders" looking for a quick trade, large funds are becoming share "owners". They are demanding accountability from company management and the board of directors, and they will bring about change if it doesn't happen. The recognition of this ownership role (as well as the use of it) is leading to partnerships between groups that were formerly antagonistic towards each other. *The New Capitalist* Agenda that the authors advance is the roadmap for how groups can work with each other and mutually benefit from the partnership.

Last year saw the launch of the International Interfaith Investment Group, a worldwide consortium of Buddhist, Hindu, Sikh, Christian, and Jewish investors, which seeks to find positive investments such as alternative energy rather than merely avoid negative investments like tobacco.

Already investment pundits are targeting poor corporate governance using guerrilla blogs such as Crikey.com/au and Webb-site.com. After all, business has had about 400 years to get used to public cries for social responsibility.

India is still far behind the West but much ahead of other Asian countries in investor dynamism. It is yet to allow pension funds and other social funds to invest in the capital market. Indian mutual funds have substantial stake but are not playing an active role in the interest of ordinary investors. As is the case elsewhere, the lag time for good ideas to permeate into the Indian psyche takes a while. But it won't be too far.

HR crisis threatens India



As long as Indians are title and salary obsessed and not career or growth minded, HR crisis will persist

By Benedict Paramanand

The Indian outsourcing industry resembles a garden full of colorful flowers but with not many butterflies, so much so that they hop around merrily towards whichever flower contains sweeter nectar. Literally, there are so many jobs going around in India that it's becoming a big challenge for companies, especially the information technology ones, to not only attract efficient people but a greater challenge in retaining them. What's worse, nearly ten percent of the people who take appointment letters don't even turn up.

The Indian IT and the BPO industries are beginning to taste their own medicine. What they did to US companies is beginning to happen here. Several BPO companies, both multinational and Indian, are seriously exploring expansion of their business in countries such as Philippines, Vietnam and East Europe due to rising costs. It faces the danger of becoming non-competitive in the next three to five years if the current trend continues. The annual 20 to 30 percent pay rise is beginning to affect companies whose major cost is people. But since the world is passing through an economic boom, these hikes are being absorbed, although grudgingly.

The current numbers that show IT and BPO sector growing at impressive rates at close to 30 percent a year seems hunkydory. But industry leaders are worried about the impending self-inflicted roadblocks for the growth of the outsourcing industry.

The attrition rate is anywhere around ten percent for well-known multinationals like Microsoft and Dell, 12 to 15 percent for big Indian companies such as Infosys and Wipro and 30 to 40 percent for the rest. This is costing companies dearly and is digging into India's cost advantage against other emerging markets.

One other problem facing companies is the poor work ethics/culture of Indians. Dr. Vivek Mansingh, country manager of Dell India R&D Centre, thinks Indians are 'entitlement' obsessed and are not career or growth minded. What he means is, their priority is money and title and not so much the job challenge. "This is one of the main reasons why job hopping has become such a menace today. In fact, Indians come to work as if they are doing a favor to the company," he told at a conference organized by HR India recently.

What's more, people who used to look down upon the manufacturing or the engineering sectors in favor of IT and finance are beginning to go back. This is because, after restructuring in the last five years, these companies are looking refreshed and offer good opportunities.

What's more, people who used to look down upon the manufacturing or the engineering sectors in favor of IT and finance are beginning to go back. This is because, after restructuring in the last five years, these companies are looking refreshed and offer good opportunities.

The biggest worry in India today is the educational system not catching up with the growing demand for people. And the additional talent that is generated is from mediocre institutions. To partially beat this, companies are investing big money on training, adding to the cost.

The IT industry appears rosy today but whatever is being done to beat the impending talent crisis appears to be weak-hearted. The outsourcing industry has so far flourished due to the capability that already existed. But to scale up or move up the value chain by retaining the cost advantage, India needs bold and committed measures to spruce up both basic and professional education.

For a start, it should open its doors to foreign universities. Since the demand is here in India, Indians can have the

How AMEX, IBM, GE Money, Whirlpool apply 'crowdcasting'

A few companies like American Express, General Electric Money, Mars, and Whirlpool chuck their executives, their high-priced consultants and brainiac research and development teams, and turn to 3,000 MBA students to solve their strategic dilemmas. Last year IBM searched for ways to market itself to businesses in China and India - countries that send large contingents of MBA students to the event.

Why? The students were competing to come up with products and services by tackling the companies' real-world problems. Megacorporations are embracing such contests - the buzzword is "crowdcasting" - to keep their competitive edge by mind-melding with the next generation of business leaders.

"We're looking for that deep insight that swings a business," says Stephen Liguori, an executive with GE Money, the financial services arm of GE in a recent report in Business 2.0 magazine. "This is a chance to tap into not just the best and brightest business minds in America but also the thought leaders and early adopters that are going to be our best customers down the road," he added.

Increasingly corporate America is going open-source for fundamental strategies. "When you figure that it can take years to bring a single new product to market and cost hundreds of millions of dollars, you can immediately see how attractive open-source innovation can be," says Frank Piller, a professor at MIT's Sloan School of Management told the magazine.

The payoff from crowdcasting is the chance to break open a closed-circuit corporate culture and profit from the fresh insights of a large group of well-educated outsiders. Unlike "crowdsourcing," the meme of the moment that refers to tapping consumers for ideas, crowdcasting broadcasts a company's problem to a specific - and carefully chosen - group. Think of crowdsourcing as a giant creative rave, and crowdcasting as a private backstage party you can't get into if you're not on the list.

"Turning your business innovation process over to outsiders scares the crap out of most business leaders because it challenges the power base of individuals within the company," says GE's Liguori. "But that's exactly what needs to happen for a company to grow and change with the times."

What's your new management style?

With gaps between new realities and the present performance of companies increasing and with predictions of the future going haywire, the corporate world is forced to think anew around changing models of business. Here's a take on the new model by Robert Heller, a columnist with www.thinkingmanager.com.

- The new model companies take more time over deciding to enter a new market: the best performers deliberated an average 5.7 months over both new products and new technology, while the low performers gave the decision process only three months.
- They make customer focus as the most important factor in seizing competitive advantage. Better, some make it an integral part of their strategy.
- To integrate the supply chain and achieve huge economies and increased speed, best performers re-engineer, make only against orders, rely on supplier-owned and managed inventories, employ third party logistics, exploit the Internet and engage in heavy outsourcing - including manufacture.
- The new kind of company, like Intel, for example, tolerates a degree of chaos and inefficiency as part of the price of making breakthroughs and billions.
- It is important to work with the competition to beat it. The leading collaborative strategies are joint developments of new products, marketing alliances and licensing agreements, any of which can bring deadly rivals together.

Trends in consumer markets

Faith's book, *The Popcorn Report*, lists ten mega-trends that are strongly at work at the market-side. If noticed early and catered to, these trends can create new market segments for big companies and core markets for entrepreneurs.

- 'Cocooning' means people retreating into their homes for many things that are traditionally done outside: e.g, home shopping, which will be a major force in the world soon.
- 'Fantasy adventure' can be enjoyed at home (all those video games and CD-ROM romps) or outside; e.g, virtual reality arcades in which customers can escape into three-dimensional fantasy.
- Then there are 'small indulgences', which are part of Body Shop's formula: attractive, affordable ways of pampering yourself. The spas and the beauty clinics are on the rise too.
- 'Egonomics' is the growing rage in marketing - fitting products to the individual customer's wants. All the software is here to help the trend increase.
- 'Cashing out' is what workers do when they quit the office for home. Working men and women, questioning personal/career satisfaction and goals are increasingly opting for simpler living.
- 'Downaging' (the refusal of people to get old) and 'staying alive' (the health kick) are two related trends that have produced nostalgia marketing on one hand and alternative medicine on the other.

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  - **Level 4** - Predictable (Competency Integration, Empowered Workgroups, Competency-Based Assets, Quantitative Performance Management, Organizational Capability Management, Mentoring)
  - **Level 5** - Optimizing (Continuous Capability Development, Organizational Performance Alignment, Continuous Workforce Innovation)
- People CMM® - Summary, Benefits, Future direction
- Case Studies, Exercises, Team Presentations

Did you know?

"Successful firms will be those most adept at attracting, developing, and retaining individuals with the skills, perspectives, and experience necessary to drive a global business".
- Ulrich D, "A New mandate for Human Resources" in Harvard Business Review, 1998

"As other sources of competitive success have become less important, what remains as a crucial differentiating factor is the organization, its employees, and how it works".
- Pfeffer, J. "Competitive Advantage Through People. Boston: Harvard Business School Press, 1994.

"When human capital owners (employees) have the upper hand in the market, they do not behave at all like assets. They behave like owners of a valuable commodity… They are investors in a business, paying in human capital and expecting a return on their investment".
- Davenport, T.O. "Human Capital: What It Is and Why People Invest It". San Francisco: Jossey Bass, 1999.

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Are you a conscientious investor?

India needs a big movement to enlighten investors about the urgency of socially responsible investing

By Sangeeta Mansur

We still have a long way to go before Corporate Governance and Triple Bottom line reports actually go into valuation and reach financial markets

Socially responsible investing (SRI) is about investing in companies which succeed through good social, environmental and financial practices and anticipation of future trends. This is about adding social and environmental filters to capital markets. Thus, SRI's aim is to make companies more accountable not only to shareholders and employees but also to all those affected by its operations, including future generations. For example, in Europe, Greenpeace International has become a shareholder of Shell to influence the management to switch to renewable fuels. These trends are slowly emerging in Asia too.

Pioneered in the US by Amy Domini, a routine stockbroker, back in the mid-1970s, the concept caught momentum in the 1980s and 1990s, culminating in the creation of the Dow Jones Sustainability Index in 1999.

Many large mutual funds in the United States and Europe now offer special services for individual and group investors who want to earn profits only from companies that show good results on a "triple bottom line" - monetary returns, social benefits and environmental sustainability. Consider these facts:

- Assets under SRI banner in the U.S. grew from $639 billion to over $2 trillion between 1995 and 2005 - an increase of 249 percent.
- Socially screened mutual fund assets grew 15-fold over the same ten-year period from $12 billion to $179 billion, outpacing the growth of the mutual fund industry in the U.S.
- By a conservative estimate, there are now globally about 2.7 trillion dollars under management which pass through some SRI screening.
- Since 1995 SRI funds have grown 40% faster than the wider investment market.
- In many European countries it is now mandatory for pension funds to disclose the extent to which social, environmental and ethical issues were taken into consideration in the investment process.
- Major investment banks are now developing SRI capacity including Citigroup and Goldman Sachs.
- Morgan Stanley estimates that in UK alone SRI will grow from its current position of 5% of the stock market to 15% by 2009

It's not that the returns from the social investment are lower. Several academic studies have shown that socially responsible investing has resulted in equal or even superior financial performance to non-screened investments. The Association of British Insurers has found that including social responsibility can reduce portfolio volatility and increase returns.

India has its own traditional version of SRI. Many wealthy Jain families do not invest in any business that violates their spiritual values - for example, liquor, tobacco, meat and poultry. Likewise, Tata & Sons has an unwritten policy of not investing in companies producing liquor and weapons.

The Centre for Social Markets, which works out of Kolkata and London, already brings out an objectively assembled Who's Who of Corporate Social Responsibility and is campaigning to raise awareness about the need for triple bottom line evaluation. CRISIL already has a Governance Value Creation rating but it's being used more for internal purposes than for any external valuations. We still have a long way to go before Corporate Governance and Triple Bottom line reports actually go into valuation and reach financial markets. India does have a few companies that are very much in tune with sustainable practices - like the Triple Bottom Line. But they are still only a handful.

What's needed in India is a threefold action: Companies that are well into CSR should proactively leverage their values for attracting investors. Capital markets should make way for any reorganizing, rules or regulations that SRI products may require. Investors if aided by an awareness, would then respond to the SRI movement. This would dramatically alter the eco-system of the market and ensure the country's contribution to saving the planet while making money.

Guy Kawasaki's 10 tips on innovation

Guy Kawasaki delivered the opening keynote address at this year's PubCon (publishing and conferencing) in Las Vegas. In his talk, he gave a detailed overview outlining ten specific points that innovative companies should heed when developing new products and services.

- **Make Meaning** - One of the most important keys to innovation is making meaning. As an innovator, developing meaningful products is key to long-term success. The goal of any innovation should be to improve people's lives and make them more productive.

  Kawasaki elaborates, "We thought MS-DOS was a crime against humanity. Apple made things to solve that problem."

- **Make a Mantra** - A company's mantra shouldn't consist of a superfluous mission statement, as these are often too long and not memorable or indicative of where an innovator's focus lies. Instead, come up with two or three words that simply explain why you exist. For example:

  eBay - Democratize Commerce; FedEx - Peace of Mind

- **Jump to the Next Curve** - Don't limit your innovations to incremental changes of existing products, look ahead and think about what kinds of problems could be solved or needs met by a whole new product.

- **Roll the DICEE** - Guy Kawasaki's Acronym

  Depth: Great products and services are deep and will grow with you along the way.

  Intelligent: You have to actively anticipate the products and services that people will need

  Completeness: Lexus doesn't just sell cars; they take a holistic approach by focusing on excellence in presales, post sales, service and many other areas.

  Elegance: Look no further than the iPod Nano.

  Emotive: Harley Davidson is a sterling example of the emotive approach to innovation.

- **Don't Worry, Be Crappy** - Realistically, we live in a market place where you never have to say your sorry. It's a fact of life in the modern world that you ship first and test later.

- **Polarize People** - Don't be afraid to polarize the consumer base. In fact, great products frequently generate polarity among tech communites.

- **Let a Hundred Flowers Blossom** - Even if the wrong people are your customers in large numbers, you still don't have a problem. You have to plant flowers everywhere, because you don't necessarily know who your next or best customers will be.

- **Churn, Baby Churn** - Part of being an innovator is constantly living in denial. You can't listen to people that say "you can't do this" or "you shouldn't do that" or "you can't launch until you have such and such feature".

- **Niche Thyself** - When you aren't unique but offer a valuable product, you have to compete on price. If you produce a unique product without value, you have a corner on the market, but nobody wants what you have to offer. So obviously, you want to offer a unique product that also has high value.

- **Don't Let the Bozos Drive You Down** - You have to ignore the naysayers when bringing your innovation to fruition. Usually, there are two types of bozos - the loser and the well-to-do slickster rich guy, the latter being the most dangerous. You can't assume someone is smart just because they are rich.

Guy Kawasaki is a managing director of **Garage Technology Ventures,** an early-stage venture capital firm and a columnist for **Forbes.com.** Previously, he was an Apple Fellow at Apple Computer, Inc. where he was one of the individuals responsible for the success of the Macintosh computer.

Guy is the author of eight books including *The Art of the Start, Rules for Revolutionaries, How to Drive Your Competition Crazy, Selling the Dream and The Macintosh Way.*

Enter the Digital Factory

***Ranganath Iyengar** looks at how manufacturing enterprises are challenged in leveraging automation technologies for effective decision making*

Manufacturing businesses are getting more information enabled and automated every day. Beyond the regular ERP systems that forms the enterprise backbone, there are several other 'pockets' of automation that span across decision support, sales, planning, simulations, plant design, product design, supply chain, quality. Throw in embedded technologies and equipment automation and information management can be quite a challenge for the modern manufacturing enterprise. Adding to the challenge is to effectively channel these information pieces into a unified view for effective decision support.

Business drivers for manufacturing automation

Some of the key trends driving manufacturing automation are Collaborative Product / Design and Engineering, Agile/Lean Manufacturing, Integrated Collaborative Supply Chains and web enabled information push needed by front end users such as sales, distribution, customer care and support, project management etc. These needs in turn have spawned technologies that mimic an information model for a digital manufacturing enterprise. If we group these technologies, the logical grouping goes across Product Design & Engineering (CAD, CAE, EDA), Engineering Document Management (EDM, DAM), Planning and Simulation (ERP), Manufacturing Execution & Resource Management (ERP, RFID, DAS), Plant automation & Controls (CAM), Supply Chain integration (SCM), Sales & Customer Care (SFA, CRM), Decision support (BAM).

The biggest challenge: Information interchange

As with all other software systems, vendors have created disparate document and image formats and this often results in data losses across when conversion tools are used since there are too many proprietary formats. Mostly, conversion tools are from third parties which further add to the confusion in terms of reliability. Therefore, most organizations end up using traditional approaches such as EAI, DW and BI tools as an additional overhead to simply manage the information interchange. XML is being seen as a way forward to ease this problem and share information in a secure manner. Additionally, most of these tools are now getting web enabled as well so that they can interface and communicate better and also offer data portability.

Defining the manufacturing ecosystem

The manufacturing ecosystem needs flexibility and responsiveness across products, suppliers and engineering since most industries are moving to a lean operating format. Additionally, plant automation and control needs change thereby needing systems to be adaptable in terms of communication protocols, data formats, real time information capture, simpler data acquisition etc. Hence, the best way to deploy technology is either to start from the customer end or start inside out depending on the business model.

The players….

Technology providers have aligned themselves into either key process areas, end use formats, industry specific tasks or creating a part of the ecosystem. A tool like Solid Works has several 'work bundles' that handle tasks such as Mechanical CAD, Design analysis and optimization, Kinematics and motion simulation, Sharing and collaborating drawings and BOM, Stress analysis tools for parts, Animation and publication, interactive content creation, product data management, design checker, routing and utilities etc. Tools like CATIA are more high end and focused on industries such as automotive, aerospace and defense. Autodesk is popular with SMEs and used for 2D/3D CAD. CAM tools examples include Unigraphics and Master CAM which cover aspects such as Production / Product management, plant design and automation, parts manufacturing, assembly planning.

The manufacturing ecosystem needs flexibility and responsiveness across products, suppliers and engineering since most industries are moving to a lean operating format

Therefore, to gain the most out of these tools, get the process right including physical fixes. While these tools are flexible, the data management can be a nightmare if the basic organizational discipline is not properly set. Next, identify the various types of data from across these systems at a functional / business level and address interoperability issues – e.g. if you expect to import a BOM into your ERP, make sure the design tool that you use allows you to do that seamlessly.

Most important, determine the level of support needs and pick a tool that you can grow up with – or else you will over-engineer your automation and thus not get the desired ROI. Do get external process experts to help you and ensure you have a strong technical team internally to use the tools effectively. To summarize, Digital Factory is about 'an information layer of abstraction' that helps you manage your manufacturing business at a better scale, size and manage, share and render content effectively with customers, partners and suppliers.

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Today's branding has no future

Branding is a CEO's business. It should not be left to marketers alone, says Prof. Amitava Chattopadhyay in a chat with ManagementNext

Despite mountains of material on what branding really is, companies continue to think it is part of marketing. Worse, marketing is often not represented in the C-suite and thus brands are managed at lower levels of the organization with little oversight from top management. This is restricting creativity and innovation in branding in India. It's perhaps the reason why India has hardly produced any global brands. "There is a huge disconnect. Branding is not what marketing departments do. Most people don't seem to realize this," says Prof. Amitava Chattopadhyay, L'Oreal Chaired Professor in Marketing - Innovation and Creativity at INSEAD.

This confusion between marketing and branding is both good and bad for marketing. It's bad because if a product fails, it is blamed on marketing even if it was badly produced or designed or the technology faulty and outdated. It's good in that if a product succeeds, marketing gets all the credit. But then, why should only marketing get all the blame and all the credit? Instead, one needs to take a holistic perspective.

To Prof. Chattopadhyay, branding is unmistakably a strategy issue. "Brands have to be managed from the C-suite, not the corner cubicle of the marketing head. And the CEO is the custodian of the brand."

Also, managers continue to confuse price tiers and segments. This confusion with segments is preventing companies from taking advantage of innovation opportunities. "There is a clear failure with segmentation. Few companies undertake proper segmentation." Even if it is done, quite often it is based on syndicated data because it is cheap. It also means that every competitor is looking at the same data and there is no competitive advantage from segmenting. "If you fail to segment, you've lost the game at the very outset," says Prof. Chattopadhyay.

Today, consumers are buying value propositions, not brands or products. To produce that value proposition, it is important to realize that everyone in the organization plays a part.

There's a need for R&D, operations, logistics, HR and marketing to work together. Co-locating of key functions, like R&D and marketing, as in P&G, for example, is a good idea as proximity is known to increase interactions and get people to work together. Moreover, everyone needs to understand the consumer. Thus, for example, R&D and operations people need to go to the market and check what the market and the consumer are doing. When businesses exist only because their customers buy, why shouldn't everyone in the business understand the customer? Great companies connect the organization to the customer.

The reason why marketing is not getting the attention in the organizational power game is because it is seen as an art. To Prof. Chattopadhyay, marketing is a science. An average Indian manager is far removed from the actual lives of his customers. How can s/he understand the bottom-of-the-pyramid without actually going there? Marketing needs to make decisions based on hard data, not intuition. There is a need for Six Sigma in marketing.

Everyone knows that innovation in branding is necessary but not many understand the importance of the pace with which new ideas are generated and implemented

While tangible features are important, at one level, they are like the table stakes in a game of poker. They merely allow one to play the hand. Prof. Chattopadhyay, in a recent paper, argues that marketers need to tap the emotional or intangible factors that go into a customer's decision making to drive actual consumer choices. In a series of studies reported in that paper, he shows how consumers' emotional experiences with the product drive their choices. Importantly, emotional experiences can actually make people purchase products that are objectively not as good in terms of tangible features. The research also shows that emotional experiences that drive choices are also responsible for long term satisfaction with the purchase, much more so than the functional benefits. This seems to hold not just for everyday purchases, but significantly, for important purchases as well.

Branding, thus, is important. But the future of branding depends on how firms engage with the task. If it is seen as an organization wide responsibility, indeed if it is seen as the lens through which the organization connects to its present and future customers, and managed as a strategic business imperative from the top, rather than as something the marketing department does, then the future can be rosy. However, branding, as widely perceived and practiced today has no future.

Building grass-root entrepreneurs

A small team of visionary-entrepreneurs is planning to create and nurture entrepreneurship in thousands of Indian villages using affordable technology. Their partners are Microsoft and Tally

By Ram Kumar

India has suddenly become a land of immense possibilities. But the current manner in which India is growing will result in over-crowded towns and millions of unemployable youth in the rural and semi-urban areas. One of the effective ways of transforming villages and semi urban areas into buzzing micro economies is, to take entrepreneurship right there.

We believe that organized financial system can trigger development and ensure consistent growth. Incubation of entrepreneurs at the local places in each of the talukas of India and empowering them to disseminate technology and services in their local places will result in large-scale impact on the society. This can be done by setting up retail outlets in these places to sell products and deliver services with standardization. The Enterprise plans to set up 4000 centers across the country by the end of March 2009.

Value Creation: Technology made large population possible, populations now make technology indispensable. Understanding technology, its relevance in common man's life, ensuring it reaches them in a manner that it is affordable is one of our primary goals. Technology, thus understood, creates a platform for effective communication and delivery. There is a huge divide in the country primarily because of technology not being available to one and all. Awareness of technology, affordability of technology, availability of technology and application of technology are the areas we will focus on. Though the first two A's are present, the last 2 A's are non-existent. The Enterprise will integrate all the 4 A's with greater relevance. It is this integration, which will create greater value.

Education often does not provide employment. The Enterprise will focus on creation of employable youth. Education will also be localized, resulting in employment at the same place.

Mechanism: We have partnered with two major organizations - **Microsoft** and **Tally.** We will continue to partner with such organizations that appreciate our proposition. Our business partners (entrepreneurs) will effectively carry out delivery under the guidance of The Enterprise. Whenever there is a need to provide service, a tangible means has to be adopted. Hence we are taking **Affordable Computers** and related peripherals to ensure cash flow for our partners before venturing into services, which have very less returns in terms of money but large Value in terms of empowerment. Chartered Accountants across these places are being identified to anchor and organize the disorganized financial system. Once this is done, we will offer financial services like life insurance and health insurance along with loans for all development purposes.

Social Responsibility: Every individual wants/dreams/wishes to make a difference to the place where he lives in. Whether he accomplishes/realizes it is a question that goes unanswered. The Enterprise, through its partners, will consistently work on businesses which will not only ensure individuals associated with us succeed but also benefit people who feed to that success. Only when technology reaches the common man, it can be said that it has been useful.

Technology and its benefits with a lot of relevance reaching every individual is the only way to empower the masses. Telemedicine is the need of the hour to improve quality of life at these places. We will be able to reach this to one and all with the help of technology and our partners. This has to be sustainable over a period of time. Integration of resources available effectively and offering "Solutions for Life" is our uniqueness.

When our model is clear on creating entrepreneurs, it very clearly dissociates itself from the NGO/NPO genre. Entrepreneurs are entrepreneurs because of the difference they can make to anything that they get associated with. Sustaining it in the remotest of villages and making sense itself will be an achievement. The same passion and zeal will be positively directed to create an atmosphere, which could fuel growth by leaps and bounds. It is in this sense that we talk about Social Responsibility, to make a difference to the lives of people around us and then to the Globe. It can sustain only if it were to be business model.

The author is the CEO of The Enterprise
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Edmund Phelps. Who?

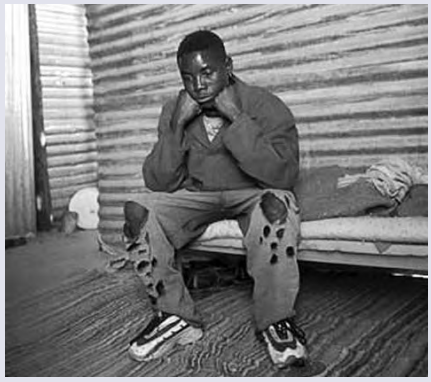
Edmund Phelps won this year's Nobel Prize for Economics for building the expectations-based microeconomics into the theory of employment determination and price-wage dynamics

By V. Raghunathan

Who is Edmund Phelps? How much would an average CEO know about him? Well, because the Indian financial press is probably not very conversant about the works of Edmund Phelps, may be we heard more about the ET awards than the Nobel Prize in Economics this year. So in case you missed it, Edmund Phelps, 73, McVickar Professor of Political Economy at Columbia University, is this year's sole winner (after a long time; most have been joint awards) of the Nobel prize in Economics. If you are a CEO or a CEO aspirant with interest in trends in finance and economics, read on.

In his most notable work, Phelps's built the expectations-based micro-economics into the theory of employment determination and price-wage dynamics. In his monumental work of the '30s, Keynes did not explain why involuntary unemployment should be observed even in the best of times. Nor did he explain, why a drop of aggregate effective demand in an economy should cause an increase in unemployment. For example, would it not make more sense for the wages and prices to just fall a wee bit across board, rather than for people to lose their jobs? Phelps began his career answering these two major issues, under the assumption of the usual rationality of workers, consumers and firms.

In 1968, in one of his works, he simulated an economic condition in which firms face a management challenge - high and expensive labour turnover - and adopt a wage policy that balances payroll cost against the employee turnover cost. In equilibrium, he showed that the going wage at each point was usually an "incentive wage". Incentive wage is the wage level that is



sufficient to hire employees, but one that leads to "job rationing" and hence involuntary unemployment. In his next work in1969, Phelps outlined an economy of "islands" - each island widely separated from the others - in which workers had to decide whether to accept or reject the local market wage. He showed that in equilibrium, even the workers drawing very low wages preferred to move to other islands in search of better wages, suffering voluntary unemployment in the process.

His works led to the 'Modern Equilibrium Theory of Unemployment, Interest and Assets' and it answered questions like whether Europe's jobs crisis was a growth crisis

In short, Phelps developed a theory that explained how imbalances in wages or price expectations would disturb the extent of unemployment in the economy. He showed that if the actual wage were greater than the expected wage in the labour market, the underestimation will reduce the firms' expected turnover of labour and hence their expected costs, leading the firms to pay lower wages and hire more labour, resulting in lower unemployment. Similarly, in the island model, for instance, if the average wage level were greater than expected wages, some labour would rather continue on the available job than go looking for a new one, so that unemployment drops. The reverse would be true if the actual wage were lower than the expected wage.

Thus Phelps helped the unanswered question of Keynes, namely why "involuntary unemployment is observed even at the best of times. He thus showed how a continual over-estimation of expected wages and prices could cause a prolonged depression.

Phelps' models departed from the conventional ones in yet another way. The traditional macro-economic models typically held that the "equilibrium path of unemployment rate" depended only on non-monetary considerations and not upon the inflation rate. This supposed "neutrality" of money and inflation helped simplify the analysis of economic shocks. This supposition postulated that once equilibrium between inflation rate and unemployment had been reached, the inflation rate targeted by the central bank would have no impact on the subsequent path of unemployment rate. This would mean that while raising the inflation rate target may advance an employment recovery but the end result would remain unchanged. Phelps on the other hand showed that that monetary or fiscal stimuli could achieve a lower unemployment rate by taking on a higher inflation rate.

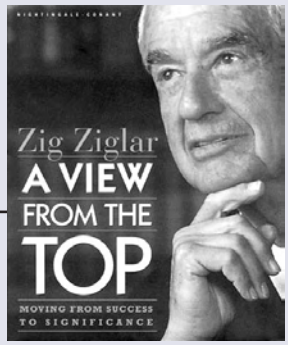
Phelps' later works dealt with the apparent desire of several East European countries to build capitalist economies, which in turn led to substantial amount of research into capitalism and capitalistic institutions, including the impact of such institutions on productivity levels and job satisfaction and so forth.

Of course these are but a fraction of his works. But it gives us the drift. But yes, Phelps is an economists' economist. If the significance of his works to one's day-to-day running of a firm escapes us, we can hardly be blamed!

The author is CEO of GMR Industries and former faculty at IIMA

Want to be better than good?

How relevant is Zig Ziglar to today's managers?



Zig Ziglar, the big daddy among motivational speakers, may have turned 80 this November but his new book *Better Than Good: Creating a Life You Can't Wait to Live* doesn't give away his age. In fact, as some reviewers aver, it shows greater maturity and makes an attempt to appreciate non-Christian wisdom. It offers practical and spiritual vision for what life can be when we allow the power of purpose and passion to permeate our soul. It's meant for those who are not bitten by Ziglar's charm and his stinging motivational quotes.

This book isn't just about success now, excellence tomorrow or even motivation for next month, but about making a lasting impact that goes beyond financial gains and creative partnerships. "Everything we are and do," he says, "must be seen in the bigger perspective of continuously investing your spirit, mind and talents in what endures." Unlike typical self-help books especially by people in the business for several decades, Zig shoots straight and doesn't overstate what people are capable of.

Krish Dhanam **(www.krishdhanam.com)**, one of Zig's favorite executive coaches, is the author of the recently released title, *The American Dream from an Indian Heart,* and contributing author to Top Performance written by Zig Ziglar. Here are some excerpts from an email interview with *ManagementNext*

When the corporate world is faced with the menace of high people churn, how does Zig Ziglar's message on motivation help?

Turnover of people seems to be a constant in the global marketplace of today. However when employers are asked what is the prime reason why employees leave, the response usually is money and perks. When employees are asked what the number one reason is for leaving, they respond that it is not being included in the vision of the organization and not being recognized for performance. Recognition and reward are an integral part of motivation and the Ziglar organization believes that each person needs to be motivated differently. It is up to the management to realize and know what the pulse of the people is. To this end we teach a concept called 'building the twenty-four hour champion' by teaching both the will and the skill required for excellence.

How can a manager break into the Next level?

When at point A, a person requires to learn what is needed at point B. If a manager wants to break to the next level, they need to learn what is required at the next level whether or not they need it today. This way when they arrive in the future they will be more equipped than the competition. Zig Ziglar taught me to learn executive management and coaching skills while I was still a telemarketer. I was sent to leadership training three years before I became a manager and was sent to writing courses two-years before I was authorized to write curriculum. The belief should be that there is no one on your staff who can be over-trained for anything.

Ziglar's best quotes

- If you want to reach a goal, you must "see the reaching" in your own mind before you actually arrive at your goal.
- You cannot tailor-make the situations in life but you can tailor-make the attitudes to fit those situations.
- The major difference between the big shot and the little shot is the big shot is just a little shot who kept on shooting.

What's Zig Ziglar's inspiration for CEOs to lead a better, more fulfilling life?

Zig Ziglar's foundational philosophy for the last fifty years has been – "You can have everything in life you want, if you just help enough other people get what they want." This has to be a genuine philosophy and not a tactic. If you equip enough other people to do your job, you will be considered for bigger and greater things. The bottom line is that, if you want to rise in your career you have to teach many people to do what you do. This way when you are considered for advancement there is never a doubt in an organization of whether workflow will be interrupted. This philosophy frees up a leader because the approach eliminates fear and guilt. When fear and guilt are eliminated, the leader can end everyday on the job and focus on the family when they get home that day. By knowing what to do when they need to do it, leaders are able to focus on the most immediate priority. This approach allows them to channel the strengths needed at any given time for the success on the most important task at hand.

How to choose your wealth manager

Making money work for your is as important as earning it. To do that you need a smart wealth manager. Here are a few tips on how to go about doing it

Pelican Wealth Managers™ Pvt Ltd

By G Balasubramanian

It is rightly said that if working hard to earn is found difficult, making the money work for you hard is all the more difficult. That is why this task is better left to specialist money managers or popularly now known as wealth managers.

Hence choosing the right Wealth manager becomes a sacrosanct act and is an important step you need to take when you are especially in the threshold of creating wealth. Sometimes this is also an important step even for people who have created wealth but need an expert's assistance to preserve the wealth.

Here are a few suggestions for choosing your wealth manager:

Wealth manager, if he is an individual, should be a professional in his own right and has age and experience to your advantage. In the sense that your wealth manager should not only be accredited with necessary qualification and experience but also should be of equal to or even lesser than your age. These criteria will assure you that he grows and lives along with you during the full tenure of your wealth creation phase.

Preferably choose a Wealth management company as your wealth manager and not an individual as a single person may have a limitation in giving all the wealth management expertise at its best. If this criterion is applicable to you then the first criterion may be overlooked.

Wealth manager should be engaged in the activity of wealth management 100%. Implying, please do not choose professionals who are engaged in multiple activities under a single entity and all the activity demanding most of his time and energy. He may not be able to do justice to the role of being your wealth manager.

Your wealth manager should not be a mere employee of any entity as he would be more engaged in justifying to his employer about his skills as an employee while serving your wealth account. Instead, he should be a management team member, founder-promoter or key partner of a wealth management company so that he is not bound to you or to his employer to justify his survival as a compulsive contributory employee.

Multilocational wealth manager would be of great assistance to you as the continuity of the wealth creation ideas and method would not get disrupted in case you are in a moving job and career.

Your wealth manager should necessarily not be a banker, as banker- wealth manager in our country thrive purely on the privilege of having the first information of your money hitting the bank account before even you have the knowledge of it. In fact, most of you would be aware that banker-wealth managers do not offer all products and services as they are restricted, most of time, in distributing the products of their international competitors. For example, Citibank does not recommend any Stanchart Grindlays Mutual Fund products.

Within the space of wealth management itself, your wealth manager cannot and should not specialize in each of the product or services, viz. legal services, realty advisory, numismatics/ collectibles/art, tax advisory. A good wealth manager may at the most specialize in two or three asset classes and would outsource the expertise of other asset classes or advisory services from some other specialist whom he would have pre qualified and short listed to serve his client.

If your wealth manager charges you for maintaining your wealth account instead of building his business based only on the revenue model of back end commission on the products he is distributing to you, you are all the more in a better platform to work with him. He is a cut above the rest as he is willing to give something extra to you by taking a fee. Otherwise you would end up worrying if he is making money out of you by distributing products/services where he is bound to make more money. This is crucial in selecting him as your wealth manager.

The ultimate criteria would be - be aware of your wealth management company's growth plan, strategic partnership that he has with some foreign entity etc. as such wealth managers are bound to bring more global expertise to your wealth account rather than a static wealth manager who is purely depending upon your growth of income to make your wealth grow and also his. He should have a larger perspective or goal beyond you to grow his company and wealth.

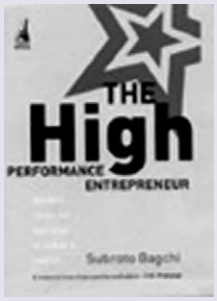
A good wealth manager may at the most specialize in two or three asset classes and would outsource the expertise of other asset classes

G Balasubramanian *is Co-founder and Head - Wealth Management Practice, Pelican Wealth Managers Private Limited, Chennai*

Readers' Views and Opinions can be emailed to bala@pelicanindia.com

The High-Performance Entrepreneur: Golden Rules for Success in Today's World

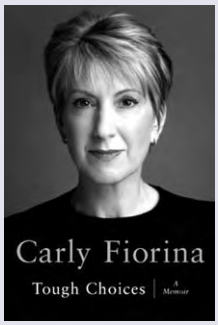
Subroto Bagchi, Penguin Books India, October 2006



In 'The High-performance Entrepreneur', Subroto Bagchi, co-founder and chief operating officer of MindTree Consulting, draws upon his own highly successful experience to offer guidance from the idea stage to the IPO level. This includes how to decide when one is ready to launch an enterprise, selecting a team, defining the values and objectives of the company and writing the business plan to choosing the right investors, managing adversity and building the brand. Additionally, in an especially illuminating chapter, Bagchi recounts the systems and values which have made Indian IT companies on a par with the best in the world. This is a good read for the budding entrepreneur. The book does not prescribe a magic formula for success; instead it packs a wealth of advice gained through experience that you can follow in pursuit of that success.

Tough Choices: A Memoir

Carly Fiorina, Portfolio Publisher, October 2006



By accepting the CEO job at Hewlett-Packard, an iconic company that had lost its way, Carly Fiorina confirmed her status as the most powerful businesswoman in America. 'Tough Choices' will finally reveal the real Carly Fiorina, who writes with brutal honesty about her triumphs and failures, her deepest fears and most painful confrontations - including her sudden and very public firing by HP's board of directors.

'Tough Choices' shows what it's really like to lead a major corporation in a time of great change while trying to stay true to your values. It's one woman's inspiring story, along with her unique perspective on leadership, technology, globalization, sexism and many other issues.

The Radical Edge: Stoke Your Business, Amp Your Life, And Change the World

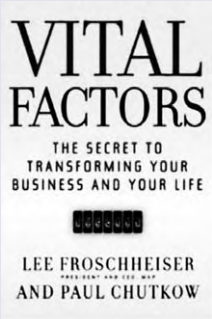
Steve Farber, Kaplan Publishing, April 2006

In a brilliant sequel to his bestseller, 'The Radical Leap', management guru and coach Steve Farber shows exactly how to turn those possibilities into reality. In 'The Radical Edge', Farber builds on his philosophy of Extreme Leadership and takes readers to a higher level of self-discovery. Farber lays out three core principles within this witty story that prove to be the backbone of both business and life.

In this clever sequel, readers say goodbye to soporific business books on leadership and hello to quirky and wise characters who explain how they've changed the world, simply by taking complete charge of their lives. This is a leadership parable with a big heart and a sense of humor-for those striving to inspire colleagues and transform their workplace.

Vital Factors: The Secret to Transforming Your Business - And Your Life

Lee Froschheiser, Paul Chutkow, Jossey-Bass, October 2006

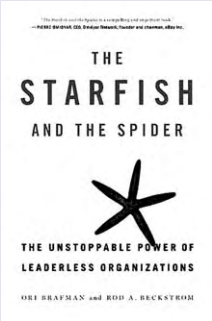


MAP, a small company, developed a management system that helps companies identify their Vital Factors, clarify their strengths and weaknesses, and define their mission and core values. The MAP system also helps build the foundation and pillars of great organizations: a strong set of guiding principles, an effective internal operating system that promotes strategic alignment and accountability, and an ongoing process for developing effective leaders and a disciplined, highly motivated staff. This book offers a blueprint for success, practical tools, and a step-by-step plan business leaders can use to transform their own companies and organizations

The Starfish and The Spider

The Unstoppable Power of Leaderless Organizations

Ori Brafman and Rod A. Beckstrom, Portfolio, October 2006



The title metaphor conveys the core concept: though a starfish and a spider have similar shapes, their internal structure is dramatically different—a decapitated spider inevitably dies, while a starfish can regenerate itself from a single amputated leg. The metaphor of the starfish and the spider explains the authors' idea so well. The spider is an eight-legged insect that, while it may survive the removal of one or two legs, it would surely die if it lost another leg or even its head. Most companies are spiders.

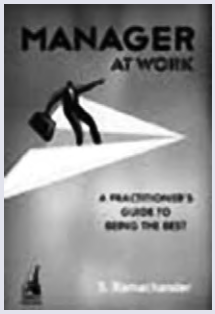
For a starfish, the removal of a leg means nothing. The leg grows back and another starfish grows from the removed leg. Decentralized organizations work the same way. If part of the organization is hurt or destroyed, the group fractures and grows from the broken pieces.

Manager at Work: A Practitioner's Guide to Being the Best

S. Ramachander, Penguin Books India, November 2006

What tools and skills does a manager need to tackle the flip side of entrepreneurial freedom and opportunity? 'Manager at Work'

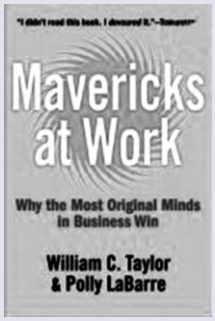
provides a fresh and practical perspective from scholar-manager, S. Ramachander.



The book's central idea is that managing business is about building and nurturing relationships in two ways - by building a creative culture and a facilitative organization internally, and by building reputations and loyalty to brand identities externally. 'Manager at Work' offers practical advice on how to ensure process and discipline in manufacturing, quality and vendor management, and explores ways of managing risk without sacrificing an experimental attitude.

Mavericks at Work: Why the Most Original Minds in Business Win

William C. Taylor, Polly G. LaBarre, William Morrow Publishing, October , 2006

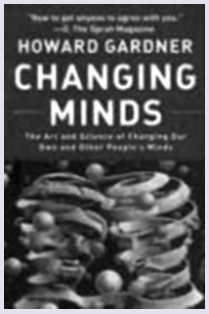


This book is chock full of "new model" success stories - from which the authors decipher what made such business succeed, and from such introspection derive four components: (1) business should be contrarian; (2) group thinking far surpasses the thoughts of individuals; (3) businesses succeed when they increase/ improve customer relations; and (4) businesses are only as good as their employees.

The premise is that the successful businesses of the future must not follow the success stories (models) of the past. Instead, if the business has an asset of value - e.g. technology, personal service industry - and implements the above-recited four components, it may succeed. The authors imply that if same business uses the old model, it shall fail.

Changing Minds: The Art And Science of Changing Our Own And Other People's Minds (Leadership for the Common Good)

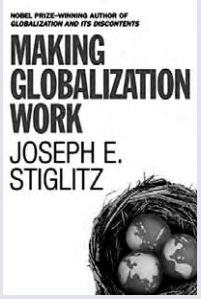
Howard Gardner, Harvard Business School Press, September 30, 2006



Gardner, a psychologist and professor at Harvard, explains what happens during the course of changing a mind - and offers ways to influence that process. He examines the factors involved in changing minds on significant issues, in politics, science, business and art. He identifies seven key elements, including reason, research and real world events that are part of the decision-making process. 'Changing Minds' provides an original framework - illustrated with famous and ordinary examples of "change agents" in politics, business, science, the arts, and everyday life - that shows how individuals can align these levers to bring about significant changes in perspective and behavior.

Making Globalization Work

Joseph E. Stiglitz, W. W. Norton Publishing, September 18, 2006



This new book by Joseph Stiglitz discusses many of the issues of his earlier work, "Globalization and Its Discontents." The previously described discontents have become more pressing in the interim. Stiglitz reminds us again that globalization and economic growth are bypassing a large number of people in the developing world; in fact, some of the so-called developing world is not developing at all.

The first two chapters describe another possible world in which globalization works better than in the current status quo and how development promises to contribute to that new world (Chapter 2). The next seven chapters are about obstacles and prospects that must be addressed to make globalization work. And how does anyone know that globalization is working? Globalization is working when and if it democraticizes the

Shareholder Valuation of Foreign Investment and Expansion

Heather Berry. Strategic Management Journal, Volume 27, Issue 12, 2006

This study analyzes when different foreign investment location choices are value creating for firms at different stages of international expansion. The author argues that because direct investment in developing countries is riskier than in advanced countries, shareholders may not value a firm's investment in developing countries until that firm has experience from previous international investments and capabilities to better manage and hedge the higher levels of risk and uncertainty.

Using a panel of 191 U.S. manufacturing firms and their foreign investments over a 20-year period (1981-2000), the empirical results show that firm investments in advanced and developing countries are valued differently by shareholders, depending on the firm's prior international expansion, the firm's capabilities and experiences and the knowledge intensity of the firm's industry. These results highlight the importance of considering firm location decisions, prior experiences and resources when analyzing.

Generalised Rational Bias in Financial Forecasts

George Christodoulakis. Annals of Finance Volume 2, Issue 4, 2006

Laster et al. built an economic model in which forecasters have incentives to generate forecasts that differ form the consensus. It is shown that the dispersion of the equilibrium distribution of forecasters depends on the relative importance given on the intensive forecast users' loss versus the publicity gain from occasional users. These results depend heavily on the assumption of symmetry for the loss and density functions. In this paper, the author examines the effects of generalising loss preferences and probability densities to allow for asymmetries through the LinEx loss and the Skewed Normal density, respectively. The paper derives the generalised equilibrium distribution of forecasts, which contains the results of Laster et al. as a special case. The presence of asymmetric preferences is shown to cause a movement of the distribution away from the conditional mean, towards the optimal forecast under loss asymmetry. Furthermore, forecasts now tend to cluster around this quantity in an asymmetric way. These effects tend to be further strengthened or partially offset by the presence of skewness in the distribution of data, a result consistent with the conclusions of earlier research.

Top Team Diversity, Internationalization and the Mediating Effect of International Alliances

Ho-Uk Lee and Jong-Hun Park. British Journal of Management. Volume 17, Issue 3, 2006

This study examines the mediating effect of international alliances for the relationship between TMT (top management team), job-related diversity (educational, functional background, outside industry experience and international exposure) and firm internationalization. The authors argue that firms with greater TMT diversity will use more international alliances resulting in higher firm internationalization. Based on a sample of 226 US firms during the period 1988–1994, the study found that international alliances partially mediate the relationship between TMT international exposure diversity and firm internationalization. However, the study did not find international alliances to mediate the relationships between other forms of TMT diversity and firm internationalization. The paper discusses implications and directions for future research.

Rough set-based approach to feature selection in Customer Relationship Management

Tzu-Liang Tseng and Chun-Che Huang. Omega Volume 35 Issue 4, 2007

In this paper, application of the rough set theory (RST) to feature selection in customer relationship management (CRM) is introduced. Compared to other methods, the RST approach has the advantage of combining both qualitative and quantitative information in the decision analysis, which is extremely important for CRM. To derive the decision rules from historical data for identifying features that contribute to CRM, both the mathematical formulation and the heuristic algorithm are developed in this paper. The proposed algorithm is comprised of both equal and unequal weight cases of the feature content with the limitation of the mathematical models. This algorithm is able to derive the rules and identify the most significant features simultaneously, which is unique and useful in solving CRM problems.

Examining the Impact of Internationalization on Competitive Dynamics

G R Chandrashekhar. Asian Business & Management Volume 5, Issue 3, 2006

This paper examines the impact of the internationalization process on the competitive dynamics of an industry in an international context. The examination was carried out using two complementary approaches: first, by constructing a Dunning–Porter diamond framework, which is an extension of Porter's diamond framework, and embedding a causal modeling approach in it; second, by using the multi-market contact approach and evolving a deeper understanding of the impact of internationalization on competitive dynamics.

One conclusion of this paper is that a firm's cost structure and the quality of skills (resources) possessed are important factors of market defense in an internationalization process driven by cost advantage factors. Another important conclusion is that a firm's cost structure and skills base have a joint influence on the

impact of internationalization on incumbents and their subsequent competitive behaviour, especially in larger market segments. This paper combines internationalization and multi-market contact-based approaches towards an understanding of competitive dynamics. This is an initial attempt towards developing an internationalization framework, which may help clarify the complexity and uncertainty involved in operating in international markets.

Derived Attractiveness of Shopping Malls

Tammy Drezner. IMA Journal of Management Mathematics. Volume 17, November 4, 2006

In this paper, the author develops a model for estimating the attractiveness of shopping malls by analysing the distance customers' travel to shopping malls. A mall intercept survey is conducted, and visitors to area malls are asked where they live and whether they came from home. More attractive malls are expected to attract customers from greater distances. Thus, analysis of the distances traveled leads to the derivation of the attractiveness of each shopping mall. The model was tested using a survey of 3,112 shoppers in 10 malls in Orange County, CA. The estimated attractiveness levels derived by this approach were compared with the results of other models for estimating retail attractiveness levels, and a good match was found. Based on results of the study, following conclusions are made:

1. Distance is a less important factor in selecting a shopping mall to patronize compared to the choice of grocery stores or other retail facilities and
2. The decline in the probability of patronizing a certain mall is better modeled as an exponential decline rather than a decline according to a power of the distance.

Inside Contractual Joint Ventures in China: Ownership Advantage, Resource Contribution and Management Control

Yue Wang. Asian Business & Management. Volume 5, Issue 3, 2006

Empirical studies on contractual joint ventures (CJVs) in China are rare. Concentrated in Guangdong province, CJVs represent, rather than FDI, a long-term subcontracting alliance arrangement between Hong Kong and Guangdong firms. The quasi-market quasi-hierarchy nature of the alliance makes uncovering the ownership advantages of CJVs and dissecting the distribution of management control between CJV partners difficult. Drawing on data from cross-case studies, this paper identifies ownership advantages and their sources, and reveals how the pattern of non-equity contributions by CJV partners underpins CJV control structure.

The findings show that the concept of ownership advantage can occur in a non-equity alliance, so long as there is a separate alliance organization. The transfer of ownership advantages from parent firms to CJVs takes place in the same way as in equity alliances. The overall design of the CJV control structure is based on the perceived value of non-equity contributions by each side, but as control rights are not clearly derived from equity ownership, power distribution is not always consistent with the pattern of non-equity resource contributions, particularly where trust between partners is lacking.

Maximizing organizational leadership capacity for the future: Toward a model of self-leadership, innovation and creativity

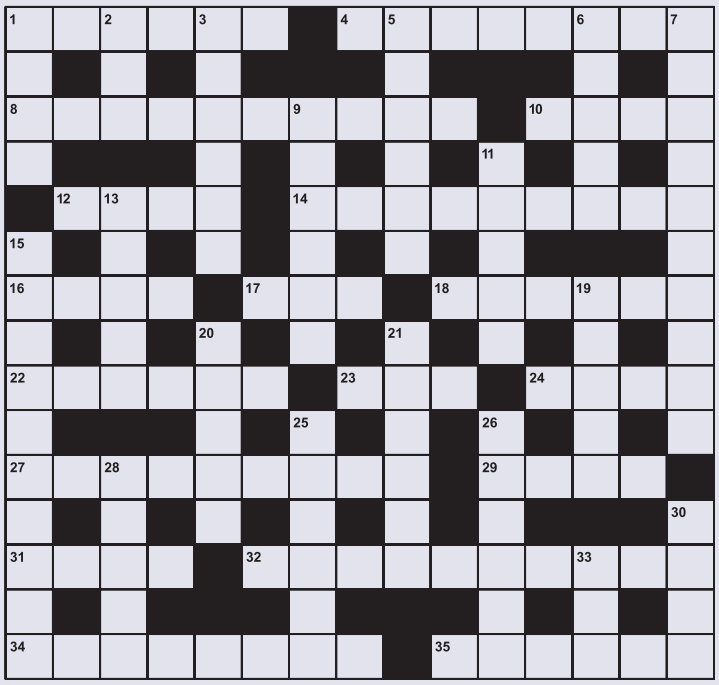
Trudy C. DiLiello and Jeffery D. Houghton. Journal of Managerial Psychology.

The purpose of this paper is to develop and present a model of self-leadership, innovation and creativity. Drawing upon existing theoretical and empirical evidence the paper develops and presents a conceptual model of the relationships between self-leadership, innovation, creativity, and organizational support. The paper also presents research propositions based upon the relationships suggested by the model.

The model suggests that individuals with strong self-leadership will consider themselves to have more innovation and creativity potential than individuals who have weak self-leadership, and that individuals who have innovation and creativity potential will be more likely to practice innovation and creativity when they perceive strong support from the workplace than individuals who perceive weak support from the workplace. The practical implications of this research would advise the organizational leaders to encourage the practice of self-leadership among the members of organizations while striving to build work environments that support of creativity and innovation at the group, supervisor, and organizational levels.

ManagementNext CROSSWORD 20

jump out of the box



Across:

1 This Indian district has the highest number of millionaires (6)
4 Himachal-based leading modular switch manufacturer (8)
8 Milton Friedman advocated this type of economics (4,6)
10 Microsoft's answer to the iPod! (4)
12 World-famous car rental company (4)
14 The "P" in PF! (9)
16 Popular CD/DVD burning software (4)
17 _____ Ziglar, world-renowned motivational speaker (3)
18 Mitsubishi's flagship SUV (6)
22 Linux's new community operating system (6)
23 A new mutual fund offer is called this (3)
24 This diesel engine technology is rapidly becoming popular in India (4)
27 Pro-choice activists fight for these to be safe and legal (9)
29 _____ Rubik, inventor of the Cube (4)
31Chelpark is a famous manufacturer of these (4)
32 Colgate has added salt to its latest version of this product! (5,5)
34 Tyres that are "one revolution ahead"! (8)
35 Favouring one person or side over another (6)

Down:

1 Leading fashion institute in India (4)
2 The test that most US universities require one to do for admission into a post-graduate program (3)
3 Of the highest or greatest degree (6)
5 Adidas acquired this leading shoe brand (6)
6 _____ map: a long-term plan for the direction an organisation will take in the coming years (5)
7 The "e" in the ubiquitous prefix seen nowadays! (10)
9 Restore or set right (6)
11 The Editor of the Business Standard (5)
13 Nokia's super premium mobile phone (5)
15 Providing support in the development phase of startups (10)
19 American energy company that declared bankruptcy in 2001 amid scandal (5)
20 To set forth in words (5)
21 A type of printing process (6)
25 Manufacturer of the Corolla and Qualis (6)
26 Popular RAD environment for the development, design and debugging of Windows applications (6)
28 Japanese manufacturer of medium to high-end home audio equipment (5)
30 PPC is one of the most efficient _____ generation tools developed on the Net (4)
33 Universal distress call (3)

Solution to Crossword No. 19

P	E	N	G	U	I	N		F	E	R	R	A	R	I
A		S				I		O		O				N
T	U	C	K		M	I	C	R	O	C	H	I	P	S
R				E		T		B		K		N		I
I	N	L	A	N	D		D	E	L	I	S	T	E	D
C		E		I		B		S		E		R		E
I	N	A	N	D	O	U	T		E	S	S	A	R	
A		P				G		B				N		R
	S	A	C	H	S		C	O	N	T	E	S	S	A
M		H		I		I		B		O		I		G
A	V	E	R	T	I	N	G		S	W	A	T	C	H
N		A		K		J		U		N				U
I	N	D	I	A	B	U	L	L	S		A	C	E	R
A				R		R		I				A		A
C	L	A	R	I	T	Y		P	R	O	G	R	A	M

Compiled by RaviNarayan Raghupathi

Nuns run GE?

Back in 2002, a group of Catholic nuns used their tiny stake in General Electric to petition a resolution on to the agenda of its annual shareholder meeting calling for the company to cut greenhouse gases. CEO Jeff Immelt tried to remain agnostic, but when other shareholders took up the call, he stopped to listen. Next thing you know, GE no longer saw a nuisance but rather "ecomagination" and a $10 billion revenue opportunity. So are the nuns guiding GE? Now, more than ever before, ordinary people have money in the market and money talks.

Daft GM

In 1910, General Motors designed a car for farmers. The first thing the farmer did was remove the backseat, because he needed the room. But it took GM 14 years to 'invent' the pickup. It had nothing to do with invention – the idea was there right from the start. The challenge for GM was to change its view of what is a car. Perhaps its time now for GM to ask, what is a company? There could be some answers there for its revival.

3M party

The head of research at 3M threw a party with champagne, balloons, the works. When he asked the people present if they knew what they were celebrating, nobody had a clue. He said: “we are celebrating the failure of a project. If there is no failure, there is no risk.”

What does Google do?

Google founders were once asked, what is your business? They didn't say they run a search engine. They said: “our business is to know everything.

Nagpur's distinction

Nagpur is known for its succulent oranges but not many know that it has the highest number of millionaires in India. Most of them are commodity traders, a new money-making opportunity that didn't exist till recently. A new India in the making!

Inspiration from noodles

Dr. Matabee Kenji Maeda, chairman of Maeda Corp, a giant Japanese construction company, solved a huge problem of remixing high performance concrete in cold conditions while making noodles, which incidentally was his hobby. He built several prototypes but everyone in his company thought it was a silly adventure. Two of his prototypes failed, yet he didn't give up. His third one succeeded and his company went on to become one of Japan's biggest construction companies. Clearly, there is no alternative to grit and determination.

Will telecom giants get Skyped?

Estonia, a tiny country of over a million people, has produced a mega disruptive technology called Skype. Its free internet telephone software today has over 140 million users. What's more, you don't need a computer. If you have a cell phone with internet connectivity you can make international calls for free. Where does this leave greedy telecom operators? Only time will tell.

Too many coaches spoil the bowler

We have heard of the famous saying 'Too many cooks spoil the broth'. Is it the same case with India's promising bowler Irfan Pathan? When Irfan started his career he dazzled and made a big contribution to India's performance on the field. Until he was unofficially coached by Wasim Akram, he seemed to be improving. But one read how wherever he went he consulted the bowling greats of that country, including someone from Bangladesh. He seemed to have taken tips from at least six bowling greats.

Irfan's performance with the ball seems to be deteriorating with every season. If he wants to make a comeback, he may simply have to go back to doing his own thing! Moral of the story for managers? Don't have too many mentors. Stick to one or two if you must.

EXECUTIVE EDUCATION AT IIM BANGALORE

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2	Venture Capital and Entrepreneurial Finance	05-07 Dec. 2006	Res. Rs. 30,000/- NR: Rs. 22,000/-
3	Outsourcing Management	06-08 Dec 2006	Res. Rs. 30,000/- NR Rs. 22,000/-
4	Management of Electric Utilities	11-13 Dec 2006	Res. Rs. 30,000/-
5	Fixed Income Securities & Their Derivatives	18-22 Dec 2006	Res. Rs. 46,000/- NR Rs. 34,000/-
6	Marketing & Branding – A Three Pronged Approach	05-06 Jan 2007	Res. Rs. 22,000/- NR Rs.16,000/-
7	Venturing through Entrepreneurial / Intrapreneurial Leadership	08-12 Jan 2007	Res. Rs. 46,000/- NR Rs. 34,000/-
8	Advanced Negotiation	10-12 Jan 2007	Res. Rs. 30,000/- NR Rs. 22,000/-
9	Competitive Marketing Strategy	15-17 Jan 2007	Res. Rs. 30,000/- NR Rs. 22,000/-
10	CFO Summit	18-20 Jan 2007	Res. Rs. 42,000/-
11	Creative Marketing for IT Companies	23-25 Jan 2007	Res. Rs. 30,000/- NR Rs. 22,000/-
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Res. - Resident
NR - Non-Resident

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