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CONTENTS

SHOBHIT UNIVERSITY, MEERUT

Shobhit University, notified under Section 3 of the University Grants Commission Act, 1956, envisaged and inspired by Babu Vijendra Kumar *ji*, who was an eminent agriculturist and social worker from Gangoh (Saharanpur) U.P. The University stands for going beyond the established standards and for nurturing technocrats and managers that have a global vision and insight in their chosen field, with a special focus on the 21st century professional requirement.

SCHOOL OF BUSINESS STUDIES

School of Business Studies (SBS) is an integral part of the Shobhit University, Meerut. It inherits the academic legacy of NICE Management College (Estd. in 1995) and got a fresh window of autonomy in curriculum-designing and flexibility of foreign collaborations through academic exchange, credit-transfer mechanism, and bringing in increased industry component. The SBS offers MBA programme with numerous specialisations, including marketing, finance, human resource management, operations management, pharmaceuticals management, supply-chain management, and insurance and risk management. It also offers a Ph.D. programme in major areas of business.

NICE JOURNAL OF BUSINESS

NICE Journal of Business is a half-yearly journal, earlier published by NICE Management College, Meerut, and now brought out by the School of Business Studies, Shobhit University, Meerut. It seeks to provide a platform to research scholars, practising managers, and academicians in business management, commerce, economics, and allied fields, to present their research findings and share their views and experiences.

The journal aims at disseminating information about recent developments in the relevant fields, by way of research articles, book reviews, Ph.D. thesis abstracts, case studies, and bibliographies, on relevant topics.

Original contributions received for publication in the journal are subjected to a blind review by experts in the relevant field.

From the Editor's Desk

The present issue of *NICE Journal of Business* presents research papers, a short article, a bibliography, and book reviews on topics of current interest in business and allied areas. The research papers and the note pertain to varied functional areas of business: *Marketing* ('conceptualising and measuring brand equity' and 'brand loyalty through advertising'), *Finance* ('small investors' behaviour in Nepalese stock market' and 'balanced risk scorecard'), *Human Resource Management* ('managerial leadership capabilities' and 'teacher stress'), and *Operations Management* ('quality of teaching').

Earlier studies on brand equity had treated it as a first-order abstraction, which is likely to result in problems of scale development and model specification. Dr. Bilal Mustafa Khan, Asif Akhtar, and Syed Afroz Shahid have sought to validate a multi-dimensional, consumer-based brand equity model, by employing structural equation modelling. The authors' findings have strongly supported the hypothesised model.

Komal Nagar addresses the issue of brand loyalty in the FMCG market. She seeks to measure the impact that competitors' advertisements have on consumers brand loyalty. Through a study of select FMCGs, she has found that those consumers who exhibit loyalty towards a particular brand do not change their loyalty even if they are exposed to advertisements of competing brands.

Professor N.S. Bisht and Dr. Padam Raj Joshi studied the behaviour of small investors in Nepal and examined the mechanism of the stock market to provide an equitable opportunity to the investors. The authors have found that most of the investors have no access to the secondary market and, therefore, they purchase shares from the initial public offerings. They note that investors prefer common stock of banking companies, followed by finance companies and insurance companies. However, the Nepalese investors' attitude has recently changed towards new alternatives, but there is a lack of effective institutional arrangements and necessary guidelines for educating the general investors.

The paper authored by Professor K. Eresi and Dr. C. Vasanta Valli is the outcome of their research study made to explore the investors' risk-return perception. They propose a Balanced Risk Scorecard as a tool to aid analysis when taking an investment decision. The scorecard captures the significant variables that have any bearing on investment decisions.

Student satisfaction is largely a function of quality of teaching. The relationship between the quality of teaching and student satisfaction has been investigated by Jeevan Jyoti and Jyoti Sharma in the context of the University of Jammu. They have found that a majority of University students were satisfied with the quality of teaching and the teachers' attitude towards them. However, the students were least satisfied with the teachers' temperament.

Indranil Mutsuddi and Sharash Chandra Patil seek to ascertain employee perception of the leadership styles and capabilities of their managers in a Bangalore-based consumer goods manufacturing company. The study has revealed that the visionary leadership style was most preferred in that company. For a visionary leader, 'team-building and participative skills' and 'vision and goal-setting skills' were perceived to be relatively more important.

Dr. Gurpreet Randhawa attempts to identify the sources of teacher stress and its consequences. She also analyses the major stress-coping strategies adopted by capable teachers and emphasises that the problem of teacher stress should be addressed at the individual, school, and the government levels.

In the section on book reviews, we have nine reviews written by experts in the relevant fields. The books reviewed pertain to subjects as diverse as entrepreneurship in India, branding India, asset allocation, business statistics, truth in marketing, the art of influencing people, appropriate stock-market strategies, strategic management, and common weaknesses of marketing firms.

Leadership styles of managers largely influence organisational effectiveness. This subject has received keen attention from scholars who have conducted numerous researches in this scintillating area of organisational behaviour. Dr. Kamlesh Jain has surveyed the researches in her favourite area and has compiled a comprehensive bibliography of researches in this field.

I express my indebtness to the eminent authors and book reviewers, for their valuable contribution. Moreover, several experts extended their help and expertise by way of assessing manuscripts and making critical comments for improving their quality. I extend my sincere thanks to each one of them.

Mr. Shobhit Kumar (Chancellor), Kunwar Shekhar Vijendra (Pro-Chancellor), and Professor Anoop Swarup (Vice-Chancellor) of Shobhit University, have been the guiding spirit behind this project. They have taken keen interest in this academic endeavour. I express my gratitude to them.

D.P.S. Verma
Editor

CONCEPTUALIZING AND MEASURING BRAND EQUITY
A Second-Order Factor Approach

Bilal Mustafa Khan*, Asif Akhtar, and Syed Afroz Shahid*****

Abstract

The study seeks to empirically validate a multi-dimensional consumer-based brand-equity model, by employing structural equation modelling. Brand equity is conceptualised as a multi-dimensional construct of higher-level abstraction relative to its various dimensions, consisting of brand awareness, perceived quality, brand associations, and brand loyalty. Researchers have treated brand equity exclusively as a first-order factor. This can lead to problems in scale development and model specification. This relationship is built by employing the second-order structured-equation modelling (SEM) on the data collected. The study concludes that all the four dimensions of brand equity are positively correlated and significantly load on to a single factor which we term as brand equity.

Key words: ***Brand equity, Structural Equation Modelling, Second-order factor analysis, Measurement, Levis***

INTRODUCTION

Brand equity is one of the major marketing concepts which have been extensively discussed both among the academics and corporate world in recent years. One of the reasons for its popularity is its strategic importance in gaining competitive advantage. An attempt to discover the relationship between customers and brands led to the evolution of the term 'brand equity'. Brand equity, when correctly and objectively measured, is the appropriate metric for evaluating the long-run impact on marketing decisions (Simon and Sullivan, 1993).

It is a set of assets and liabilities linked to a brand. These include the name and symbols that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customer (Aaker, 2001).

Aaker argues that brand equity sources are brand loyalty, name awareness, perceived quality, brand associations, and other proprietary assets. Srinivasan, Park, and Chang (2001) suggested the measurement of brand equity by four sources: brand awareness, attribute perception biases, non-attribute preferences, and brand availability. Brand equity can be measured from both the

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consumer and the financial perspectives. When brand equity is measured by using annonymised financial data, it is defined as financial-based brand equity. In contrast, when studies are performed at the individual consumer level through consumer surveys, consumer-based brand equity is discussed (Pappu, Quester, and Cooksey, 2005; Yoo and Donthu, 2001).

Positive customer-based brand equity results in greater revenue, lower costs, and higher profits; and it has direct implications for the firm's ability to command higher prices, customers' willingness to seek out new distribution channels, the effectiveness of marketing communications, and the success of brand extensions and licensing opportunities (Keller, 2003).

Many researchers (Aaker 1991 and 1996b, Keller 1993, Lasser 1995, Yoo and Donthu 2001, etc.) have taken interest in the concept and measurement of brand equity because of the necessity in today's marketplace to develop, maintain, and use product branding to acquire a certain level of competitive advantage. According to Ailawadi, *et al*. (2003, p. 1), this has led to various points of view on brand equity dimensions, the factors that affect it, the perspective from which it should be studied as well as how to measure it. What is needed is a consumer-based brand equity measure that assesses an individual customer's brand equity from a new perspective.

The concept of consumer-based brand equity is valuable in several ways. First, it offers a way to test brand equity theories. A brand equity measure would allow examination of brand equity as conceptualised by David Aaker. It can be used to determine the brand equity of existing brands. Secondly, the measure would be more useful for testing consumer-based brand equity theories than other previous measures, as it incorporates and operationalises brand equity from a second-order perspective.

The present study seeks to develop a model of brand equity and present empirically provide evidence of construct validity of the proposed model. In this model, the second-order factor, brand equity, is composed of four first-order factors; brand awareness, brand loyalty, perceived quality, and brand associations.

The current model extends the previous definition by redefining the order of the constructs. Specifically, the following hypotheses were examined: responses to the brand equity measures can be explained by four first-order factors, namely, brand awareness, brand loyalty, perceived quality, and brand associations, and one second-order factor (brand equity). Lower-order factors or indicators are generated by higher-order factors, that is, significant relations among the same-level factors or indicators indicate that there exists a higher-order factor that explains the lower-order correlations (Bentler, 1992).

LITERATURE REVIEW

The Concept

Although several authors have elaborated on the definition and contents of brand equity, the number of studies which empirically test its proposed constructs is limited. The study by Yoo, Donthu, and Lee (2000) attempted to empirically test and operationalise one of the well-known conceptual brand equity models developed by Aaker (1991). They developed a multi-dimensional, customer-based brand equity scale, using Aaker's four theoretically-defined dimensions. In an attempt to generalise the measurement of the brand equity model devised by Yoo, Donthu, and Lee (2000), by re-testing the most popularly adopted brand equity dimensions, a study was conducted to determine the concurrence of results in the case of different product, country, sample profile and methodology.

A consumer-based brand equity scale is beneficial in several ways. First, it offers a means to test brand equity theories. According to Aaker brand equity provides value to customers by enhancing their interpretation and processing of information, confidence in the purchase decision, and satisfaction. Brand equity also provides value to the firm by enhancing efficiency and effectiveness of marketing programmes, prices and profits, brand extensions, trade leverage, and competitive advantage. Similarly, Keller (1993) proposes that enhancing brand equity results in the company's ability to command larger margins from consumers, elicits increased consumer information search, and improves marketing communication effectiveness, licensing opportunities, and consumers' responsiveness to brand extensions. A brand equity measure would allow investigation of the role of brand equity in Aaker's and Keller's models. Specifically, it may be used to measure the brand equity of existing brands, and to examine the relationship of brand equity to the firm and consumer benefits.

Second, the measure would be more useful for testing consumer-based brand equity theories than any other previous measure. A consumer-based brand equity study needs a measure that assesses individual customer's brand equity. However, some of the previous measures are designed to measure brand equity of aggregate products at the industry or the firm level (e.g., Simon and Sullivan, 1993; Mahajan, *et al.*, 1994). Others measure an individual customer's brand equity (e.g., Rangaswamy, *et al.,* 1993; Swait, *et al.*, 1993; Park and Srinivasan, 1994; Cobb-Walgren, *et al.*, 1995), but the psychometric properties have not been reported or fully analysed. As a result, the previous measures may not be appropriate to studies that examine consumer-based brand equity phenomena.

A snapshot of different conceptualisation and measurement perspectives is provided in Table 1.

Table 1

Dimensions and Determinants of Brand Equity

Author	*Description/ Dimensions*
Farquhar (1989) Aaker (1991)	The added value with which a brand endows a product is brand equity. Brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol that add or subtract from the value provided to a firm and/or to that firm's customers.
Keller (1993); Simon and Sullivan (1993); and Mahajan, et al. (1994).	Five dimensions of brand equity as brand loyalty, name awareness, perceived quality, brand associations, and other proprietary brands assets (e.g.. distribution system).
Feldwick (1996a,b)	Depending on the context, brand equity can assume three different meanings
Aaker (1996a)	An upgraded model based on his previous work on brand equity. He proposed a ten-dimensional brand-equity model.
Baldinger and Rubinson (1997)	Customer attitudes can be measured with some level of validity and that brands (large or small) do show a decrease of strength when observed over a long period of time
Cook (1997)	Due to long-term product and company lifecycles there is no substantial impact of advertising on brand equity
Farr and Hollis (1997)	Advertising campaigns add to the development of brand equity over a period of time
Chen (2001)	Model where he tried to identify the types of association and the relationship between brand equity and brand associations
Park and Srinivasan (1994)	The method calls for gathering consumer's attitudes and opinions in order to come down to various factors contributing to the brand equity.
Agarwal and Rao (1996)	Developed an 11-point scale to measure consumer-based brand equity
Yoo and Donthu (2001)	Developed a multi-dimensional consumer-based brand-equity scale, which was based on the work of Aaker
Pappu, et al. (2005)	Brand equity is the attachment that a customer has to a brand
Zeithaml (1988)	Perceived quality is defined as consumer's subjective evaluation of overall excellence of a product.
Netemeyer, et al.(2004)	Developed scales to empirically validate the brand-equity model.
Kotler and Keller (2009)	Brand equity is the added value endowed on products and services. It may be reflected in the way consumers think, feel, and act, with respect to the brand, as well as in the prices, market share, and profitability the brand commands for the firm.

Many scale and instrument development relied exclusively on an emic approach, in which a scale is first developed in one culture, then validated or simulated in other cultures (Netemeyer, *et al.*, 2004; Durvasula, *et al.*, 1993).

The term 'brand equity' came to light in the 1980s, and was defined as "the added value with which a brand endows a product" (Farquhar, 1989). This definition looks rather simple at the first glance, but it formed the basis for all the future studies. Aaker (1991) gave one of the most comprehensive definitions of brand equity, as "a set of brand assets and liabilities linked to a brand, its name and symbol that add or subtract from the value provided to a firm and/or to that firm's customers."

The model incorporated five dimensions of brand equity: brand loyalty, name awareness, perceived quality, brand associations, and other proprietary brands assets (e.g., distribution system). The performance of the brand on these dimensions determines the brand equity. The definitions of brand equity given by Farquhar and Aaker were subsequently validated by those given by Keller (1993), Simon and Suillivan (1993), and Mahajan and Srivastava (1994).

In 1996, some scholars criticised the above-mentioned definitions on the ground of being too simplistic. Feldwick (1996a) argued that, depending on the context, brand equity could assume three different meanings. At a given time, brand equity could be used to refer to brand description, brand strength, and brand value. Thus, brand equity is a fuzzy concept and lacks measurability and application in the business world.

The concept got further strength from the works of Agarwal and Rao (1996), who tried to validate the various measures of brand equity. Aaker (1996) came up with an up-graded model based on his previous work on brand equity and proposed a ten-dimensional brand equity model.

The lack of tangibility and clear definition for brand equity, as pointed out by Feldwick (1996b), was further supported by Ehrenberg (1997a). He was of the view that high brand equity is the result of large sales and advertising budget, since consumers more often than not preferred the larger brand names. However, his assertion was contradicted by Baldinger and Rubinson (1997), who conducted a research which showed that customer attitudes can be measured with some level of validity and that brands (large or small) do show a decrease of strength when observed over a long period of time.

According to Ehrenberg (1997b), who debated against brand equity, it is very difficult to maintain differentiation based on brand and that too in case of competitive brands, because in his view, a unique brand as well as a successful advertising can and is imitated by the competition. Thus, it becomes very difficult for a brand to maintain sustainable differentiation over a period of time.

As per Cook (1997), due to long-term product and company lifecycles, there is no substantial impact of advertising on brand equity. Advertising campaigns add to the development of brand equity over a period of time (Farr and Hollis, 1997).The attitude consumers form about a brand leads to the image the brand makes in their mind. The brand attitude contributes to the brand image and would lead to brand equity. Faircloth, Capella, and Alford (2001) developed a stage model supporting the argument. It was Chen (2001) who tried to develop a model where he sought to identify the types of association and the relationship between brand equity and brand associations. He classified the brand association into product association and organisational association. He also sought to study the impact of brand association on brand equity.

According to Kotler and Keller (2009), brand equity is the added value endowed on products and services. It may be reflected in the way consumers think, feel, and act with respect to the brand as well as in the prices, market share, and profitability the brand commands for the firm.

Consumer-based Brand Equity

The chief proponent of consumer-based brand equity is Keller (1993), who defined customer-based brand equity as the degree of difference between the effects of brand knowledge on consumer response to the marketing of a brand. Keller proposed an indirect approach to measure the level of brand awareness using techniques, such as aided and unaided memory measures. Next, using branded and unbranded products, he tried to determine the effect of brand knowledge on consumer response, thereby leading to a measurement tool.

Park and Srinivasan (1994) developed a survey-based method of measurement. This method calls for gathering consumers' attitudes and opinions in order to come down to various factors contributing to the brand equity. Lassar, Mittal, and Sharma (1995) developed a 17-point scale which sought to measure brand equity across performance, value, social image, trustworthiness, and commitment. Agarwal and Rao (1996) came up with an 11-point scale to measure consumer-based brand equity.

Finally, Yoo and Donthu (2001) developed a multi-dimensional consumer-based brand equity scale, which was based on the work of Aaker. The scale sought to measure brand equity across brand awareness, brand associations, brand perceived quality and brand loyalty. The scale developed by Yoo and Donthu (2001) was validated by Washburn and Plank (2002) and supported their scale to be a major step towards the development of a reliable scale to measure brand equity.

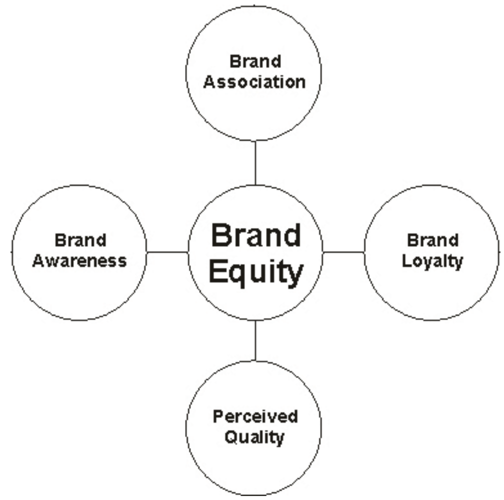
A Conceptual Framework for Measuring Consumer-based Brand Equity

Different authors have defined and developed models to measure the consumer-based brand equity. Here, we have chosen the model given by Aaker (1991) that takes into consideration the consumer-based dimension of brand equity construct.

The consumer-based brand equity consists of four dimensions, as shown in Figure 1.

Figure 1

Modified Aaker's Model of Brand Equity



Source: Aaker, David A. (1991), *Managing Brand Equity* (New York: The Free Press)

These dimensions are elaborated and research questions are answered in the following paragraphs.

Brand Loyalty: Brand loyalty is defined by Aaker (1991) as "the affection that a customer has towards a brand". Aaker (1996b) argues that brand loyalty is the core of brand equity as it provides barrier to entry, a basis for price premium, gives time to respond to competitor action, and provides safeguard against price competition.

Research Question1: Does brand loyalty have a significant influence on brand equity?

Perceived Quality: Perceived quality is defined as consumer's subjective evaluation of overall excellence of a product (Zeithaml, 1988). Aaker (1996) suggests that perceived quality is one of the key dimensions to measure brand equity. It is a competitive necessity and many companies today have turned customer-driven quality into a potent strategic weapon. It creates customer satisfaction and value by consistently and profitably meeting customer's needs and preferences for quality. Kotler and Keller (2009) draw attention to the intimate connection among product and service quality, customer satisfaction, and company profitability.

Research Question 2: Does perceived quality have a significant influence on brand equity?

Brand Awareness: Brand awareness deals with the strength of a brand's presence in consumers' mind. Aaker (1991) defines brand awareness as "the ability of potential buyers to identify and recall that a brand is a member of a certain product category." Keller (2003) proposes that brand awareness consists of brand recognition and recall. Whereas brand recognition is defined as the ability of consumers to correctly identify that he/she has heard of the brand before, brand recall deals with consumer's ability to retrieve the brand from memory when given certain cues related to product category, needs, and purchase or usage situation (Keller, 2003).

Research Question 3: Does brand awareness have a significant influence on brand equity?

Brand Associations: Aaker defines brand association as "anything linked in memory to a brand. Brand associations are understood to contain the meaning of the brand for consumers (Keller, 1993). Strong and positive brand associations contribute toward brand equity. According to Aaker, brand association creates value for customers as well as marketers, because brand associations help consumer decipher information quickly, differentiate an offering, provide reason to buy and a basis for extension.

Research Question 4: Does brand association have a significant direct effect on brand equity?

Dimensions of Brand Equity: Collectively, brand equity consists of four dimensions: brand loyalty, brand awareness, perceived quality of brand, and brand associations, as proposed by Aaker (1991, 1996) and Keller (1993). These dimensions may be used to explore the findings of marketing and consumer behaviour research in relation to brand equity (Barwise, 1993). Thus, we develop a brand equity measure that capitalises on these dimensions.

Research Question 5: Can brand equity be conceptualised as a multi-dimensional construct of higher-level abstraction relative to its various dimensions?

Second-order Factor Approach: A Perspective

Exploratory Factor Analysis (EFA) seeks to uncover the underlying structure of a relatively larger set of variables. A researcher's prior assumption is that any indicator or item may be associated with any factor. When there is no past theory, factor loadings are used to decide the factor structure of the data (Hair, *et al.*, 2006). In contrast, Structural Equation Modelling (SEM) seeks to determine whether the number of factors and the loadings of measured (i.e., indicators/item) variables on them match to what is likely on the basis of pre-established theory. A researcher's '*a priori*' assumption is that each factor (the number and labels of which may be specified '*a priori*') is associated with a specified sub-set of indicator variables (Kim and Mueller, 1978).

The types of SEM done by Millan and Esteban (2004) are termed as the first-order factor models. In this type of SEM model, the researcher specifies just one level of factors (the first order) that are correlated. But this approach presumes that the factors, although correlated, are separate constructs. What if, supposing that the researcher had a construct, such as brand equity with several facets or dimensions? It would be essential to see if the dimensions are correlated, and more than that, what is actually needed is a means of signifying the structural relationships between the dimensions and the constructs.

This is consummated through the specification of a second-order factor model which posits that the first-order factors estimated are, in fact, sub-dimensions of a broader and more encompassing second-order factor (Hair, *et al.*, 2006), which, in this case, is brand equity. This second-order factor is entirely latent and unobservable. There are two exclusive characteristics of the second-order model: first, the second-order factor becomes the exogenous construct, whereas the first-order factors are endogenous; second, there are no indicators of the second-order factor.

Need for a Second-order Factor to Evaluate Brand Equity

In the contemporary literature, brand equity has been exclusively treated as a first-order factor. Treating brand equity as such ignores the fact that it is a construct of higher-level abstraction in relation to its various dimensions. We feel it is highly imperative to differentiate overall brand equity from specific factors of brand. Brand equity is a multi-dimensional construct and, therefore, each of these dimensions have specific content domain and can behave independently and failure to treat this distinction may lead to serious problems in measurement development and model specification. Edwards and Bagozzi (2000) observe that for measuring a general construct ξ (in our case, brand equity) with scale items (y_i) that indicate specific facets η_j distorts the relationship between the general construct (ξ) and those measures (y_i).

When the measures are reflective indicators of various facets that are determined by the general construct, the following measurement model should follow.

$$y_i = \Lambda_{ij} (\Gamma_j \xi + \zeta_j) + \varepsilon_i \qquad (1)$$

where yi are indicators of brand equity constructs η_j (i.e., $y_i = \Lambda_{ij} \ \eta_j + \varepsilon_i$) and η_j are determined by the general construct ξ(i.e. η_j **(**$\Gamma_j \xi + \zeta_j$**)**, where Λ_{ij} indicates the effect of η_j on y_i and Λ_{ij} captures the effect of ξ on η_j. However, when the general construct is directly measured with items that tap into specific facets of the construct, this relationship is mistakenly specified as a direct reflective model, such that:

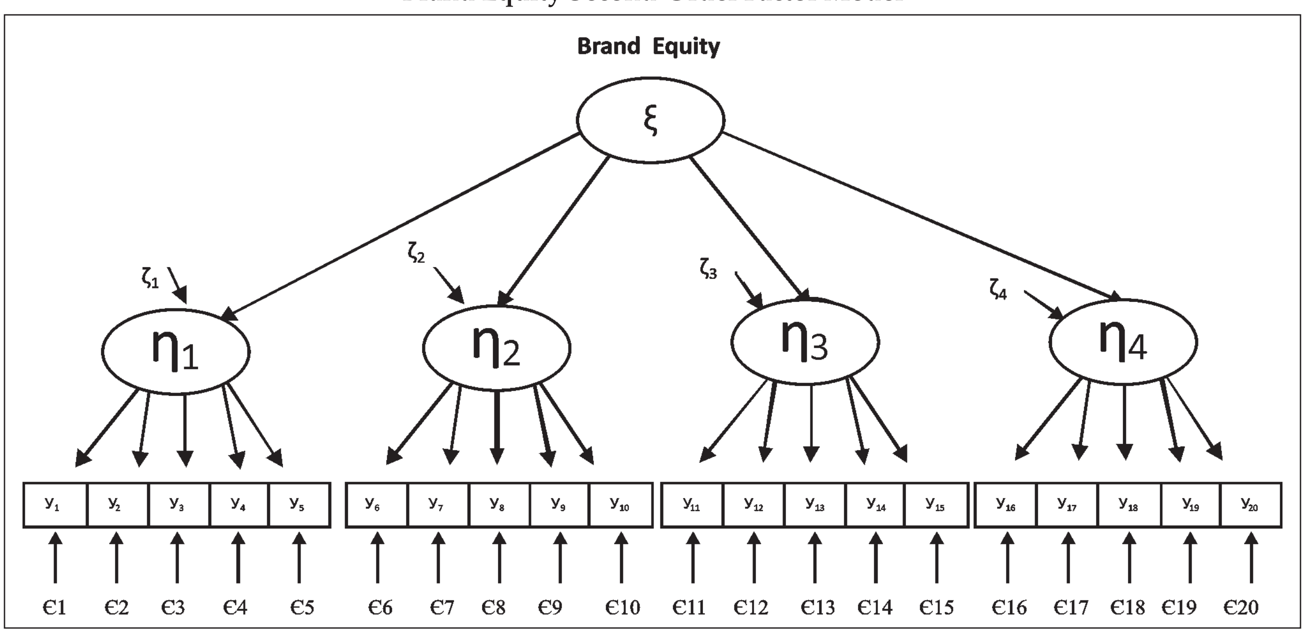
$$x_i = \Lambda_i \xi + \delta_i \qquad (2)$$

where the indicator y_i, as determined by an endogenous variable in the path diagram (Figure 2), was specified as x_i, indicator of the exogenous variable, and Λ_I becomes the direct link between the general construct ξ and the facet indicator (x_i).

In order to avoid specification problems, Gerbing and Anderson (1988) suggested the shifting of the level of analysis to reflect different levels of abstraction in model specification by embedding the one-dimensional scale (measures of each dimension) within a high-order factor structure. Using the same line of reasoning, it can be argued that brand equity, as a multi-faceted construct, should be modelled as a second-order factor to reflect the true relationship.

Figure 2

Brand Equity Second-Order Factor Model



The second-order factors are generally viewed as latent variables of higher abstraction that can explain co-variations observed among a construct's various dimensions. Such a view of the second-order factor implies a causal flow from the general construct to the first-level factors. Recently, Jarvis, *et al*. (2003) convincingly demonstrated that actual model specification for a particular construct depends on the nature of the relationship between the construct (a second-order factor) and its dimensions and the relationship between specific dimensions (first-order factors) and their respective measures. Given the various possibilities of specification, the nature of the relationship between the second-order factor (e.g., brand equity) and first-order factors (dimensions of brand equity) as well as their measures must be thoroughly examined in order to model the relationship correctly.

OBJECTIVES OF THE STUDY

In the present research, we attempt to develop a multi-dimensional brand equity scale and provide an alternative measurement model of brand equity. Therefore, the main purpose and objective of this study is to extend previous research through accomplishing the following tasks:

1. Develop and test a multi-dimensional scale of brand equity;
2. Formulate an alternative measurement model in which brand equity is specified as a construct of higher abstraction, a second-order factor; and
3. Empirically test the alternative measurement model and assess the nature of the relationship of the overall brand equity to its various dimensions.

Authors have recognised that brand equity is a multi-dimensional construct and each dimension may vary independently (Mayer, *et al.*, 1995; Singh and Sirdeshmukh, 2000). The theory on uni-dimensionality requires that the set of measurement items contained in a scale must all measure just one thing in common. An important implication of the uni-dimensionality theory is that if various facets of a construct mean different dimensions, then each dimension should be treated separately with its own set of effect indicators (Bollen and Lennox, 1991). Accordingly, in our measurement model, facet measures are specified as reflective measures of facet constructs. Because each dimension deals with a single aspect of the multi-faceted construct, the general construct cannot be adequately represented, unless all the essential dimensions are included in the measures of a multi-dimensional scale. Since brand equity may arise from different dimensions of a brand and based on our hypothesis, the following model is proposed for the study, where the previously defined four factors collectively load on a single factor, called brand equity.

The path diagram for the second-order factor model (Figure 2) consists of a structural equation and a measurement equation and the dimensions of parameters are denoted in parentheses:

Symbolically, the structural equation links the four brand equity factors, η, to the latent factor brand equity, ξ.

Structural equation:

$$\begin{array}{lllllll} \eta & = & \Gamma & \xi & + & \zeta & (3) \\ (4\times1) & & (4\times1) & (1\times1) & & (4\times1 & \end{array}$$

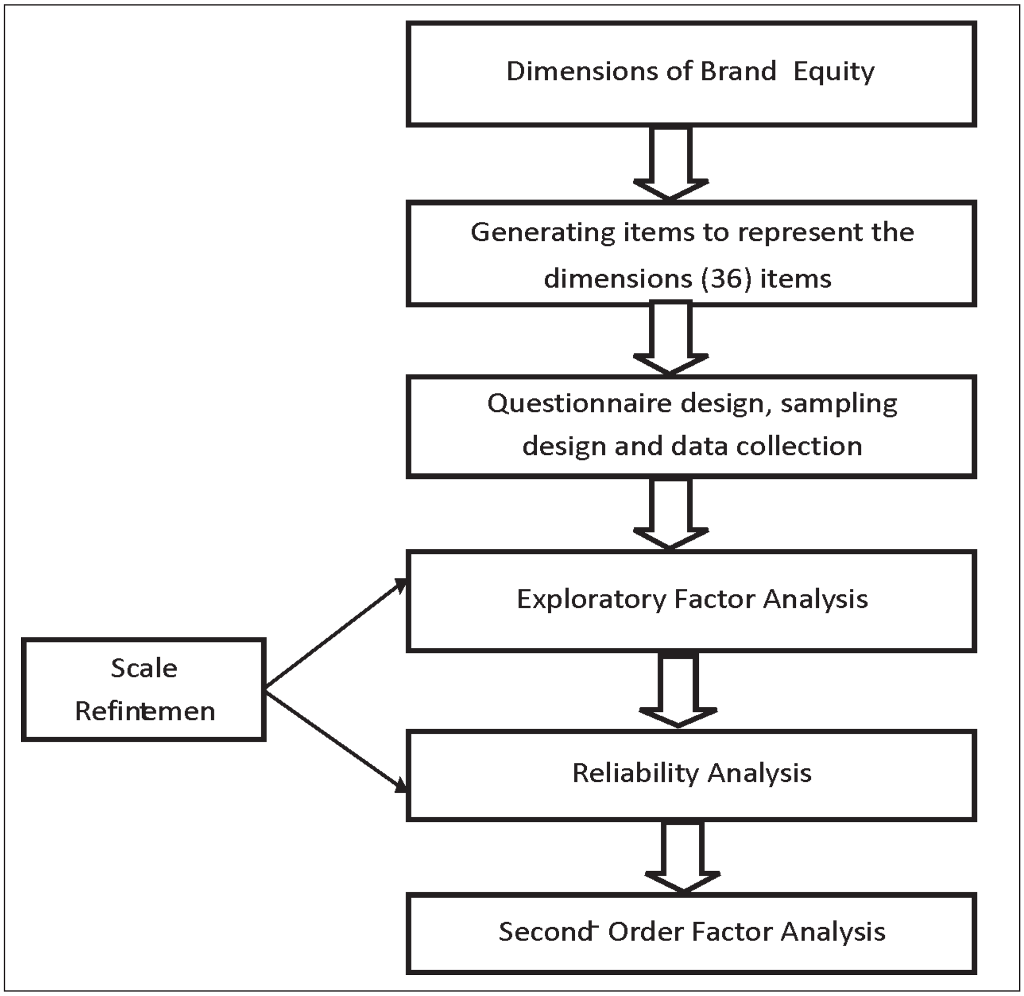
Measurement equation:

$$\begin{array}{lllllll} y & = & \Lambda_y & \eta & + & \varepsilon & (4) \\ (20\times1) & & (20\times4) & (4\times1) & & (20\times1) & \end{array}$$

The measurement equation links the observed indicators, y, to their respective hypothesised brand equity factors, η. While the first-order factor loadings are given by Λ_y, the second-order factor loadings are given by Γ. The first-order factor loadings represent the structural coefficients (λ_i), linking the brand equity factors (η_i) to their respective hypothesised measurement indicators (y_i). The second-order factor loadings represent the structural coefficients (γ_i), linking the brand equity factors (η_i) to the overall brand equity factor ξ. The vectors, ζ and ε, represent the error variables in each of the equations.

Figure 3

A Synoptic View of the Research Process



The higher-order factors are hypothesised as accounting for all variances and covariance related to the lower-order factors. All regression paths are freely estimated. However, for the reasons linked to model identification issue, a constraint must be placed on either one of the regression paths, or on the variance of an independent factor; both parameters cannot be estimated simultaneously. Generally, the impact of higher-order loadings on lower-order factors is of the primary concern, the variance of the higher-order factor is typically constrained to equal to 1.0, thereby leaving the higher-order loadings to be freely estimated. The second aspect of this higher-order model is that the lower-order factors function as dependent variables and, therefore, it follows that their variances and covariance are no longer estimable parameters in the model; such variation is presumed to be accounted for by the higher-order factor.

Finally, the prediction of each of the first-order factors from the second-order factors is not presumed to be without error. Thus, a residual term is associated with each of the lower-order factors (Byrne, 2001).

RESEARCH METHODOLOGY

The process that produced the scale in this study involves a sequence of steps consistent with the conventional guidelines for scale development. It is shown in Figure 3 (Churchill, 1979; Anderson and Gerbing, 1988).

Item Generation and Purification

After a thorough review of the literature and on the basis of the previously established definitions, a pool of 36 items was generated, These items were taken from empirically-tested scales from authors, such as Yoo, *et al.* (2000), Yoo and Donthu (2001, 2002), Washburn and Plank (2002), Netemeyer, *et al.* (2004), and Pappu, *et al.* (2005). Content validity was established by evaluating the items for conformity to the theoretical definitions and for redundancy. After screening of items independently, a total of 25 items were retained for psychometric assessment.

Principal components analysis with varimax rotation was performed to identify the factors of brand equity. Factor analysis is intended to classify a set of variables in terms of a smaller number of theoretical variables or to explore underlying dimensions (Kim and Mueller, 1978).

In the next step, internal consistency analysis was made for achieving reliability in the scale based on exploratory factor analysis. Cronbach's α, a traditional technique for assessing reliabilities for each factor (Carmines and Zeller, 1979), was used. For internal consistency, it was determined that reliabilities should not be below 0.6 (Churchill, 1979). After the testing of the instrument, we were left with 20 items, distributed equally along the four dimensions of brand equity.

Data Collection

For the purpose of the study, a sample of 800 respondents was chosen. The sample consisted of under-graduate as well as post-graduate students. Some researchers have argued that the use of student subjects in measurement/scale development research threatens the external validity and generalisation of findings due to the non-representativeness and distinctive characteristics of the population (Burnett and Dunne, 1986).

However, the use of students as respondents in academic research is acceptable and even desirable in many cases, especially when they constitute the major consumer segment for the selected product (Yoo, *et al.,* 2000). Students are deemed acceptable for theory testing research in which the multivariate relationships among constructs, not the univariate differences (i.e., mean score comparisons) between samples, are to be investigated (Calder, *et al.*, 1981). Thus, a structured questionnaire was developed to collect data pertaining to the various facets of brand equity. A total of 457 questionnaires were deemed to be useable for the final data analysis, which is well above the critical sample size of 200 for developing structural equation models (Hair, *et al.,* 2006).

The respondent-students provided evaluations on 20 attributes across the entire spectrum of ways in which they might interact with and evaluate the brand. On the survey instrument, respondents were asked to rate the *Levis* jeans on a seven-point scale of agreement-disagreement, rather than the five-point response scale employed by Yoo, *et al.* (2000). The reason for using an interval scale is that it permits the researchers to use a variety of statistical techniques, which can be applied to nominal and ordinal-scale data, in addition to the arithmetic mean, standard deviation, product-moment correlations, and other statistics commonly used in marketing research (Malhotra, 2004).

DATA ANALYSIS AND FINDINGS

The design of the study assured independent and random responses. However, the 20 variables (items) were tested according to their distributional characteristics. Exploratory data analysis was performed to weed out outliers and was examined in particular for normality and kurtosis. None of the variables was found to have significant departure from normality or pronounced kurtosis, and, therefore, all 20 variables were found suitable for use.

The scale was refined initially through an iterative process of EFA and reliability analysis. A total of 4 factors emerged after the refinement round. EFA was done by using SPSS 16.0. The principal component analysis was employed

Table 2

Reliability Coefficients

F1 Brand Awareness		***Reliability Cronbachs (α)***
(AWR1)	I can easily identify Brand X among other Brands	0.860
(AWR2)	I know what X looks like	0.856
(AWR3)	I have heard of Brand X before	0.821
(AWR4)	When I think of _______ product, Brand X comes to my mind.	0.877
(AWR5)	When it comes to purchasing ______ product, Brand X comes to my mind first.	0.847
F2 Brand Associations		
(ASSOC1)	I have clear idea of the kind of people who uses brand X.	0.715
(ASSOC2)	Brand X is associated with excitement.	0.860
(ASSOC3)	Brand X is associated with sophistication.	0.902
(ASSOC4)	Brand X is associated with strength	0.877
(ASSOC5)	Brand X comes from a company with a good reputation.	0.814
F3 Brand loyalty		
(BLOY1)	I would not buy other brands, if X is available at the store	0.855
(BLOY2)	I would like to buy another product of the same brand next time.	0.913
(BLOY3)	X would be my first choice	0.872
(BLOY4)	It is very likely that I will buy the Brand X next time I buy the given product.	0.815
(BLOY5)	With brand X I obtain what I look for in a product.	0.876
F4 Perceived quality		
(PQUAL1)	X is of high quality	0.879
(PQUAL2)	The likely quality of X is extremely high	0.910
(PQUAL3)	The likelihood that X is reliable is very high	0.716
(PQUAL4)	X must be of very good quality	0.822
(PQUAL5)	The price of Brand X reflects its quality	0.875

for extraction and varimax method, with Kaiser Normalisation, was used for rotation. The rotation converged in 18 iterations. The 'Bartlett's test of 'sphericity' was significant and the Kaiser-Meyer-Olkin (KMO) measure of sample adequacy was found to be 0.9. Researchers have argued that for this measure, a value greater than 0.5 is desirable (Malhotra, 2004). Thus, factor analysis can be employed on the data for analysing the correlation matrix.

Reliability analysis was done again with the help of SPSS, and all the items had a reliability (Chronbach's α) greater than 0.6. While conducting an exploratory factor analysis (Table 3), factors with Chronbach's α greater than 0.6, were considered to have good internal consistency (Hair, *et al.*, 2006; Malhotra, 2004). The reliability values are given in Table 2.

Model Estimation

The hypothesized model was a hierarchical, second-order CFA model, which is depicted in Figure 2. The evaluation of the model adequacy was based on the chi-square statistic, comparative fit index (CFI), goodness-of-fit index (GFI), root-mean error approximation (RMEA), and standardised root-mean squared residual (SRMSR). In addition, the investigators' knowledge of the data and theoretical and conceptual aspects of research in modelling brand equity were considered in evaluating the model adequacy. Examinations of the item univariate statistics and normalised estimate of multivariate kurtosis indicated that maximum likelihood estimation would be appropriate for the present study.

Table 3

Factors Loading from EFA

Interpretation of the Factors			
Factor	*(% Variance Explained)*	*Loading*	*Brand equity attribute*
F1	**Brand awareness (17%)**		
(AWR1)		0.736	I can easily identify Brand X among other Brands
(AWR2)		0.747	I know what X looks like
(AWR3)		0.812	I have heard of Brand X before
(AWR4)		0.798	When I think of ____ product, Brand X comes to my mind.
(AWR5)		0.713	When it comes to purchasing ___ product, Brand X comes to my mind first.
F2	**Brand associations (19%)**		
(ASSOC1)		0.754	I have clear idea of the kind of people who use brand X.
(ASSOC2)		0.762	Brand X is associated with excitement.
(ASSOC3)		0.783	Brand X is associated with sophistication.
(ASSOC4)		0.771	Brand X is associated with strength
(ASSOC5)		0.812	Brand X comes from a company with a good reputation.
F3	**Brand loyalty (27%)**		
(BLOY1)		0.861	I would not buy other brands, if X is available at the store
(BLOY2)		0.822	I would like to buy another product of the same brand next time.
(BLOY3)		0.754	X would be my first choice
(BLOY4)		0.0762	It is very likely that I will buy Brand X next time I buy the given product.
(BLOY5)		0.759	With brand X, I obtain what I look for in a product.
F4	**Perceived quality (14%)**		
(PQUAL1)		0.813	X is of high quality
(PQUAL2)		0.712	The likely quality of X is extremely high
(PQUAL3)		0.706	The likelihood that X is reliable is very high
(PQUAL4)		0.719	X must be of very good quality
(PQUAL5)		0.698	The price of Brand X reflects its quality

Table 4
Structural Equation Parameters and their Estimates

Para-meter	*Estimate*	*t-value*	*Para-meter*	*Estimate*	*t-value*
$\lambda_{1,1}$	**1.00**	N/A	$\lambda_{1,3}$	**1.00**	N/A
$\lambda_{2,1}$	0.89	12.11	$\lambda_{2,3}$	1.15	12.82
$\lambda_{3,1}$	0.67	8.29	$\lambda_{3,3}$	1.01	11.35
$\lambda_{4,1}$	0.75	9.57	$\lambda_{4,3}$	0.83	8.90
$\lambda_{5,1}$	0.90	12.30	$\lambda_{5,3}$	0.99	8.33
$\lambda_{1,2}$	**1.00**	N/A	$\lambda_{1,4}$	**1.00**	N/A
$\lambda_{2,2}$	0.85	14.87	$\varpi\lambda_{2,4}$	1.18	9.73
$\lambda_{3,2}$	0.89	16.64	$\lambda_{3,4}$	1.04	8.70
$\lambda_{4,2}$	0.64	9.12	$\lambda_{4,4}$	0.94	7.94
$\lambda_{5,2}$	0.76	12.01	$\lambda_{5,4}$	0.98	10.3
y_1	0.72	10.43	y_3	0.68	8.94
y_2	0.63	8.72	y_4	0.62	8.88

Note: The underlined estimates indicate those parameters that have been constrained to equal 1 in order to fix the scale of the latent variables. *t*-values are absolute values.

In keeping with the practice and to make the model more parsimonious, the factor loading of the first item in each construct was fixed to 1.00, and the variance of the second order factor was fixed to 1.00. No adverse estimates were observed, such as non-significant error variances for constructs or standardised coefficients exceeding or very close to 1.0. Parameter estimates and *t* values are provided in Table 4. Thereafter, the goodness-of-fit for the overall model was checked. Numerous indices are now commonly available for determining the global-fit of a model.

Breckler (1990) advises investigating multiple-fit criteria, rather than relying on a single measure (statistic). The most commonly reported fit index is the chi-square (χ^2) relative to the degrees of freedom (df). Goodness-of-fit measures the

Table 5

Goodness of Fit Indices

Test Statistics	*Critical value*	*Interpretation*	*Structural Model*
Chi-squared Tests			
1. Normed chi-squared test	Chi-squared/df ≤2	Good fit to the just-identified model.	1.98
Incremental Measures			
1. Bentler-Bonnet Non-Normed Fit Index (BBNFI)	0≤ BBNFI ≤1	Comparative Index between proposed and null models	0.87
Test Statistics Using Covariance Matrix			
1. Goodness of fit index (GFI)	0.9 < GFI < 1	Assessing the proportion of the variability in the sample covariance matrix explained by the model; GFI> 0.9 suggests a good fit	0.921
2. Adjusted goodness of fit index (AGFI)	0.9 < AGFI < 1	Good fit to the just-identified model.	0.934
3. Standardized root mean squared residual (SRMR)	0 < SRMR < 0.05	Good model fit.	0.022
Comparisons with Independence Models			
1. Normed fit index (NFI)	0.9 < NFI < 1	Not parsimony adjusted; normed; NFI > 0.9 suggests a good fit	0.926
2. Non-normed fit index (NNFI) [the Tucker-Lewis Index]	0.9 < NNFI < 1	Percent improvement over null model	0.937
3. Comparative fit index (CFI)	0.9 < CFI < 1	Assuming non-central chi square distribution; assessing the improvement of the hypothesized model relative to the independence model. About 0.90 or higher suggests a good fit	0.949
Root mean square error of approximation (RMSEA)	0 < RMSEA < .08	Good model fit.	0.064

Note: AGFI=Adjusted Goodness-of-Fit-Index, CFI=Comparative Fit Index, GFI=Goodness-of-Fit Index, NFI=Normed Fit Index, NNFI=Non-normed Fit Index, RMSEA=Root Mean Square Error of Approximation, SRMR=Standardized Root Mean Square Residual.

a. NFI may not reach 1.0 even if the specified model is correct, especially in smaller samples (Bentler, 1990).

b. As NNFI is not normed, values can sometimes be outside the 0-1 range.

c. NNFI and CFI values of .97 seem to be more realistic than the often reported cut-off criterion of 0.95 for a good model fit.

Table 6

Measurement Analysis: Composite Reliability and Average Variance extracted

Factor	*Composite Reliability*	*Average Variance Explained*
Brand awareness	0.838	0.742
Brand associations	0.845	0.765
Brand loyalty	0.836	0.863
Perceived quality	0.871	0.708

association of the actual or observed correlation matrix with that predicted from the proposed model. The commonly reported test statistics, summarised in Table 5 and described below, enable evaluation of model fit at both the measurement level and full structural model. Test for goodness of fit indicated an acceptable level (Kline, 2005; Hair, *et al.*, 2006). Structured Equation Modelling was done with both AMOS 16.0 and LISREL 8.8, to calculate various indices of fit. No differences were found in the results of the two.

Discussion and Summary of Results

We developed a scale to measure brand equity. In assessing the reliability of scale items, Cronbach's α was calculated for item and total correlation. An exploratory factor was performed and by using the principal components analysis with the varimax rotation. The results suggest that the scales were highly reliable and that the corresponding items of each scale clustered into a single factor with noteworthy factor loadings. In all the cases, the variance exceeded 70 per cent. Validity of the scale was determined using factor correlations, composite scale reliability and the average variance explained (Table 6). All were deemed to be adequate.

The items loaded (standardised loadings) well on to their respective constructs and were significant with values above 0.5, suggestive of the convergent validity of each factor. Composite reliability and average variance extracted indices were also well beyond the minimum recommended standard of 0.6 (Bagozzi and Yi, 1988). Discriminant validity was also established as none of the confidence intervals around the correlation estimate between any two factors contained a value of one.

The present study examined a hierarchical model of brand equity as conceptualized by Aaker (1991). The hypothesized model fit the current data well. The second-order factor, brand equity, was composed of four first-order constructs, which correlated highly among each other while revealing a large enough correlation to explain the existence of higher-order factors. In sum, the significant factor loadings and large explained variances indicated that the hypothesized second-order CFA model was adequately specified.

The most commonly-reported test statistic is the chi-squared goodness of fit test. Its degrees of freedoms are calculated by subtracting the number of parameters in the just-identified model against that of the over-identified model. As such, this test assesses the adequacy of the over-identified model in relation to the just-identified model. If significant, it implies that the over-identified model is significantly different from the just-identified model. Moreover, a significant result suggests that the model would have been a better fit to the data, should it contain more of the additional parameters available in the just-identified alternative. Conversely, a non-significant result implies that the overi-dentified model conveys just as much information as the just-identified model (Kline, 2005). Thus, the goal is to find a non-significant goodness-of-fit result.

The chi-squared goodness-of-fit test is affected by sample size, with larger samples finding significant differences more often than warranted and smaller samples finding non-significant differences more often than warranted (Arbuckle, 2007; Kline, 2005; Ullman, 2001). For this reason, the normed chi-squared test, which divides the goodness-of-fit chi-squared test by its degrees of freedom, tends to be the second most commonly reported statistic. A normed chi-squared test result of 3 or less is non-significant, suggesting that the overidentified model conveys the same information as the just-identified model (Arbuckle, 2007; Kline, 2005).

The goodness-of-fit index (GFI) is a marker of the proportion of covariances explained by the model's constructed covariance matrix. The GFI ranges from 0 to 1, with high scores reflecting a good fit to the data (Arbuckle, 2007; Byrne, 2001; Kline, 2005). Similarly, the adjusted goodness of fit index (AGFI) adjusts the GFI to account for model complexity. It is interpreted in the same way as the GFI (Arbuckle, 2007; Byrne, 2001; Kline, 2005; Ullman, 2001).

The standardised root mean squared residual (SRMSR) also compares the observed covariance matrix against that constructed through the model, where the greater the residual differences between both matrices, the higher the SRMSR scores (Arbuckle, 2007; Byrne, 2001; Kline, 2005; Ullman, 2001). Thus, the objective, in this case, is to have a SRMSR score approaching zero (Byrne, 2001; and Ullman, 2001).

The normed fit index (NFI), the non-normed fit index (NNFI) [also known as the Tucker-Lewis index], and the comparative fit index (CFI) compare the fitted model to a 'null', or independence, model, where all manifest variables are assumed to be uncorrelated. These three test statistics, thus, consider whether the model is a significant improvement over the null model. While the high scores indicate a significant improvement over an independence model, low scores indicate no difference from an independence model

(Arbuckle, 2007; Byrne, 2001; Kline, 2005). Of the three test statistics, the CFI is less affected by the sample size, the NNFI adjusts the index for model complexity (Byrne, 2001; Kline, 2005).

The root mean square error of approximation (RMSEA) examines model fit, adjusted for model complexity with lower values indicating better model fit (Arbuckle, 2007; and Byrne, 2001). AMOS also provides 90 per cent confidence intervals and probability values for RMSEA, providing further evidence of model fit adequacy. The tighter the confidence intervals around the RMSEA value, the greater the confidence in adequacy of model fit. RMSEA confidence intervals are exaggerated by sample size and degree of model complication and, thus, needed to be considered with caution. Probability values of 0.5, or greater, suggest the adequacy of model fit (Byrne, 2001).

Irrespective of the results of the test statistics chosen, it is possible to have a model that is statistically acceptable (because the tests indicate a good fit), but has a poor fit in different parts of the model, little predictive power, or poor theoretical value. It is, thus, a common practice to report a number of test statistics, with the greater the number of tests supporting the model's fit, the greater the confidence with the chosen model (Kline, 2005). It is also advisable to assess whether the model relationships are in the expected direction (Bollen and Long, 1993).

Direction for Future Research: As this study has been carried out in northern part of India and on a single brand (Levis), the same instrument could be administered across different states, product categories, and brands to generalise the findings. Rosenthal and Rosnow (1984) suggested that a study needed to be replicated at least fifteen times before the results can be generalised, signifying that additional work on this model is necessary to generalise the findings. It is suggested, therefore, that in future research, some moderating variables such as mood, motivation or involvement may be considered, which may be able to explain any differences that may eventually crop up.

In addition, it should be highlighted that this model did not test whether an underlying structure, with two or more second-order factors, may also provide an acceptable fit. Breckler (1990) argues that if a model is found to provide a good global fit, it is very likely that many other models will also provide a good (if not a better) fit to the data. It can be difficult to construct even a small number of such alternative models, especially when many of them are not easily derived from, substantive theory. One of the limitations common to all second-order factor studies is that the second-order factor is more like a 'black-box' concept (Narayan, *et al.*, 2008). As we chose to deal with the higher-order factor as brand equity based on evidence from the literature is by no means the only possible way of defining it. It could well have been 'brand power or brand strength' and could have been substituted for the brand equity or any other related second-order factor or construct. There is no known way of conclusively proving this aspect, one way or the other. However, regardless of the categorisation used, the message behind naming these four factors should be the same.

CONCLUSION

Based on our study and the past researches (Ping, 2004), we can conclude that specifying and testing models using unobserved variables with multiple-item measures of these variables and the survey data in marketing should involve: (i) identifying the unobserved variables and model constructs, (ii) specifying the correct relationships among these constructs (cause-and-effect, higher-order relationships), (iii) developing appropriate measures of these constructs, (iv) gathering data using these measures, (v) validating these measures, and (vi) validating the model (i.e., testing the stated relationships among the constructs).

From a managerial perspective, the study suggests that brand equity should be viewed as a whole rather than in isolation. Thus, managers cannot be selective in implementing certain dimensions, such as increasing awareness levels through mass media advertising and in ignoring others, since all the sub-components serve as the building blocks of brand equity. The study suggests and substantiates that the four first-order factors load substantially onto the second-order factor and, hence, the results provide an initial empirical evidence of the importance of implementing brand equity measures holistically, rather than on a piece meal basis.

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BUILDING BRAND LOYALTY THROUGH ADVERTISING
Evidence from FMCGs Market

Komal Nagar*

Abstract

Markets today are inundated with a variety of products and countless brands, competing for the consumer's attention. To sustain brands in a changing environment, marketers look for ways of retaining the existing customers and finding new ones. Repeat purchase by a consumer due to his psychological attachment and commitment towards a brand translates into brand loyalty which is the result of a number of factors. The present study examines one of the factors affecting the consumer's brand loyalty, namely, advertising. The study also seeks to gain an understanding of the effect of advertising on the Econsumers' brand loyalty. Using a laboratory experiment, we sought to examine whether the exposure to advertisements of competing brands had any impact on the brand loyalty of the consumers. The experiment conducted on two fast-moving consumer goods (FMCGs)- washing powder and shampoo, has revealed that in the case of both the products, there was no significant difference in the consumer loyalty even after the exposure to advertisements of competing brands. The study also shows that the consumer's brand loyalty is not affected by age and income.

Key words: ***Advertising, Brand loyalty, Brand equity, Fast-moving consumer goods (FMCGs)***

INTRODUCTION

Retaining consumers is a difficult task in modern business. What they want and how they think are probably the most frequently-asked questions by companies. For decades, marketers have sought to explore this mystery. However, the results seem to be inconsistent and no satisfactory conclusions have yet been achieved. Complex consumer mindset and increased competition make the task even more difficult.

For the sustenance of a brand in the changing environment, a study of the consumer's commitment towards a specific brand assumes special importance. That is why companies study the brand loyalty of consumers. The importance of brand loyalty has been recognised in the marketing literature for at least three decades (Howard and Sheth, 1969), yet even today it remains an important question before the marketing executives. In the Western countries, brand loyalty is recognised

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as an asset and the consumers are even willing to pay more for a brand (Wernerfelt, 1991). Since brand loyalty is such an important concept in understanding consumer behaviour (Day, 1969; Huang and Yu, 1999), manufacturers have to keep it in view while planning their marketing mix.

Howard and Sheth (1969) proposed that for frequently-purchased products, especially low-priced ones, the buyers may routinise their brand purchases by using the same brand repeatedly over time. Some consumers may repeatedly purchase the same brand to save time and effort or because of certain situational factors, such as brand accessibility or high costs attached with switching to a competing brand. Some households may continue purchasing a previously chosen brand, but may switch brands in search of variety (McAlister, 1982; Kahn, Kalwani and Morrison, 1986). However, every repeat purchase does not necessarily exhibit loyalty towards the brand as it may be driven only by convenience. Such consumers might switch to another brand if it satisfies them according to their convenience. Thus, although repeat purchase behaviour was initially looked at as loyalty by early researchers (Kuehn, 1962; Tucker, 1964; Farley, 1964), it only reflects the convenience inherent in the repetitive and habitual behaviour rather than any real commitment to the brand purchased. Hence, 'true' brand loyalty is the commitment to the specific brand and goes beyond the repetitive behaviour (Quester and Lim, 2003). Brand loyalty is, therefore, considered to encompass both behavioural and attitudinal components (Chaudhuri, 1995; Baldinger and Rubinson, 1996). Behavioural loyalty is exhibited in terms of the number of brands purchased in the previous year as a negative indicator of loyalty (LeClerec and Little, 1997). According to McConnell (1968), brand loyalty exists when a consumer selects the same brand for atleast four successive trials. In contrast, the attitudinal component of brand loyalty implies repeat purchase behaviour based on cognitive, affective and connative components of attitude (Jacoby, 1971) which means that the consumer has a psychological attachment to the brand.

A consumer's brand loyalty is influenced by several stimuli in his environment, and he often reacts to it either by a positive or negative behavioural response. Some of the factors influencing brand loyalty are brand name (Aaker, 1996; Jacoby and Chestnut, 1978), product quality (Frings, 2005; Garvin, 1988; McCormic and Scorpio, 2000), price (Cadogen and Foster, 2000), style (Abraham and Littrell, 1995), store environment (Evans, *et al.*, 1996; Milliman, 1982), promotion (Evans, *et al.*, 1996) and service quality (Mittal and Lasser, 1996). Promotion, which is a component of the marketing mix, is a kind of communication with consumers, and includes the use of advertising along with sales promotions, personal selling, and publicity. Among these components, advertising plays an important and often a controversial role in contributing to brand loyalty (Aaker, 1996). Although advertising is recognised as a powerful means of creating strong, favourable and unique brand associations and eliciting positive judgments and feelings, the specific effects of advertising are often difficult to measure and predict.

Every year companies spend millions of rupees on advertising. The primary aim of advertising is to create brand awareness and eventually to retain the customers. If a consumer is exposed to a number of advertisements every day in different media, what happens to a consumer's brand loyalty in this advertising clutter? According to Deighton, Henderson and Neslin (1994), there are three effects that advertising exposure can have on the buyer's brand choice. It can increase the probability that he will change brands (brand switching), it can induce him to stay with the brand last purchased (repeat purchasing), or it can have no effect at all. But if a consumer repeats-purchases due to a commitment towards the brand, it is termed as brand loyalty (Jacoby, 1971). Thus, advertising affects brand share by either inducing switching or retaining consumers, who otherwise might have shifted.

REVIEW OF LITERATURE

During the past three decades, a large number of researchers and marketing practitioners have sought to study the relationship between brand loyalty and the factors that influence it. The increasing attention given to the subject has been manifested in various ways. Most studies of brand loyalty have involved the measurement and description of brand loyalty for existing brands and yet an important controversy among marketing executives pertains to brand loyalty. To create brand loyal consumers and to retain them, it is essential to understand the major factors that influence brand loyalty among them. Of the several factors that influence brand loyalty, the present research focuses on advertising, because although a lot of noteworthy work has been done in this area in the West, no research has been undertaken in India to assess the influence of advertising on brand loyalty. In this context, it is imperative to study brand loyalty and its relationship with advertising.

Brand Loyalty and Advertising

Charlton and Ehrenberg (1976) conducted an experiment to investigate how people change their buying habits over time. The experiment was conducted during twenty-five consecutive weeks in which housewives were given the opportunity to buy one package of laundry detergent and/or leaf tea, each week. They examined the effects of price differentials, sales promotions, advertising, and out-of-stock condition, the introduction of a new brand, and certain weak forms of brand differentiation. They defined 'loyal' users as those buying a certain brand at least four times in a six-week period that was free of any marketing activity. None of the four marketing stimuli - promotion, advertising, an out-of-stock condition, and the introduction of a new brand during the experiment, produced significant after-effects on brand loyalty.

Raj (1982) studied the effects of advertising on high and low loyalty consumer segments. Consumers who devoted more than fifty percent of their product class purchase to Brand A are classified as "high loyal" and others as 'low-loyal'. The high loyalty analysis showed that while increased advertising increases the quantity of Brand A purchased by those loyal to it, there was no equivalent decrease in the purchase of Brand B or other brands in the group. It has usually been assumed that the major effect of advertising is to switch consumers from competitive brands, but the study showed that the product purchase increased without a corresponding decrease to competing brand. This implies that little switching takes place from competitive brands into the advertised brand as only consumers loyal to the advertised brand increased the product purchases rather than others switching from competing brand to the advertised brand. Thus, advertisement only increased the quantity purchased by loyal consumers rather than increasing the base of the loyal segment.

In an attempt to assess the effect of advertising as a function of brand loyalty, Raj used a 'split-cable' test to show half of his subjects an advertisement that he categorized as a "mood" commercial. He found that this commercial affected only the purchase behaviour of loyal customers. Loyal customers of the advertised brand increased their consumption of the advertised brand, while loyal customers of a competitive brand decreased their consumption of their brand. Advertising had no impact on brand-switchers.

An interesting finding of the paper by Agrawal (1996) was that advertising directly affects the strength of loyalty that a consumer has for his favourite brand. If the favourite brand advertises, the loyalty strength increases, but if the rival brand advertises, the loyalty decreases. The analysis also indicated that, if one brand is sufficiently stronger than the other and if advertising is cost-effective, then the stronger brand loyalty requires less advertising, but a larger loyal segment requires more advertising than a smaller loyal segment. Also, stronger brand loyalty requires more trade promotion spending under these conditions. The empirical analysis, based on scanner panel data on seven product categories, provides encouraging evidence for the model. The model incorporates main effects of advertising, namely, brand reinforcement and of promotions, namely, brand-switching and repeat purchase in a competitive setting in the context of an established product.

Matthew (2004) confirmed that an important effect of advertising in the breakfast cereal market is to encourage 'switching' behaviour at the household level, which overcomes brand loyalty by persuading households to try brands that they have not purchased recently.

In a differentiated product market, where consumer preferences are characterised by brand loyalty, an important role for advertising to overcome brand loyalty by encouraging consumers to switch to less familiar brands. Using a scanner panel data set of breakfast cereals purchases, the author finds evidence consistent with the hypotheses that advertising counteracts the tendencies of brand loyalty toward repeat purchasing. Furthermore, counter factual experiments demonstrate that in markets with brand loyalty, advertising is an attractive and effective option relative to alternative promotional activities, such as price discounts of stimulating demand for a brand.

Deighton, Henderson and Neslin (1994) examined the switching and repeat purchase effects of advertising in mature, frequently-purchased products by developing a management science model of the effect of advertising on brand choice drawn from behavioural theories, and applied the model to estimate the effects using single-source data. They concluded that advertising works by attracting switchers, but appears to do little to change the repeat purchase probabilities of those who have just purchased the brand.

Tellis (1988) found that advertising had a small effect in winning new buyers but a little stronger effect in reinforcing preference. In other words, advertising seems to affect the loyal buyers more than the non-loyal buyers, causing an increase in the volume purchased rather than brand-switching. Thus, newer brands need very high level of exposure before they can induce trial.

Jones (1995) found that advertising did have short-term effects on household purchase of the advertised brands. However, the direction of the effect was not universal. About 50 per cent of the brands had ad effects that ranged from moderate to strong. About 30 per cent had effects that were not clearly distinguishable, while 20 per cent, strangely, had a negative effect. Some fractions of the brands that have a short-term effect also have long-term effects on sales. But long-term effects are much less pronounced than the short-term effects.

Research Gap

Although brand loyalty literature is found to be rich, the main focus of these studies has primarily been either on defining brand loyalty (Cunningham, 1956; Knox and Walker, 2001; Guest, 1942; Mellens, Dekimpe and Steenkamp, 1996), or on studying the brand loyal behaviour in different product categories (Sharp and Sharp, 1997; Lau, Chang, Moon and Liu, 2006). None of these studies had investigated the effects of advertisements of competing brands on brand loyalty of consumers. Further, in the past one decade, little research had been done to further the understanding of brand loyalty. Also, while issues related to the effects of advertisements on brand loyalty have been studied in Western cultural contexts (Raj, 1982); no studies have examined such effects in India. The increased recognition of the importance of the role of advertising in affecting brand loyalty (Agarwal, 1996) is one of the main factors driving the development of research in this area. Also, the review of related literature reveals that very few researches (e.g., Cunningham, 1956) paid attention to the socio-economic dimensions in influencing the brand loyalty of consumers. To this extent, an attempt has been made to extend the research further and to test if the buyers who have different socio-economic characteristics differ significantly in their brand loyalty. Since these factors are relatively under researched in the Indian context, the present research finds its significance and motivation.

OBJECTIVES AND HYPOTHESES

The mere fact that marketing variables affect consumer's decisions is not new. Many studies have shown that advertising has a significant impact on consumer's brand choice and purchase decision (e.g., Mela, Gupta and Lehmann, 1997; Krishnamurthi and Raj, 1985, etc). A question of continuing interest to marketing researchers and practitioners is how marketing mix variables affect consumer's purchase decisions and, thus, the sales of a brand. There is more than forty years of research testimony to show what an advertisement can do. Also, a growing number of scholars and marketing practitioners have undertaken systematic researches to understand the relationship between brand loyalty and the factors that influence it. It is, however, not clear from the previous studies whether advertisements helps in making more consumers satisfied or making specific groups of consumers more satisfied.

The present study seeks to assess the impact that advertising has on brand loyalty in the context of the Indian market. An attempt has been made to measure the effect that advertisements of competing brands have on brand loyalty of consumers committed to the brand. The scope of the study has been restricted to the measurement of such effects on the loyal segment in two product categories of fast moving consumer goods-washing powder and shampoo.

Importance of the present study emanates from the need to investigate the effect that advertising has on brand loyalty of the loyal consumers of a brand. This research attempts to address the issue of whether advertising hurts or helps a brand's loyal segment, which appears to be relevant, important and relatively under-researched area in the Indian context. The present study attempts to fill this gap by addressing the issues raised in past researches.

Research Hypotheses

The objective of the present research work is to assess the influence of advertising of a competitive brand on the brand loyalty of the loyal consumers of the brand. For the purpose, the following hypotheses were formulated:

H_{01}: Advertising of a competitive brand has no impact on the brand loyalty of the loyal consumer of that brand. The role played by socio-economic factors towards brand loyalty of consumers as indicated in the literature leads to setting up of the next hypothesis;

H_{02}: There is no significant difference in the brand loyalty of consumers in response to advertising on the basis of age.

H_{03}: There is no significant difference in the brand loyalty of consumers in response to advertising on the basis of income.

RESEARCH METHODOLOGY

Instrument Design and Data Collection

The study is an evaluative and a diagnostic attempt to discover empirically the nature of relationship between advertising and brand loyalty by using an experimental design. The experimental methodology differs from most of the scanner panel data methods in that it suffers the disabilities of obvious artificiality but at the same time it gains the capacity to examine some of the brand loyalty measures not open to observation in the 'real world' (Tucker, 1964). This study uses a 'before-after' test in which brand loyalty of the respondents is measured before and after the exposure to advertisements of the competing brands.

Past researches have used a number of measures of brand loyalty. One of the measures of brand loyalty which has been frequently used in the past is proportion-of-purchase measure (e.g., Cunningham, 1956). According to proportion-of-purchase measure of brand loyalty, one argues that since brand loyalty is the behaviour of the individual, thus, an individual is considered to be brand loyal if one particular product accounts for a high proportion of his total purchases in that product category (Mellens, Dekimpe and Steenkamp, 1996). The same measure has been used in the present study.

Based on the results of a pilot study, consumer's relation to advertising was studied in two categories of fast moving consumer goods

(FMCG), namely, washing powder and shampoos. The research methodology adopted for the present study was an experimental design in which the respondents were shown print advertisements of competing brands in the two product categories that were selected.

Generation of Scale Items

To produce a reliable questionnaire, both types of primary and secondary data were used. The questionnaire was prepared keeping Quester and Lim's (2003) study as the basis. Likert's five-point scale was used for measuring brand loyalty. Besides the demographic profile items, the study identified the scale which was made up of four items for the cognitive component, five items for the connative and seven items for the affective component. In addition to the scale used by Quester and Lim (2003), we used five items from the study by Tsai (2004). Thus, 21-item, five-point scale of brand loyalty was used for both washing powder and shampoo product.

Before finalising the questionnaire, it was pre-tested for the qualitative investigation. Fifty respondents were administered the questionnaire for this purpose. Based on the results of the pilot study, the final questionnaire was developed and modified. Subsequently, the language was simplified and the final questionnaire used for the present study included two parts:

***Brand loyalty*:** In the questionnaire, a screening question was asked to find out the respondents who had purchased washing powder and shampoo in the past one year. Respondents who answered 'no' were considered as non-users and were excluded from the study. Direct question about the brands bought by the respondent in the past six consecutive purchases allowed us to segment consumers into loyal and disloyal consumers according to the proportion-of-purchase measure. The respondents were then classified as loyal and disloyal, based on this question.

Factors of brand loyalty: In this part, respondents were asked to respond to questions of brand loyalty towards their favorite brand. The questionnaire was used for this purpose. Then, the data was analysed, using discriminant analysis and paired samples t-test.

This study was carried out in three areas in the northern region of India: Delhi, Chandigarh, and Jammu and Kashmir (Jammu city). The locations were chosen because the population of the three areas is heterogeneous. It was hoped that by deliberately selecting these areas, any barriers to switching due to non availability of brands could be minimised. To avoid any bias, the survey was carried out in different zones of all the three regions.

Reliability and Validity

The reliability of the data collected was judged through Cronbach Alpha. All twenty-one variables contributing to brand-loyalty behaviour in both washing powder and shampoo reported a high degree of consistency, homogeneity and reliability with Cronbach's Alpha in excess of 0.70 (Hair, *et al.*, 1998), at 0.812 and 0.852, respectively.

Sample Size

In his study on brand loyalty, Cunningham (1956) selected seven products. In the various analyses undertaken in the study, samples consisted of 66 families buying all seven products. According to his research, the 66-family group was particularly important because it permitted comparison of the buying behaviour for all the seven products. Consequently, the purchases of this group were analysed for all major brands of margarine, toilet soap and scouring cleanser and compared to the purchase distribution by brands of the total panel. Correlation coefficients were calculated, and the values obtained were high enough (0.92, 0.94 and 0.99) to represent a very good fit between the two sets of data. This comparison indicated that the 66-family group was generally representative of the total panel.

Further, Leclerc and Little (1997) conducted an experiment that focused on brand-switchers and customers who were loyal to competitive brands. The subjects were asked to list the brands of fruit juices they had used in the past year. In the experimental methodology used, a total of 180 subjects (15 per cent male and 85 per cent females) participated in the experiment. Twenty-four subjects had to be dropped because they did not provide complete answers. Subjects who were not users of the product category were also dropped. Forty-four percent of the participants were classified as non-users of the brand and only the results of those subjects were reported who were users of the brand. Therefore, in this experimental methodology, responses of less than 66 subjects were analysed.

The sample, for both the products was 210. However, 25 of the respondents who had participated in the first part of the experiment did not participate in the second part and, therefore, had to be excluded from the study, making the final sample of 185 persons.

Conduct of Experiment

The focus of the first hypothesis in the study was on brand loyal consumers and the impact of advertisements of competing brands on their brand loyalty. We need to examine if the exposure to the advertisements of competing brands had any impact on the brand loyalty of the consumers of that brand. In order to achieve this objective, the loyal and disloyal consumers of washing powder and shampoo were asked a series of questions on their brand loyalty, using a structured questionnaire.

Experimental Procedure

In order to avoid manipulation by the respondents, they were told that the study was concerned with measuring the effectiveness of advertisement in print media. The exposed subjects were told that the experimenter had obtained the advertisement from a magazine and that she wished to obtain their reactions to the advertisement. It was emphasised verbally that the experimenter was not involved with the products whose ads were shown, and wished only to obtain their frank and honest evaluations.

The experiment began with the subjects being informed that the experiment was part of a study designed to measure ad effectiveness. To start with, the respondents were asked a series of questions so as to measure their extent of brand loyalty for the washing powder and shampoo. This was done using a 21-item, structured questionnaire, developed in the pilot study. After eliciting responses from the participants regarding their brand loyalty, the loyal as well as disloyal consumers were shown print advertisements of competing brands of washing powder and shampoo. At this stage, the subjects were provided with a print advertisement of competing brands of washing powder and shampoo. The participants were given enough time to look at the ad and study it. No attempt was made to prevent interaction among the respondents over the exposure period. The print advertisements of the competing brands acted as a stimulus for the subjects. After the exposure, the print ad was taken back and the subjects were thanked and asked to disperse.

The same subjects were administered the questionnaire after a period of six months(from the pilot study, the average shopping frequency of washing powder and shampoos was found to be once in 30-40 days, which means that a consumer would have purchased the product at least 5-6 times during this time). However, the questionnaire now consisted of an additional statement, "Advertisement of a competing brand has influenced my decision about which brand of washing powder/shampoo to buy". This item, was used to measure if a consumer had shifted to a competing brand, and if yes, then, was the shift due to the advertising of the competing brand or not. Once again, the subjects responded to the set of questions on a five-point Likert's scale and their responses were collected.

DATA ANALYSIS AND INTERPRETATION

In order to pre-classify the respondents in one of the two categories-loyal consumers and disloyal consumers, the consumers were asked to list the name of the brands of washing powder and shampoo that they had purchased during the last six purchase occasions. If a brand contributed to more than 50 per cent of the purchases, then the consumer was classified as loyal to that brand. This is the proportion-of-purchase measure. Later, Discrminant Analysis was used to evaluate the accuracy of classification of respondents into loyal and disloyal. Since the dependent variable had only two categories (loyal and disloyal), two-group discriminant analysis was used.

The classification result of a discriminant analysis for washing powder indicate that a whooping majority (97.8 per cent) of the respondents was correctly classified into the two groups: 98.97 per cent (97 out of 98) consumers were correctly classified as loyal consumers, while 85.06 per cent (74 out of 87) were accurately classified as disloyal. They were both larger than 50 per cent and were said to be accurately classified (Lau, *et al.*, 2006). This suggests that the classification of the loyal (N=98) and disloyal (N=87) consumers, according to the proportion-of-purchase measure, is correct. The results of discriminant analysis in respect of washing powder are shown in Table 1.

Table 1

Classification Results of Discriminant Analysis for Washing Powder
Predicted Group Membership

Brand Loyalty	*Loyal Consumers*	*Disloyal Consumers*	*Total*
Loyal Consumers	97	1	98
Disloyal Consumers	13	74	87
Percentage			
Loyal Consumers	98.97	1.03	100
Disloyal Consumers	14.94	85.06	100

Note: 97.8% of originally grouped cases were correctly classified

Moreover, the classification results of discriminant analysis for shampoo reveal that 89.7 per cent of the respondents were classified into the two groups: 93.10 per cent (81 out of 87) consumers were classified as loyal consumers, while 75.52 per cent (74 out of 98) were classified as disloyal. They were both larger than 50 per cent and were said to be accurately classified (Lau, *et al.*, 2006). This means that the classification of the loyal (N=87) and disloyal (N=98) consumers according to the proportion-of-purchase measure was correct. Table 2 shows the results of the discriminant analysis for shampoo.

Table 2

Classification Results of Discriminant Analysis for Shampoo
Predicted Group Membership

Brand Loyalty	*Loyal Consumers*	*Disloyal Consumers*	*Total*
Loyal Consumers	81	06	87
Disloyal Consumers	24	74	98
Percentage			
Loyal Consumers	93.10	6.90	100
Disloyal Consumers	24.48	75.52	100

Note: 89.7% of originally grouped cases were correctly classified

In the present study, a paired t-test was used to study the difference in the brand loyalty of loyal consumers, before and after exposure to advertisements. Paired t-test is usually based on groups of individuals who experience both conditions of the variable of interest (George and Mallery, 2006).

Washing powder

As shown in Table 3, the difference in the mean scores of brand loyalty before exposure (3.76) and after exposure (3.69) is insignificant.

Table 3

Paired t-test for Loyal Consumers of Washing Powder

N=98

Variables	*Mean values*	*t-Stat*	*df*	*Significance (2-tailed)*
Brand Loyalty before exposure	3.76	0.972	97	1.98
Brand Loyalty after exposure	3.69			

Since the calculated value 't_{cal}' (0.972) is less than the table value t_{tab}= 1.98, there is no significant difference between the brand loyalty of the loyal consumers before and after their exposure to the advertisements. Thus, hypothesis $H_{01,}$ i.e., *Advertising of a competitive brand has neutral impact on the loyal consumer of that brand* is accepted. This suggests that the loyal consumers in washing powder category are not influenced by advertisements of competing brands.

Shampoo

Once again, a paired t-test was used to study the difference in the brand loyalty of loyal consumers of shampoo, before and after their exposure to advertisements. The results are depicted in Table 4.

Table 4

Paired t-test for Loyal Consumers of Shampoo

N=87

Variables	*Mean values*	*t-Stat*	*df*	*Significance (2-tailed)*
Before exposure	3.88			
After exposure	3.83	0.683	86	1.98

As shown in table, the difference in the mean scores of brand loyalty before exposure (3.88) and after exposure (3.83) is insignificant.

Since the calculated value of 't_{cal}' (0.683) is less than the table value't' tab (1.98), there is no significant difference between the brand loyalty of the loyal consumers before and after their exposure to the advertisements. This suggests that the loyal consumers of the shampoo category are not influenced by advertisements of competing brands. Thus, hypothesis, namely, H_{01} *Advertising of a competitive brand has neutral impact on the loyal consumer of that brand* is accepted.

Comparison of Brand Loyalty on the Basis of Age

We also sought to ascertain if there was a difference in the brand loyalty of consumers on the basis of their age and income.

Washing Powder

Analysis of Variance (ANOVA) was carried out to compare the mean brand loyalties among four consumer groups on the basis of their age (20-30, 30-40, 40-50, 50-60 years). The computations are presented in Table 5. The calculated value of '$F_{0.05}$'

Table 5

ANOVA Results for Brand Loyalty for Washing Powder

Source of Variation	*Sum of Squares*	*d.f.*	*Mean Square*	*F (calculated)*	*F (table)*
Between age groups	0.425	3	0.142	0.396	2.719
Within age group	28.62	80	0.358		
Total	29.04	83			

(0.396) is less than the table value (for v1=3, v2= 80, $F_{0.05}$=2.719) in the case of washing powder.

Thus, the hypothesis, namely, H_{02a} *there is no significant difference in the brand loyalties of the four age groups of consumers*, is accepted. It can, therefore, be concluded that age does not influence the brand loyalty of consumers of washing powder.

Shampoo

ANOVA was carried out to compare the mean brand loyalties among four consumer groups on the basis of age (20-30, 30-40, 40-50, 50-60 years). The computations given in Table 6 show that the calculated value of '$F_{0.05}$' (1.695) is less than the table value (for v1=3, v2= 80, $F_{0.05}$=2.719) in case of shampoo.

Table 6

ANOVA Results for Brand Loyalty for Shampoo

Source of Variation	*Sum of Squares*	*d.f.*	*Mean Square*	*F (calculated)*	*F (table*
Between age groups	1.127	3	0.375	1.695	2.719
Within age group	17.735	80	0.222		
Total	18.862	83			

Thus, the hypothesis $H_{2a,}$ namely, *there is no significant difference in the brand loyalty of the four age groups of consumers*, is accepted.

Comparison of Brand Loyalty on the Basis of Income

Washing powder

The computations for testing of the hypothesis that there is no significant difference in the brand loyalty of the consumers on the basis of income

Table 7

ANOVA Results for Brand Loyalty for Washing Powder

Source of Variation	*Sum of Squares*	*d.f.*	*Mean Square*	*F (calculated)*	*F (table*
Between income groups	1.05	3	0.35	0.789	2.719
Within income group	35.63	80	0.44		
Total	36.68	83			

are shown in Table 7. Again using Analysis of Variance (ANOVA), the testing of null hypothesis reveals that since the calculated value of '$F_{0.05}$' (0.789) is much less than the table value (For v1= 3, v2= 80, $F_{0.05}$=2.719).

Hypothesis H_{02} is accepted, which implies that *on the basis of income, there is no significant difference in the brand loyalty among consumers of washing powder*.

Shampoo

The computations testing the null hypothesis, that there is no significant difference in the brand loyalty of the consumers on the basis of income, are shown in Table 8.

Table 8

ANOVA Results for Brand Loyalty for Shampoo

Source of Variation	*Sum of Squares*	*d.f.*	*Mean Square*	*F (calculated)*	*F (table*
Between income groups	0.26	3	0.087	0.327	2.719
Within income group	21.44	80	0.268		
Total	21.70	83			

The table shows that since the calculated value of '$F_{0.05}$' (0.327) is much less than that of the table value (For v1= 3, v2= 80, $F_{0.05}$=2.719). Hypothesis H_{02b} is, therefore, accepted which implies that, *on the basis of income, there is no significant difference in the brand loyalty among consumers of the shampoo*.

Thus, in case of both the products, washing powder and shampoo, there is no significant difference in the loyalty of the consumers even after their exposure to advertisements of competing brands. Moreover, age and income are not the grounds for the difference in the brand loyalty of consumers.

The responses of loyal consumer's brand loyalty, as a result of advertisements of competing brands in washing powder and shampoo, were analysed. The analysis revealed that in case of both the products, washing powder and shampoo, advertisements of competitive brands did not have any impact on the loyalty of the loyal consumers of a particular brand. This was so because loyal consumers are characterised by their repeatedly choosing the same brand and the exposure to competing advertisements does not serve as a reason or motivation to switch the brand.

CONCLUSION AND IMPLICATIONS

Our results support what has already been documented – that is, the effect of advertising is only evidenced by increased product purchases rather than by switches into the advertised brand from competitive brands. There may be several reasons for a consumer to be loyal towards a particular brand. These may include: quality of the product, image, brand name, past experiences. Once the consumers are satisfied with the performance of the product, especially in the case of products that are personal-care goods, such as shampoo and washing powder, it takes a lot more than just an advertisement of a competing brand to make a consumer shift from the brand they are currently using and which is giving the desired results. An advertisement of a competing brand, at the most, may act as additional information for the consumer, who might think of switching brands in times when the current brand is either not available anymore or is not giving the benefits due to which the consumer became loyal to the brand in the first place. Consumers are too conscious of the products that they use on themselves and are not easily convinced to switch unless they are dissatisfied with the brands they are currently using.

It is also found that age and income are not the reasons for the difference in the consumers' brand loyalty. This may be explained by the fact that consumers are becoming more and more conscious of the benefits that they expect from the products and are willing to spend money to buy the products for the benefits provided, irrespective of the money that they have to spend on the product.

Contribution to Research

The study contributes significantly to the empirical results pertaining to advertising literature. The findings of the study have important implications for both managers and researchers and suggests that marketers who want to attract and retain customers must pay attention to the right mix of brand loyalty factors, of which advertising is a very small part.

From the point of view of the practitioners, the linking of brand loyalty to advertising is important. A link has been suggested between brand loyalty and advertising (for example, Deighton, Henderson, and Neslin, 1994), but it has been previously demonstrated, using scanner panel data. In fact, although brand loyalty is an important concept in marketing, little experimental work has been done in this area. The present study, however, uses an experimental technique to study the effect of advertising, on the brand loyalty of consumers.

Finally, the findings of the study would serve as a stepping-stone for a variety of conceptual and empirical studies capable of yielding a more precise understanding of the factors of brand loyalty and how it relates to differences in consumer response to advertising.

Future Research Direction

This research raises several questions that need to be further explored. Research can be taken up to identify other factors of brand loyalty, in addition to advertising, to explore how each of these loyalty factors influence a consumer's loyalty towards fast moving consumer goods and to identify those factors that have a major impact on brand loyalty. Finally, future research efforts might tackle questions related to additional factors that would encourage consumers to recommend a product or service to others. Such factors might include other forms of marketing communication and loyalty programmes that encourage consumers to promote the product or service in question through a favourable word of mouth.

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SMALL INVESTORS' BEHAVIOUR IN NEPALESE STOCK MARKET

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Abstract

Financial performance and investors' behaviour are the two major factors that affect the movement of stock market. While financial performance may be the foremost driving force for stock prices in the long run, investors' behaviour plays a significant role in moving the stock prices in the short run. The objective of this study is to identify the behaviour of small investors in the Nepalese stock market. From the of investors' responses, it is evident that Nepalese investors' are not making informed investment decisions through the careful evaluation of available information. Most of the investors have no access to the secondary market opportunities. Almost all of them purchase shares from the primary market. The demand is not equitable for securities and the issuing sectors. Investors prefer common stock of banking sector, followed by finance companies and insurance companies. Investors have not shown trust and faith in common stock and other securities issued by hotels, and manufacturing companies. Nepalese investors' attitude is changing towards new alternatives too, but there is a lack of effective institutional arrangement and adequate guidelines for educating the general investors. Therefore, most of the investors just run behind market rumours and behave accordingly.

Key words*: **Efficient market, Expected return, Investment process, Investment alternative, Securities market***

INTRODUCTION

Most of the finance theories are based on the conviction that individual investors behave in a rational approach and that all existing information is embedded in the investment cycle. The famous 'Efficient Market Theory' makes two major predictions. The first prediction is concerned with the equilibrium price of securities, which assumes that prices of securities always strive towards the equilibrium price.

In other words, financial assets have an intrinsic value based on the economic conditions, expected cash flows and level of risk, and the market price of the securities moves in accordance with the changes in the intrinsic value. The second prediction is concerned with the informational efficiency. According to this assumption, security

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prices tend to adjust rapidly with the arrival of new information. As the new information arrives randomly, past price changes do not predict the future price changes. But there are very few investors for whom the prediction is entirely correct; they are rational and reflection of new information is immediately and accurately transmitted on security prices as per the Efficient Market Theory. However, the theory does not consider the influence of human behaviour in the investment process. From the view-point of behavioural finance, investors give different preferences to identical investment alternatives and under the similar situation.

REVIEW OF LITERATURE

The development of new theories, ideas, concepts and approaches in the contemporary world of financial market has made it a necessity for stakeholders, investors, and policy-makers to cope with the emerging situation for which a continuous assessment of existing performance and a careful prediction of future scenario of the market is a must. Financial system of the money and capital markets is not independent of the economy and the society that surrounds it (Rose, 1996). Economic booms and recessions, government budget deficits and taxes, technological innovations, political upheavals, international capital movements, wars, institutional and social changes – all these impact the decisions made in the financial markets and often have disastrous consequences.

In recent years, the field of money, banking and financial markets has become one of the most exciting ones in all economies (Mishkin, 1992). Financial markets are changing rapidly. New financial instruments are almost appearing every day and international financial markets and trade have created an integrated world economy, in which event in one country's financial market has a major impact on the financial markets in other countries. New developments and rapid pace of financial innovations have proved meaningful to integrate the global character and efficient functioning of the financial market.

In fact, an understanding of financial institutions and capital markets started from its separation first from general finance, with its own distinct theoretical and conceptual identity, and then relating to the theory of market micro-financial structure (Kohn, 1998). They have developed, over time, in response to changing economic needs, changing regulatory constraints and explained in an intensive way what financial institutions and markets do, and how they do it, to support institutional decision-making power. The shift of emphasis in study, analysis, research and later development of financial institutions and markets has been on the way of making financial intermediary effective, efficient and market-oriented to encourage the free flow of funds on a global scale. All this has been made possible by refining the role, objectives, functions, policies, strategies and other services, like networks of the banks, stock market, and other financial institutions operating in the economy, and then crossing from a national boundary to the integration of financial markets with a global character.

Thus, the comprehensive analysis and understanding of the financial system, both domestic and international, and its component parts, has focused on the globalisation of financial institutions and capital markets (Shrestha, 2000). The use of the major type of the financial instrument has made it possible for financial markets and institutions to establish adequate intermediary functions in the flow of funds, assets and financial services, through creating linkage between customers of the services in the market.

A stock market can enhance economic activity through the creation of liquidity and opportunity of diversification. However, earlier studies have not given emphasis on the importance of capital market for the development of economic activities. The study on "Financial Development and Economic Growth", conducted by McKinnon and Shaw (1973), has examined the relationship between financial development and economic growth. However, the study did not consider the analytical aspects of capital market and stock market.

In 1986, Cho conducted a study on "Inefficiencies from Financial Markets in the Absence of Well Functioning Equity Markets", which examined the role of the stock market in the economic development of a nation, by adopting the approach of credit-rationing. The study concluded that banks suffered from the problem of asymmetrical information in the credit sector and cannot allocate capital efficiently and effectively. On the other hand, stock market is free from the imperfection, adverse selection, and moral hazard. According to the study, the development of a stock market is a necessary condition for complete financial liberalisation. Similarly, Ross and Zervos (1996) argued that a well-developed stock market might be able to offer a different kind of financial services than the banking system, and, therefore, provide an extra impetus to economic activity.

The study of Agarwal (1996), on "Capital Market Development, Corporate Financing Pattern and Economic Growth in India", sought to investigate the relationships between stock markets and financial intermediaries. The study also sought to ascertain the relationship between the stock market development and the economic growth.

The study of Ash and Ross (1996) revealed that the world stock markets were booming and stock market capitalisation grew from $2 trillion to $10 trillion, between 1982 and 1993. The average growth rate came to 15 per cent per year. The study was based on the data collected from 41 countries for the years from 1986 to 1993. The study compared different indicators of stock market development, such as stock market size, liquidity, concentration, and volatility.

Catalan, Impavido, and Musalem (2000) examined the determinants of stock market development in emerging markets of 27 countries. They found that the size of the institutional investor base positively affected stock market development and reported evidence of a causal time-series relationship between institutional investors and stock market development.

Claessens, Djankov, and Klingebiel (2001) investigated the development of stock markets in a panel of transition economies and highlight the role of privatisation for stock market development in these countries. Perotti and Van Oijen (2000) also studied the impact of privatisation and found an indirect positive relationship of a programme of privatisation through political risk reduction on stock market development in a sample of 31 emerging economies.

Domowitz, Glen, and Madhavan (1998) documented the inter-relationship between turnover, equity trading costs, and volatility, and investigated the determinants of domestic trading. They found, among others, that the turnover was inversely related to trading costs, providing a possible explanation for the increase in turnover in recent years as direct costs have declined. The determinants of domestic offerings at the firm level have been studied at length. The study further revealed that the determinants of aggregate new offerings, covering both debt and equity on a cross-country basis. The authors concluded that privatisation influenced foreign offerings and domestic bond market development.

The study of Pagano, Roell, and Zechner (2001) found that the firms with high growth and in high-tech industries were more likely to list in the United States, whereas the firms that cross-listed within Europe did not grow more than a control group.

The World Banks Survey Report (Kviback Mikael, 2000) revealed the status of Nepalese stock market as below:

The state of development of equity markets indicates how well-versed issuers, investors and intermediaries are dealing with securities at the primary and secondary market levels. Nepal's overall market is still in its infancy. However, the Nepal Stock Exchange is a late development, founded only in 1993. It is owned by the government and is a not-for-profit institution. At present, 107 companies are listed. Very few companies listed on the exchange make a book profit on which a dividend can be paid. Most trading takes place in the shares of financial institutions and the few multinational corporations operating in Nepal. The reporting standards and dissemination of information need considerable improvement. Manual procedures are used for dealing and settlement. Foreigners are not permitted to invest at the exchange. Insider-trading, lack of credibility, weak accountability, lack of knowledge about capital markets, low investor confidence, and high interest rates are the main constraints to further development.

OBJECTIVES OF THE STUDY

Nepalese security market is at the developing stage. In such a case, is the existing mechanism of Nepalese stock market able to provide an equitable opportunity to the investors? What are the foundations of making investment decisions by Nepalese investors? Is a wide range of investment alternatives available in the financial market? Is investors' attitude toward the available alternatives impartial? Are investors able to invest their money in their preferred areas? These are some of the questions needing an answer. This study seeks to answer these questions for the Nepalese investors.

While the basic objective of the study is to identify the investment behaviour of Nepalese investors, the specific objectives of the study are as follows:

1. To identify the motives of buying or selling particular financial assets by the Investors;
2. To ascertain the preference of investors toward different securities available in the Nepalese stock market;
3. To ascertain the size of investment and nature of investors involved in the stock market activities;
4. To assess the demand for the securities and supply of the securities in the primary market; and
5. To explore the opportunities for new financial assets and suggest appropriate process for investing in the securities market.

METHODOLOGY

This study is both quantitative and qualitative. It is based on primary data. For the purpose of analysing the investors' responses towards the Nepalese stock market, responses from 90 individual investors were obtained through interview and questionnaire. The data was analysed and interpreted by using appropriate statistical tools. The following two hypotheses were formulated for testing:

H_{01}: Investors are indifferent to the earning per share and dividend per share.

For this purpose, responses were obtained from the investors with different amount of investment and were classified.

H_{02}: There is no significant difference between the attitudes of investors toward various securities issued by different companies.

DATA ANALYSIS

Investors' Needs

The first structured question put to the respondents was concerned with the factor that motivated them to purchase the particular type of security. Self analysis, suggestions of friends and relatives, advice of professionals or financial analysts, advertisement, and market rumours were the five options before the respondents. The responses are presented in Table 1.

Table 1

Need Identification of Respondents

Particulars	*No. of Respondents*	*Percent (%)*
Self analysis	22	24.55
Friends and relatives	12	13.33
Professionals/Analysts	0	0.00
Advertisements	20	22.22
Market rumours	36	40.00
Total	90	100.00

As shown in the table, most of the respondents felt that the motivating factor behind their buying or selling of securities in the stock market was the market rumour. As many as 40 per cent respondents revealed that they bought shares when there was a buying pressure in the stock exchange and sold their shares when other investors started to sell. On the other hand, only 24 per cent indicated that they purchased shares on the basis of their own analysis. These respondents were the employees of banking and financial institutions, business persons, and students of post-graduate level, especially from the faculties of management and economics. About 22 per cent of the respondents were stimulated for buying shares through advertisement, and nearly 13 per cent of the respondents expressed their view that their investment decision was based on the advice of relatives and friends. None of the respondents bought or sold shares with the help of any professional expert.

Investor's Preferences of Security

The second question was intended to know the preference of the respondents toward different securities available in the Nepalese stock market. The responses are classified and presented in Table 2.

Table 2

Security-wise Preference of Respondents

Securities	*No. of Respondents*	*Percent (%)*
Ordinary shares	86	95.56
Preference shares	3	3.33
Debentures	0	0.00
Mutual funds	1	1.11
Total	90	100.00

As shown in the table, a large majority of the respondents expressed their preference for ordinary shares in comparison of the preferences shares and debentures. Out of 90, as many as 86 (95 per cent) investors favoured such view. Only 3 per cent of the respondents disclosed that they preferred preference shares and only one respondent preferred buying the units of mutual fund. From the analysis of respondents' views, it can be concluded that most of the Nepalese investors were attracted by the ordinary shares (common stock) and preference shares, whereas debentures were not popular among the Nepalese investors.

Investor's Preference of the Sector

The preference of all the selected investors has not been unique with regard to different sectors. The respondents' preferences as to the sector are classified and shown in Table 3.

Table 3

Sector-wise Preference of Respondents

Sector	*No. of Respondents*	*Percent (%)*
Commercial banks	51	56.67
Development banks	5	5.56
Finance companies	9	10.00
Insurance companies	21	23.33
Hotel	2	2.22
Trading concern	1	1.11
Manuf. Companies	1	1.11
Others	0	0.00
Total	90	100.00

As shown in the table, investors gave top priority for investing in banking sectors, followed by finance and insurance sector. On the other hand, investors were not attracted towards the shares of hotels, manufacturing and other sectors. About 57 per cent of the respondents preferred the securities issued by commercial banks and 23 per cent felt that they wanted to invest in the shares of the insurance companies. The proportion of respondents preferring shares of hotel, trading companies and manufacturing companies were less than 2 per cent. The reason behind such priority for shares of commercial banks, finance companies and insurance companies is the increasing market value of shares and regularity in the payment of dividend as well as the bonus shares.

Place of Purchase:
Primary or Secondary Market

The expected return on investment in securities cannot be earned unless the securities are traded in the secondary market. The respondents preferences as to the market – primary or secondary – from where they preferred to purchase securities are shown in Table 4.

Table 4

Place of Securities Purchased

Market	*No. of Respondents*	*Percent (%)*
Primary market	62	68.89
Secondary market	20	22.22
Both	8	8.89
Total	90	100.00

As shown in the table, a large majority of the respondents felt that they were stimulated to purchase the shares from the primary market. More than 68 per cent of the respondents felt that they purchased the securities when companies offered new issues. Only 22 per cent of the respondents disclosed that they purchased shares from the secondary market. The initial public offering is much riskier in comparison of the trading in the secondary market. However, all of the respondents reported that they ignored the risk of initial public offering. Only about 9 per cent of the respondents bought the securities both from the primary issue and the secondary market.

Investors' Motive

The motive of buying securities differs from investor to investor. While some investors seek growth stock, those interested in companies that have high potential for earning growth, buy securities for holding purposes. Investors who are value-seeking for money look for the stocks that the market has overlooked. Such investors buy share for capital gain and sell them when the price is higher. Yet another category of investors is income-investors, who invest in the securities of the companies that can pay high and regular dividend. The companies that qualify for such investors tend to be large and well-established. Usually, retired people are fond of this category of shares. The responses to the questions pertaining to the respondents' motive for buying the securities are summarized in Table 5.

Table 5

Motives of Buying Securities

Buying Motive	*No. of Respondents*	*Percent (%)*
Holding for future	32	35.56
For selling at higher price	48	53.33
For receiving regular dividend	8	8.89
Election of Board of Directors	2	2.22
Total	90	100.00

In the Nepalese context, only 35 per cent of the respondents stated that they purchased the securities for the purpose of holding for future. As many as 53 per cent respondents disclosed that they bought securities for selling at higher price. Only 8 per cent respondents were motivated for receiving regular dividend and about 2 per cent bought shares with the motive of participating in the election of the Board of Directors. Thus, a majority of the Nepalese investors bought securities for the purpose of selling in future when the price of new securities exceeded the purchase price. On the other hand, very few investors were interested in holding the securities for contesting the election for the Board of Directors.

Size of Investment

The size of investment depends upon the level of income and desire for investment of investors. The responses in relation to the size of investment preferred by investors are given in Table 6.

As revealed by the table, it can be observed that most of the Nepalese investors are small investor. Out of the total, one-third of the respondents articulated their view that their investment in securities was upto Rs 10,000 and about one-fourth of the respondents expressed that they were able to invest upto Rs 20,000. Only 12 per cent of the respondents, viewed that their investment in shares was between the ranges of Rs 30,000 to Rs 50,000. Only 11 per cent respondents invested more than Rs 50,000 in the securities market.

Table 6

Size of Investment

Size (Amount)	*No. of Respondents*	*Percent (%)*
Up to Rs 10,000	30	33.33
Rs 10,001 to Rs 20,000	26	28.89
Rs 20,001 to Rs 30,000	13	14.44
Rs 30,001 to Rs 40,000	5	5.56
Rs 40,001 to Rs 50,000	6	6.67
Above Rs 50,000	10	11.11
Total	90	100.00

Demand and Supply of the Securities

The stability of effective stock market depends upon the consistency between the demand and supply of the securities. The responses regarding the demand and supply of the securities are presented in Table 7.

Table 7

Investors' Demand for and Supply of Securities in the Primary Market

Shares Applied for	*No of Respondents*	*Shares Allotted*	*No of Respondents*
Up to 100	38	No allotment	49
101-200	22	Up to 100	30
201-300	15	101-200	6
301-400	9	201-300	2
401-500	4	301-400	1
Above 500	2	401-500	1
		Above 500	1
Total	90	Total	90

As shown in the table, the respondents were unanimous in their view that they bought and sold securities as per their requirement. However, most of the respondents complained that they were unable to buy securities from the primary market. More than 50 per cent of the applicants for shares could not get any shares from the initial public offering. Out of the 38 applicants who applied for less than 100 shares, 30 applicants received the shares as per their demand. Similarly, out of the 22 applicants applying for 100 to 200 shares, only 9 applicants received the shares. The number of applicants demanding more than 500 shares was observed to be 2 and 50 per cent of them received shares from the primary issue. Thus, it can be concluded that most of the Nepalese investors are small investors and are interested in buying, on an average, 100 shares. From the supply side, companies are allotted large proportion of shares either to the applicant for less than 100 shares or to applicants for more than 500 shares.

Major Determinants of Purchase of Securities

Professional investors buy and sell securities through the fundamental and technical analysis. However, general investors make the investment decision on the basis of published information of the company concerned. Since none of the respondents was a professional, most of investors make decision on the basis of published data, such as stock market indicators, earning per share, dividend per share, and market price per share. The factors considered by the respondents while purchasing the securities are summarised in Table 8.

Table 8

Factors Considered while purchasing Securities

Factors	*No of Respondents*	*Percent*
Market index	9	10.00
Net worth	7	7.78
EPS and DPS	3	3.33
Market price of shares	12	13.33
Management of company	1	1.11
Industry nature	43	47.78
Market noise	15	16.67
Total	90	100.00

As shown in the table, the majority of investors made investment decision on the basis of nature of industry without analysing the financial condition, especially while making investment in the shares of commercial banks, finance companies, and insurance companies. About 17 per cent of respondents revealed that their buying decision was based on market rumours, 12 per cent viewed that they made purchase decision on the basis of changes in the market price per share, 10 per cent watched the stock index, and only 3 per cent made the investment decision through the analysis of earning per share and dividend per share.

Investors' Future Expectations

On the basis of existing stock market conditions, the investors expressed identical views regarding their future plan for buying securities in the case of primary issue. The responses about the investors' future expectations are shown in Table 9.

Table 9

Future Expectations of Respondents

Sectors	*Banking*	*Finance*	*Insurance*	*Hotels*	*Manuf-acturing*
Minimum (i.e., 50 shares)	13 (14	23 (25)	21 (23)	79 (88)	72 (80)
Upto 100 shares	25 (28)	37 (41)	48 (54)	11 (12)	14 (16)
101 to 400 shares	45 (50)	24 (27)	18 (20)	0 (0)	4 (4)
500 and above shares	7 (8)	6 (7)	3 (3)	0 (0)	0 (0)
Total	90 (100)	90 (100)	90 (100)	90(100)	90(100)

Note: Figures in brackets indicate percent

As shown in the table, almost all of the investors contacted reported that they were willing to invest in the stock to be issued in future by banking sector, followed by the finance and insurance sector. In addition, a majority of investors were stimulated to apply for 100 to 400 shares of banking sectors and their proportion was 50 per cent, followed by 2 per cent for finance companies, and 2 per cent for insurance companies. On the other hand, more than 80 of the respondents had no desire for investing in shares of manufacturing, trading, and hotel sectors and the rest of them expressed their view that they would purchase only 50 shares (minimum requirement) of these sectors.

Preferred Areas for Investment

The responses regarding the investment alternatives and the preferred areas there for are summarised in Table 10.

Table 10

Potential Business for Investment

Sector / *Rank*	*1*	*2*	*3*	*4*
Traveling and Tourism	6	9	24	19
Infrastructure Development	1	3	17	23
Education	2	7	28	22
Telecommunication	46	33	7	1
Hydro Power	34	35	3	1
Food and Beverage	1	3	11	24
Others	–	–	–	–
Total	90	90	90	90

Most potential business from the viewpoint of investors is telecommunication and hydropower. 46 respondents assigned the first rank and 33 respondents the second rank in favour of telecommunication. Likewise, 34 respondents assigned the first rank and 35 second rank in favour of hydropower. Traveling and tourism and education sectors had been ranked as third and fourth, respectively. From this analysis, it can be concluded that there is a better scope of raising capital through the issuance of securities, such as ordinary shares for the companies involved in the areas of telecommunication, hydro power, and tourism sectors.

Computation of Chi-square Values

In order to test the first hypothesis, the necessary chi-square values were computed. The computations are shown in Table 11.

It is noted that the calculated value of Chi-square (106.279) is greater than the critical value (9.49). Thus, the null hypothesis is rejected and alternative hypothesis is accepted. Thus, it can be concluded that there is a significant difference between the investors' response regarding the payment or non-payment of dividend.

Table 11

Calculation of Chi-square Value

Observ-ations	*Observed Frequencies (O_i)*	*Expected Frequencies (E_i)**	*($O_i - E_i$)*	*($O_i - E_i$)^2*
1	39	32.78	6.22	38.716
2	9	11.67	-2.67	7.111
3	2	5.56	-3.56	12.642
4	8	9.18	-1.18	1.387
5	7	3.27	3.73	13.938
6	7	1.56	5.44	29.642
7	12	13.11	-1.11	1.235
8	5	4.67	0.33	0.111
9	1	2.22	-1.22	1.494
Calculated value of Chi-square: $\chi^2 = \sum_{j=1}^{k} (O_i - E_i)2 / E_i = 106.276$				

Note: Level of Significance (α) is assumed to be 5 percent. **Critical test value at 5 percent significance level with d.f. of 4 (one-tail test) is 9.49. The degree of freedom is the product of (R – 1) and (C – 1), where R and C are the number of rows and columns. *The expected frequencies for each cell are calculated by multiplying the total of rows and total of columns of respective cell and dividing the product by grand total.]

The second hypothesis was tested to examine whether there was any significant difference between the attitudes of investors toward various securities issued by different corporations or not. The computations are revealed in Table 12.

Table 12

Sector-wise Preference of Respondents with Chi-square Value

Sectors	*No. of Respon-dents (O_i)*	*Expected Frequencies (E_i)**	*($O_i - E_i$)*	*($O_i - E_i$)^2*
Commercial banks	51	12.857	38.143	1454.878
Development banks	5	12.857	-7.857	61.73469
Finance companies	9	12.857	-3.857	14.87755
Insurance companies	21	12.857	8.143	66.30612
Hotel	2	12.857	-10.857	117.8776
Trading concern	1	12.857	-11.857	140.5918
Manufa-cturing sector	1	12.857	-11.857	140.5918
Total	90	90.000		1996.857
Calculated value of Chi-square: $\chi^2 = \sum_{j=1}^{k} (O_i - E_i)2 / E_i = 1996.857$				

Note: *The expected frequencies for each cell are calculated by the total of rows by grand total. Critical test value at 5 percent significance level with d.f. of 6 (one-tail test) = 12.590.

The calculated value of chi-square test is too much greater than the critical value, the null hypothesis is rejected and alternative hypothesis is accepted. On the basis of this result, it can be concluded that there is significant difference among the attitudes of investors toward the securities issued by different sectors.

CONCLUSION AND SUGGESTIONS

From the observation and analysis of investors' responses, it is evident that the investors were not making informed investment decisions through careful evaluation of available information. Most of the Nepalese investors are small investors and they have no access toward the secondary market opportunities. Almost all of the investors purchase shares from the primary market only and they did not consider the risk involved in the initial public offering. The demand is not equitable both for securities and issuing sectors. Investors prefer common stock of banking sector, followed by finance and insurance companies. Investors have not shown their trust and faith in common stock and other securities issued by hotel and manufacturing sectors. Traditionally, the purchase of land, construction of building and savings in the bank had been the major area of investment for the people, but their attitude is gradually changing towards shares, debentures and other new securities. However, there is a lack of efficient instructional arrangement for providing trading opportunity and adequate guidelines for educating the general investors. Therefore, the majority of investors are forced just to run behind the market rumours and behave accordingly.

Investing in financial assets is a challenging and stimulating process. Based on the findings of the study, we may suggest the investors to consider the following factors before making the investment decision: Setting an investment objective is a perquisite to any investment decision. Therefore, careful consideration should be given to formulating specific investment objective in terms of expected rate of return, tolerable level of risk, investment horizon, tax consequences and the cost of investing. Pertinent, reliable, adequate, and timely information should be obtained in order to make an informed and rational decision. In case of initial public offering, the prospectus published by the issuing company furnishes relevant information about the financial projection of the company. For investing in the secondary market, annual reports of the company as well as the specialised publications providing general information, guidelines and specific buy/sell recommendations should be pursued.

The foremost factor to be considered while making investment decisions is the performance of the companies, which is measured on the basis of past performance in terms of market price of securities, earning per share, dividend per share, rate of return, and prospects for growth. Historical success of a company is an indication of its future prosperity and growth. However, investors should be cautious in applying the historical information for forecasting purposes. Historical record of better performance may not be there in future due to the exit of any key personnel and changes in any other business environment.

The benefit from investment depends to a large extent on the correct market timing. The investor can purchase securities just before raising the price and can sell just before decreasing the price, so as to achieve superior benefit from the stock market than other investors. In the case of any confusion regarding the market timing, risk can be minimised by investing in a portfolio rather than investing in a particular individual asset.

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Books are the treasured wealth of the world
and the fit inheritance of generations and nations.

Thoreau
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★★★★★

In the business world, an executive knows something
about everything, a technician knows everything about
something - and the switchboard operator knows everything.

Harold Coffin
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2. The review can range from 1000-3000 words, depending upon the topic and the importance of the book.
3. Reviews should engage with the issues, problems, and themes articulated in the book and make a rigorous attempt to identify and assess the main set of arguments that have been put forth by the author. It should, in other words, have a strong engagement with the conceptual structure of the book and should bring out its strengths and weaknesses.
4. The book under review should have been published recently, preferably in the current or the previous year.
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BALANCED RISK SCORECARD
A Framework to Aid Investor Analysis

K. Eresi* and C. Vasanta Valli**

Abstract

The paper is the outcome of a survey conducted during 2005-2007, on the topic "Risk Return Analysis of Bangalore-based IT Companies' Stocks", which sought to study the individual and institutional investors' perceptions of risk and to track the differences, if any, between them. The study also sought to examine the nature of relationship between the acceptable level of risk and the expected annual return. It suggests a framework within which risk and return expectations of investors can be viewed. In order to understand the mindset and behaviour of investors, a sample survey was conducted, that involved 234 individual investors, 7 institutions and 15 financial analysts. The data collection and analysis was based on the principles of survey-based social research. The Balanced Risk Scorecard is an outcome of the survey, and is offered as a tool to understand risk-related perceptions.

Key words: ***Risk scorecard, Variables, Risk perception, Portfolio rebalancing, Fluid approximation***

INTRODUCTION

Given the sweeping changes taking place in the Indian stock market, it is imperative that a study is made of the urban Indian investor, his risk and return expectations, evaluation criteria, and reaction to different market conditions. One method of doing so is to empirically examine these issues and quantify the responses. An attempt is made in this paper to examine the risk-return perceptions of investors in relation to the shares of IT companies.

REVIEW OF LITERATURE

The literature in the area of investment management can be broadly categorised as shown in Table 1.

While we reviewed the studies abroad on individual investors and risk return relationship, studies in India covered investment decision processes, empirical studies on Indian capital market, and risk perceptions of investors. The studies reviewed are further classified in Table 2.

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Table 1

Literature Review Categorisation

Studies Abroad[1]	*Studies in India*[2]
• On Capital Asset Pricing Model • On behaviour of share prices and returns • On diversification and portfolio risk. • On risk return relationship • On individual investors	1. Functioning of the Indian stock market 2. Investment decision processes of investors 3. Empirical studies on the Indian capital market. 4. Valuation of bonds, convertible debentures and market for debt. 5. New issue market and merchant banking. 6. Market efficiency. 7. Dividends, bonus and rights issues and rates of return. 8. Performance and regulation of mutual funds.

Table 2

Sources of Literature and Classification of Reviewed Works

S. No	*Classification*	*Research Publications and Doctoral theses*	*Journal articles*	*Working Papers*	*Mono graphs*	*News papers & Magazine Articles*	*Internet Articles*
1.	Studies in the US	√	√	–	–	–	√
2.	Studies in India	√	√	√	√	√	√

Reference Books and Theses

Dixit (1986) tracked the developments in the Indian capital market with a view to identifying the factors influencing the behaviour of share prices and investment.

O.P. Gupta (1989) examined the key issue, "Is there a risk-return relationship or is the risk-return parity violated on the Indian stock exchange?" He concluded that systematic risk and market prices are not so significantly correlated.

Maheshwari and Vanjara (1989) examined the relationship between systematic risk and return on securities during the year of study, namely, 1986. This study contradicted the usual concept of a direct, positive relationship between risk and return.

Prasad and Subhas (1991) took up a study to trace the role of small investors in the equity cult by conducting a questionnaire-based survey of small investors of Hubli and Dharwad. The study revealed that small investors perceived services of brokers as inadequate and found it difficult to monitor their portfolios.

Malhotra (1994) examined the determinants of share price in India, with two objectives:

1. The empirical relationship between equity prices and various explanatory variables; and
2. The changes in the above relationship from the year 1982 to 1985 in four industries as well as for the grouped data.

The study revealed that as per the zero-order correlation matrix, dividend per share and earnings per share, book value to par value and size (as measured in terms of assets and sales) had a significant positive correlation with market price, in all the years and in almost all the selected industries, individually as well as for the grouped data. Moreover, the other variables, namely, cover, yield, and leverage, influenced the market price, negatively.

Malabika Deo (1996), in her doctoral thesis, studied the four aspects of the problem: (i) The behaviour of returns on equity shares and the risk associated with them; (ii) Factors affecting risk and their tie up with the required rate of return on equity shares in India, under the assumption that ex-post returns could work as surrogate for ex-ante prediction of returns; (iii) Regularity of returns on equity; and (iv) The perception of risk among different types of investors. The major findings were: (i) The returns on equity shares were independent of each other and were mostly negatively correlated with previous periods' returns; (ii) The risk and return were inter-twined with the market factor, as measured by beta co-efficient, being a significant risk measure; (iii) The security return was influenced by distributional, market and fundamental factors; and (iv) The risk perception of individual and institutional investors differed.

In her study on risk perception of investors, Madhumathi (1998) conducted a sample survey to determine the investors' preferences and to understand their risk perceptions. The survey revealed that 76 per cent of respondents were risk-bearers, 9 per cent were risk-seekers, and 12 per cent were risk-avoiders. In general, individual investors in India seemed to be moderate risk-takers.

Parchure and Uma (2000) studied the formulation of potable portfolios which were efficient in a return-risk-liquidity sense. They concluded that as the fund size increased, so did the diversity. Moreover, the efficiency frontier would raise upto a point and after that it would decline.

Shanmugham (2000) studied the importance of select investment strategies across different clusters of investors, and identified the factors influencing the investment decisions.

L.C. Gupta (2000) made a painstaking study on returns on Indian equity shares. He concluded that the downside risk was less for Sensex companies and the Sensex portfolio almost invariably provided higher return than the general portfolio over a long period of time.

Tarun and Bodla (2004) examined the investment behaviour of retail equity investors in India, in addition to other issues, and found that 41.7 per cent of the respondents had equal preference for both public and private-sector investments. While the latter was preferred by people below 46 years, the older ones preferred public-sector investments.

Milevsky (2005) highlighted the need to look at human and financial capital as the sum of a firm's total equity.

Davey Geoff (2005) stressed on the need to use robust tools to assess risk tolerance of an individual and brought out the essentials of a risk-tolerance questionnaire.

In its study, titled "Guide to Investing in Emerging Securities Markets", The WIDER Study Group outlined the risks faced by investment managers and investors which investing in emerging markets. These risks included poor accounting standards, inadequate information about the company and market, and difficulty in estimating the worth of securities.

Research Articles

Paul (1970) made a psychological study of human judgment and its implications for investment decision-making. He sought to identify psychology's recent endeavours to answer questions pertaining to the limitations of man as a processor of information. Psychological studies on human judgment, according to Paul, reveal that the amount of information available to an individual was not necessarily related to the accuracy of his inferences**.** The author concluded that an understanding of risk-taking as a personality characteristic would be valuable for a better understanding of the investor behaviour.

In a survey conducted by Baker and Haslem (1973), using a pretested questionnaire to focus on the information needs of individual investors in common stock, it was found that information need, on the subjectwas investors' expectation for future.

The study conducted by Lease, Lewellen, and Schlarbaum (1974) to examine the attribute and attitude of individual investor revealed that the investor was a fundamental analyst with a long-term perspective, and that he/she believed that portfolio selection could out-perform institutions over time.

Baker and Haslem (1974) provided some empirical evidence on the relationship between selected socio-economic characteristics and the significance individual investors assigned to the risk and return characteristics of common stock. In particular, the relationship between each of the eight socio-economic characteristics and five risk-return preference variables was examined. The study revealed that some socio-economic characteristics had a greater impact on investors' equity risk-and-return preferences.

In their paper on the asset structure of individual portfolios, Blume and Friend (1975) examined the implications of utility functions. They found that a large number of households held poorly-diversified portfolios.

Cohn (1975) empirically investigated the effect of wealth on the proportions of individual portfolios allocated to risky assets. The study revealed a statistically significant relationship: as wealth increased, the proportion of assets invested in risky instruments also increased, across all categories of wealth.

Gooding (1975) conducted a survey to test whether investors actually perceived the difference among common stocks within a two-dimensional, risk-return framework. The study revealed that individuals had more heterogeneous perception than the professional portfolio managers and that they used risk-return perception to distinguish among stocks for investment.

Baker, Hargrove, and Haslem (1977) examined the ex-ante risk-return preferences and expectations of individual equity investors. Their study had a two-fold purpose: (i) to provide positive evidence on the nature of the relationship between acceptable risk levels and expected annual rates of return, and (ii) to examine the nature of this relationship between risk and the components of total return, from dividends and capital appreciation. The sample exhibited a strong association between expected annual return and acceptable risk on common stock; that is a positive risk-return preference. The study revealed an extremely strong relation between acceptable level of risk and the dividend income.

Balkrishnan (1984) examined the empirical relationship between equity prices and their explanatory variables. His study revealed that the dividends have a strong and positive influence on market price.

Baron, Farrelly, and Gula (1989) used a questionnaire to elicit information about the investors'risk-taking propensity so as to enable them to assess their risk-tolerance levels. A matrix was developed and the study facilitated the assessment of risk on a relative level.

Based on focus group interviews, Warren, Stevens, and William (1990) sought to examine whether the individual investors were active or passive. The authors considered lifestyle characteristics to differentiate investors. This study also validated prior qualitative research on lifestyle differences between active and passive investors.

In their experiment on individual investor's decision making process, Barua and Srinivasan (1991) investigated: (i) Whether the investor's behaviour conformed to standard utility functions when the lending and borrowing rates were different; and (ii) Whether the choice of risky asset for a portfolio was influenced by moments higher than the second moment?

The study revealed that the quadratic form of utility function, consistent with the mean variance framework, may not be able to fully explain the investors' choice pattern. The authors observed that an alternative criterion can be used for the process of choice.

Riley and Chow (1992), in their study on asset allocation and individual risk-aversion, empirically examined individual asset allocation and risk behaviour using financial data for a large random sample of the US households. The study revealed that the level of relative risk aversion was a function of age, education, wealth and income.

Barua, Raghunathan, and Verma (1994) provided a comprehensive review on the nature and trend of research in the field of capital market in India, during the period 1977 to 1993. The relevant studies were classified into three categories. Barua and Srinivasan (1982, 1987, 1988, 1991) conducted experiment with reference to the investment decision process of individuals and concluded that the risk perception of individuals were significantly influenced by the skewness of the return distribution. This implied that investors were concerned about the possibility of maximum losses in addition to the variability of returns.

Nagy and Obenberger (1994) examined as to which factors had the greatest influence on the individual investor. The study showed that investors employed diverse decision criteria while choosing stocks.

Arditti (2001) examined the risk and the required return on equity and found that the slope co-efficient of the debt-equity ratio was insignificant while the dividend-earnings ratio was negatively and significantly correlated with the required rate of return.

Kannadhasan (2006) studied the risk appetite and attitudes of retail investors of Chennai City to whom a questionnaire was administered.

Mohamed and Namasivayam (2006) developed a case study on investors' behaviour towards securities market in Theni District of Tamil Nadu.

Research Monograph

A monograph by Gupta (2000) examined "Retail Investors' Current Attitudes" to ascertain if they had withdrawn or in what way their attitude towards share investment had changed. The pilot survey of urban middle-class household investors in Delhi, through a structured questionnaire, revealed the following: (i) Continuing interest in equities among half (50.36 per cent) of retail investor respondents, and (ii) The nature of the investors' past experience determined their perception and choices for future.

Working Paper

Balasubramanian examined equity returns in India, with the aim of ascertaining total returns to shareholders, from year 1970 to 1997. He concluded that only 45 of the 256 companies provided total returns in the seven-year holding period; equaling or in excess of the corresponding BSE sensex return of 23 per cent. A report on the review of Indian securities market, published by NSE India Ltd, provided an overview of the investor population, investors' perception, and worries of household investors about stock market, among other issues.

On-line Articles

A Survey of Households, undertaken by the SEBI, along with the National Council of Applied Economic Research (NCAER), New Delhi, brought forth several findings:

1. 92 per cent of all Indian households were non-investors.
2. A very small percentage of households had their savings channelised into the securities market.
3. Investment pattern matched the risk perception of households.
4. The investment intention of households in next one year from the completion of survey (March 1999) showed negative correlation between risk perception and choice of investment in bank fixed deposits, mutual funds, etc.
5. More households had become equity investors after 1991.
6. Equity investors were driven by considerations of liquidity and returns and had a long-term focus, whereas the short-term investors were only 7-8 per cent of the urban households.

An article, titled "The Golden Nest Egg", contained three interesting conclusions:

1. The investment should be in tune with the investor's risk appetite. As age advances, risk appetite decreases.

2. A grid of what ideal portfolios should look like for various age groups can be used as a reference point to guage one's portfolio; and
3. A survey conducted by the Investment Company Institute, in 1992, with the aim of learning more about mutual fund shareholders' perception of risk, revealed that most shareholders tend to perceive risk as the potential to lose principal**.**

Another interesting article revealed the following economic implications of a rapidly aging population:

1. The declining number of younger people may lead to a reduced demand for of investments and downward spiral in capital market;
2. The older population will move out of equities;
3. Countries with high influx of immigrants may alter investment behaviour;
4. Investors may turn to emerging economies where demographic trends differ from the West; and
5. Companies providing for care of aged will perform well in the future**.**

Worzala, *et al.* (2000) through a survey of portfolio managers of large pension funds and insurers, sought to determine whether managers perceived the inherent risk of a specific asset to be consistent with the expected return for that investment vehicle. The study revealed that these investors generally did perceive the inherent risk of many assets as justified by the return expected from a particular asset.

Newspaper Articles

In his article, titled "Make it Last Longer", Mascarenhas (2005) observed that a company's dividend policy was the key guiding principle in picking a long-term winner.

In his article, "Is the Stock Market Behaving Irrationally? Sastry (2005) argued for market exuberance to be supported by fundamentals.

In an article, "Look before You Leap into Investments," Soneji (2005) cautioned small investors to focus on BSE 100 companies and to avoid looking beyond.

Roy (2006), in an article, captioned "Sensex Party is not for You and Me", observed that those who have gained in the latest boom (2005-2006) were large players and that the market was driven by foreign institutional investors.

Magazine Articles

The following magazine articles provided an overview of the environment in which the present study was taken up:

1. An article of Buttonwood (2005) in *The Economist*, titled **"**Equity Markets America's Ague", discussed why America's stock markets were ailing while others were hale. Americans themselves preferred foreign shares.
2. An article, titled "What you should Watch For", Chakrawarthy, *et al.* (2005) published in *Business World***,** commented that markets were likely to become far more unstable from now on.
3. Another article, by Mongia (2005) titled "The Risk Advantage", published in *Business World*, stressed that the global investors risk appetite had increased, as more investors were piling into equity markets despite higher risks. This explained the flush of liquidity in emerging markets, like India.
4. In their article, titled "Capital ideas", Chakravarthy and Celestine (2006) observed that Indian companies were growing much faster than the American counterparts and shareholders valued higher growth.

Post-review Observations

Past studies conducted in India have aimed at understanding the attitude towards risk as reflected in investors' preferences for different avenues. Studies have also been carried out in India to assess awareness among retail investors about different investment avenues. However, to really perceive the way investors view risk in the current context, one need to study their perception in relation to a specific industry. The present work is a study on the risk-return perceptions of investors holding IT stocks.

Research Gap

The financial markets in India have been at the forefront of what can be termed as a paradigm shift in the economy (Murthy, 2000). Consequent to the review, gaps were identified for seeking answers to the following questions:

1. What does risk mean to an investor?
2. What is his risk-measuring yardstick?
3. What is the risk tolerance level of individual investors?

OBJECTIVES OF THE STUDY

Based on the review of literature and in order to fill the gap in this important area of business, the following objectives were formulated:

1. To examine the manner in which individual investors view risk in relation to the IT stocks.
2. To ascertain how institutional investors view the risk and trace the differences, if any, between individual and institutional investors' perceptions.
3. To examine the nature of relationship between acceptable levels of risk and expected annual rates of return.
4. To compare the perceptions of individual investors, institutional investors and financial analysts.
5. To develop a framework within which the investors' risk and return expectations can be viewed.

METHODOLOGY

The study is based on primary data gathered through a survey conducted on a sample consisting of 234 individual investors, 7 institutions and 15 analysts, were administered a structured questionnaire, intended to measure the perception of investors' as to the risk factors in buy-or-sell decisions in different markets. The balanced-risk scorecard was prepared on the basis of the data gathered. This scorecard depicts their key concerns at the pre-investment, processing, and post-investment phases.

Sample size: The profile of the respondents is given in Table 3.

Table 3

Profile of Respondents

Particulars	*Individual investors*	*Institutions*	*Financial Analysts*
No. of respondents targeted	200	5	10
No. of respondents contacted	276	10	16
Actual number of usable responses secured	234	7	15
Response rate (per cent)	**84.78**	**70**	**93.75**

Sample Selection: The sample was selected on the following criteria:

(a) Respondents should be holding, or should have held, shares of an IT company, in the years 2000-2006, with at least two years of trading experience.

Table 4

Questionnaire Response Rate

Particulars	*Individuals*	*Institutions*	*Analysts*
No. of questionnaires distributed	276	10	16
No. of responses received	234	7	15
Response Rate (per cent)	84.78	70	93.75

(b) Of the IT shares that form, or formed, a part of the respondent's portfolio, at least one should be of a Bangalore-based IT company.

The particulars of response rates are given in Table 4.

Plan of Analysis

The mean, standard deviation, and the ANOVA test were used for the questions which contained a rating scale. The frequency of responses was used to draw the most preferred option in the case of questions without a rating scale. The hypotheses were tested using the Chi-square test. The findings were used to draw conclusions and make interpretations.

The Concept

The balanced risk scorecard includes the sum of the key perceptions drawn from the survey undertaken. The valued indicators of significance, for respondents were called variables, and their inter linkages were structured sequentially in a framework to present a descriptive, balanced risk scorecard.

Balanced Risk Scorecard and its Flows

The following are the stages of developing the risk scorecard:

1. Identification of key variables from the data interpretation and analysis stage;
2. Defining the relationship of various variables and establishment of the sequence network; and
3. Evolving a formal structure to depict the framework.

The risk scorecard that emerged as a result of the above is depicted in Figure 1.

Tracking Company Performance

The data collected from the respondents show that dividend and capital appreciation form the two significant measures of performance. The responses are arrayed in Table 5.

As shown in the table, a drop in both the dividends and share prices constitutes the measure of risk. In fact, risk=f (dividend, share price).

The above observation holds well across all age groups as shown below:

Figure 1

Balanced Risk Score Card

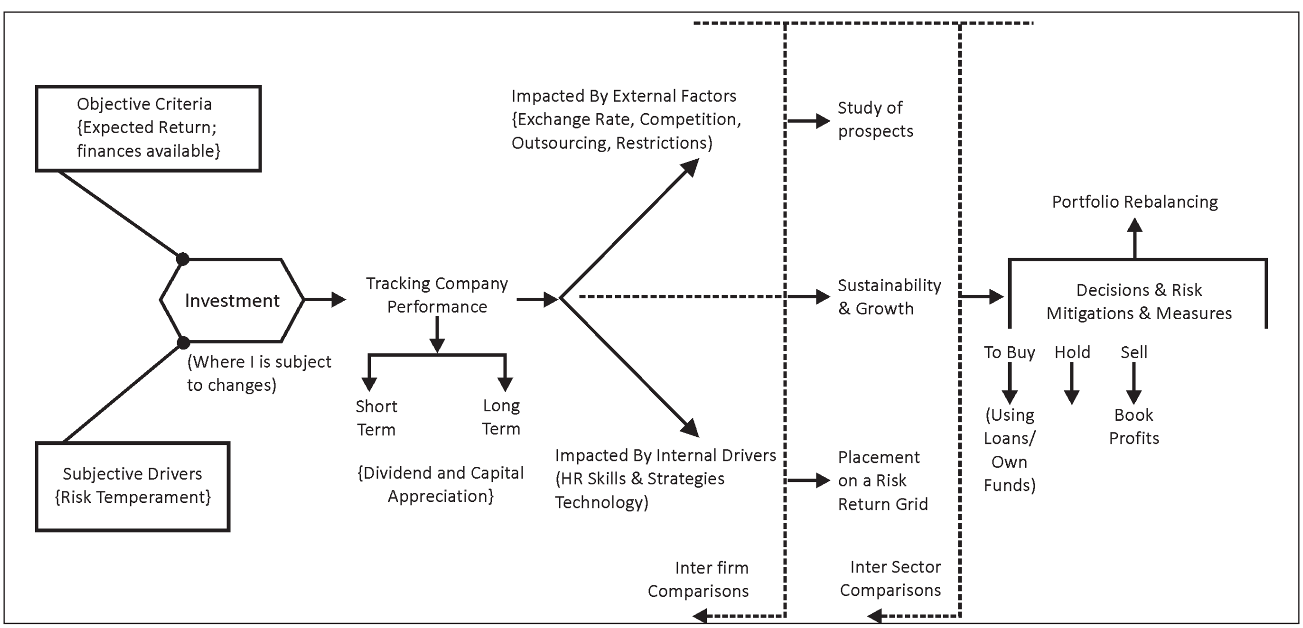


Table 5

Risk Measures for Individual Investors

S. No	*Risk Measure Statements*	*Frequency*	*Percent*	*Cumulative Percent*
1.	A drop of more than 20% in dividend	16	6.8	6.8
2.	A drop of more than 20% in share price	84	35.9	42.7
3.	Both–a drop of more than 20% in dividend and share price	127	54.3	97.0
4.	Any other factor	7	3.0	100.0
	Total	234	100.0	

The response to the above question was cross-tabulated with the age of respondents to better comprehend their perception of risk and to answer the question, "Does the meaning of risk vary with the increasing age?" As stated in the objectives, a key issue was to examine the meaning of risk as perceived by investors. The majority of respondents (105) understood risk as the possibility of losing what was invested. The risk, as perceived by respondents, was cross-tabulated with age to test Hypothesis 1. The cross-tabulation of data is shown in Table 6.

Table 6

Cross Tab of Age with Risk Meaning

Age Groups	*Details*	*Risk Meaning*			*Total*
		Expected return – Actual return	*Getting fraction of investment*	*Losing what I invested*	
20-30	Response frequency	30	14	22	66
	% within risk measure	38.0	28.0	21.0	28.2
30-40	Response frequency	13	19	44	76
	% within risk measure	16.5	38.0	41.9	32.5
40-50	Response frequency	14	8	21	43
	% within risk measure	17.7	16.0	20.0	18.4
Above 50	Response frequency	22	9	18	49
	% within risk measure	27.8	18.0	17.1	20.9
Total	Response frequency	79	50	105	234
	% within risk measure	100.0	100.0	100.0	100.0

The meaning of risk to individual investors is shown in the table. In order to ascertain whether risk meaning is significantly associated with age of respondents in relation to their age groups, the Chi-square test was used. The results are shown in Table 7.

Table 7

Chi-Square Test

	Value	*Df*	*Asymp. Sig. (2-sided)*
Pearson Chi-Square	17.271	6	**0.008**
Likelihood Ratio	18.217	6	0.006
Linear-by-Linear Association	.008	1	0.928
N of Valid Cases	234		

Note: 0 cells (.0%) have expected a count of less than 5. The minimum expected count is 9.19.

Table 8

Symmetric Measures

		Value	*Approx. Sig.*
Nominal by Nominal	Contingency Coefficient	0.262	0.008
N of Valid Cases		234	

Note: (1) Not assuming the null hypothesis.
(2) Using the asymptotic standard error assuming the null hypothesis.

Results and Inference from the Chi-square Test

The test showed a strong link between age groups and risk meaning, as perceived by the respondents, at 1 per cent level of significance.

In the case of institutional investors, while a drop of 20 per cent in share prices was construed as risk measure by 4 institutions, the other 3 perceived a drop in both the share prices and dividend as a significant risk measure.

Table 9

Cross Tabulation of Risk Meaning and Risk Measure

Particulars			*Risk Measure*				*Total*
			-more than 20% in dividend	*-more than 20% in share price*	*1&2*	*Any other*	
Risk Meaning	A gap between actual returns and expected returns	Count	13	28	35	3	79
		% Within Risk measure	16.5	35.4	44.3	3.8	100.0
		% Within Risk measure	81.3	33.3	27.6	42.9	33.8
	Getting only a fraction of investment	Count	2	24	24		50
		% Within risk measure	4.0	48.0	48.0		100.0
		% Within risk measure	12.5	28.6	18.9		21.4
	losing what I invested	Count	1	32	68	4	105
		% Within risk measure	1.0	30.5	64.8	3.8	100.0
		% Within risk measure	6.3	38.1	53.5	57.1	44.9
Total		Count	16	84	127	7	234
		% Within risk measure	6.8	35.9	54.3	3.0	100.0
		% Within risk measure	100.0	100.0	100.0	100.0	100.0

Table 10

Common Risk Measure Description for Institutional Investors

Risk Measure	*Frequency*	*Percent*	*Cumulative Percentage*
More than 20%drop in share price	4	57.1	
More than 20% drop both in share price and in dividend	3	42.9	100.0
Total	7	100.0	

Financial Analysts

With respect to risk description from this analysts-respondent, while a drop in dividend and share price was considered as the real risk measure, only one-third of the respondents perceived a drop in share price as a risk measure. A decline in dividend payout was not viewed as a threat.

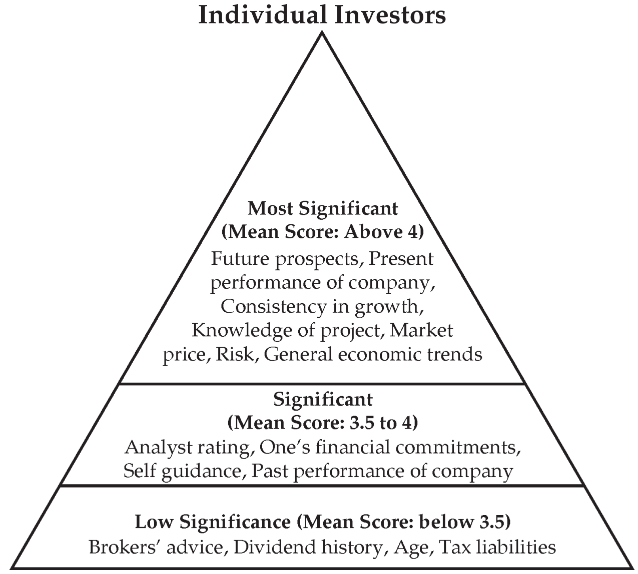
Impact of External Factors/Internal Drivers

The survey elicited the significant criteria used by each category of respondents in investing decisions with a focus on equities. The pyramid, shown in Figure 2, depicts these criteria in the order of significance.

The mean scores of the criteria are shown in Table 11.

Figure 2

Order of Significance of Evaluation Criteria for Individual Investors



It can be inferred from the table that the sample investors weighed a company's future and its track record carefully rather than their personal characteristics, like age, financial situation or tax liability. This reinforces the findings of study, in which 305 individuals were found to make "high use" of "information on future strategies". Another study too, showed that individual investors were primarily concerned with future expectations, followed by historical performance.

Table 11

Mean Scores of Evaluation Criteria

Future prospects	4.5983
Present performance of company	4.3846
Past performance of company	3.9829
Consistency in growth	4.265
Knowledge of project	4.111
Market risk	4.1197
General economic trends	4.0513
Risk	4.0
Analyst ratings	3.7991
Financial commitments	3.7983
Self-guidance	3.8077
Brokers' advice	3.3462
Dividend history	3.3632
Age	3.03
Tax liability	2.9145

A pertinent observation, here, is the fact that self-guidance carries more weightage than the advice of brokers. This may be a reflection of the growing confidence of contemporary investors in their own assessment. Tables 12 and 13 present the results of the ANOVA One-way test, which lead us to support following inferences:

1. Company's present performance is a more significant tool for investors aged between 30-40 years.

Table 12

Equity Evaluation Criteria

INV_C and G
Duncan

	C) Knowledge / experience of the company / project			*G) Company's present performance*		
	N	*Subset for alpha = .05*		*N*	*Subset for alpha = .05*	
AGE		1	2		1	2
Above 50	49	3.7347		66	4.1667	
20-30	66		4.1061	49	4.2653	
40-50	43		4.2558	43	4.3488	
30-40	76		4.2763	76		4.6711
Sig.		1.000	.388		.267	1.000

Notes: C) and G) Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 55.576.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. The Type I error levels are not guaranteed.

2. Knowledge of the project and evaluation of future growth and consistency in growth are less significant to investors above 50 years in age and more significant to investors in the other age groups.

Table 13

Equities' Criteria

EQ_E (evaluation of future growth) EQ_F (consistency in growth) EQ_H (risk)
Duncan

	Evaluation of Future Growth			*Consistency in Growth*			*Risk*		
	N	*Subset for alpha = .05*		*N*	*Subset for alpha = .05*		*N*	*Subset for alpha = .05*	
AGE		1	2		1	2		1	2
Above 50	49	4.2245		49	4.0816		49	3.7551	
40-50	43	4.4884	4.4884	43	4.1860	4.1860	43	3.9070	
20-30	66	4.5152	4.5152	76	4.2368	4.2368	76	3.9474	
30-40	76		4.5789	66		4.4848	66		4.3030
Sig.		.057	.560		.368	.080		.312	1.000

Notes: E), F) and H) Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 55.576.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

3. Risk is a very significant criterion for investors in the age group of 20-30 years.

The responses of institutional investors are shown in Table 14.

Table 14

Investment criteria

Part I - Investment Criteria	*N*	*Mini-mum*	*Maxi-mum*	*Mean*	*Std. Deviation*
Yr knowledge of Co/project	7	3	5	3.71	.95
Rating by analysts	7	3	5	3.71	.76
Company's past performance	7	3	5	3.43	.79
Company's present performance	7	3	5	4.14	.90
Company's future prospects	7	2	5	4.43	1.13
Any other	0				
Valid N (listwise)	0				

As shown in the table, a company's future prospect is the most significant factor followed by the company's present performance. One's knowledge of the company or project by analyst ratings is given equal importance. The mean score interpretation is given in Table 14A.

Table 14A

Interpretation of the Mean Score

Most significant	– Company's future prospects – Company's present performance
Significant	– Treasury Manager's knowledge or experience of Company/project – Analyst rating
Less Significant	– Company's past performance

As the mean response scores show the 'valued priority factors' were: management team, future growth evaluation, consistency in growth and risk are most significant to the respondents. Fundamental analysis, technical analysis, market price and dividend history are significant. The remaining factors were found to be least significant.

Table 15

Equity Evaluation Criteria

Equity Evaluation Criteria	*N*	*Mini-mum*	*Maxi-mum*	*Mean*	*Std. Deviation*
Management team	7	3	5	4.29	.76
Corporate governance	7	2	5	3.43	.98
Dividend history	7	3	5	3.57	.79
Advice of brokers	7	2	5	2.86	1.07
Market price	7	2	5	3.71	1.11
Evaluation of future growth	7	2	5	4.29	1.25
Consistency in growth	7	3	5	4.14	.90
Fundamental Analysis	7	2	5	3.86	1.07
Technical Analysis	7	2	5	3.43	1.40
Both-fundamental and technical analysis	7	2	5	3.86	1.07
Risk	7	3	5	4.00	1.00

Evaluation Criteria for Stock Entry/Exit

This question assumes significance in the light of heavy investments made by institutions that have an impact on the market and the sensex movement. The specifics of these factors are shown in Table 16.

Table 16

Factors Influencing Stock Entry/Exit

Factors Influencing Stock Entry/Exit	*N*	*Mini-mum*	*Maxi-mum*	*Mean*	*Std. Deviation*
Advice of in-house professionals	7	3	5	3.86	0.69
Projected growth rate of the company	7	3	5	4.14	0.90
Expiry of pre-determined holding period, if any	7	1	3	2.29	0.95
Other institutions' buying and selling	7	1	4	2.57	0.98
Media reports	7	2	4	2.86	0.69

In consonance with the significance attached to future prospects in the responses to earlier questions, the one and only significant criterion is the projected growth rate of a company. From the above, two inferences can be drawn: first, the only significant factor worthy of consideration is the perception of the future, based on the present and future potential as measured by the growth rate. Second, the quarterly and annual growth forecasts of the IT industry and individual companies assume significance for movement of institutional funds.

The answers to the question relate to the factors evaluated for technical stock investments, in particular, are shown in Table 17.

Table 17

Tech Stock Investment Factor Evaluation

Tech stock Investment Factor Evaluation	*N*	*Mini-mum*	*Maxi-mum*	*Mean*	*Std. Deviation*
Over/under performance of tech stock	7	3	5	3.71	.76
Free float of stock	7	1	5	3.14	1.46
Sensex	7	2	5	3.57	.98
Other institutions' buying/ selling	7	2	5	3.57	1.13

The responses reveal the level of significance of different factors for evaluation. In the current question, the respondent's criteria for IT stocks are examined. The following points are worth noting:

1. Heavy institutional buying or selling is taken into account in IT stock decisions as this factor has moved upward from 4th to 3rd position as seen in the answers to the previous and current questions.
2. As compared to the others, the free float of stock is of low importance.
3. The respondents showed awareness that investment decisions were largely governed by the potential of a company, which drives stock values. So, the projected growth rate and an analysis of the underlying stock are important for them.

The evaluation criteria used by analysts and ratings for the same are shown in Table 18.

Table 18

Investment Criteria

Investment Criteria	*N*	*Mini-mum*	*Maxi-mum*	*Mean*	*Std. Deviation*
1A - Knowledge / Experience	15	3	5	4.27	0.80
1B - Rating Company / Project	15	3	4	3.40	0.51
1C - Past Performance	15	2	5	3.87	0.92
1D - Present Performance	15	3	5	4.33	0.72
1E - Future Prospects	15	3	5	4.80	0.56
1F - Any Other	1	5	5	5.00	–

Transparency is a very significant factor followed by future prospects of a company. The present performance, knowledge, and experience of the project are also significant factors in evaluating the investment quality. The ratings of the equity evaluation factors are furnished in Table 19. The margin of future growth evaluation and the consistency in growth are very important criteria apart from fundamental analysis and risk.

Table 19

Equity Evaluation Criteria

Equity Evaluation Criteria	*N*	*Mini-mum*	*Maxi-mum*	*Mean*	*Std. Deviation*
2A - Management Team	15	1	5	4.00	1.13
2B - Corporate Governance	15	3	5	4.00	.65
2C - Dividend History	15	1	5	3.73	1.33
2D - Market Price	15	2	5	3.93	1.10
2E - Evaluation of Future Growth	15	3	5	4.67	.62
2F - Consistency in Growth	15	4	5	4.67	.49
2G - Fundamental Analysis	15	3	5	4.40	.74
2H - Technical Analysis	15	2	5	3.07	.96
2I - Both (G &H)	14	3	5	3.64	.63
2J - Risk	15	3	5	4.27	.80
2K - Any other factor	1	5	5	5.00	–

The significant factors are market price and dividend history. As shown in the table, there has been an emphasis on growth and its consistency. Analysts evaluate the margin of safety in order to protect their client's interests. The next set of response ratings are with respect to factors that are important in recommending stock buys or exits. The responses of the 15 analysts are captured by the mean response scores, which are shown in Table 20.

Table 20

Factors Influencing Stock Entry/Exit

Factors influencing stock entry/exit	*N*	*Mini-mum*	*Maxi-mum*	*Mean*	*Std. Deviation*
11A - Projected growth rate of that company	15	3	5	4.07	0.59
11B - Expiry of predetermined holding period, if any	15	2	5	3.07	0.96
11C - Other institutions' buying and selling	15	2	5	3.80	1.01
11D - Media reports	15	2	5	3.33	0.82

While the projected growth rate is of highest significant, other institutions' buying and selling is also important. This implies that the major criterion is future growth potential.

Risk Return Grid: The individual investor respondents were asked to slot the IT stocks held by them on a grid, containing the four alternatives, depicted in Table 21.

Table 21

Risk Return Grid Specifics

Specifics	*Frequency*	*Percent*	*Cumulative Per cent*
High risk-high return	46	19.7	19.9
Low risk-high return	174	74.4	95.2
Low risk-low return	10	4.3	99.6
High risk-low return	1	0.4	100.0
Total	231	98.7	

The majority of respondents perceived IT stocks as 'low risk-high return' yielding. The responses of institutional investors regarding slotting of IT stocks on a grid are shown in Table 22.

Table 22

Risk-return Grid Specifies (Institutional Investors)

	Frequency	*Percent*	*Cumulative Percent*
High risk-high return	2	28.6	28.6
Low risk-high return	5	71.4	100.0
Total	7	100.0	

As shown in the table, 5 of the institutional respondents slotted IT stocks as 'low risk- high return', which explains the interest and enthusiasm generated by IT stocks. A look at other industry stocks favoured by the institutions reveals how they structure their portfolios so as to optimally balance the costs of diversification with its benefits. A typical portfolio composition in today's context is shown in Table 23.

Table 23

A Typical Portfolio

1. Pharmaceuticals 2. FMCG 3. IT 4. Automobiles 5. Banking	6. Infrastructure 7. Telecom 8. Cement 9. Retail 10. Steel

The percentage of weightage to different types of shares is below 20 per cent.

The analyst-respondents have located IT stocks on a risk return grid as shown in Table 24.

Table 24

Risk Return Grid

Risk return grid	*Frequency*	*Percent*	*Cumulative Percent*
High risk-high return	5	33.3	35.7
Low risk-high return	9	60.0	100.0
Total	14	93.3	
Missing System	1	6.7	
Total	15	100.0	

The perception is dominated by 'low risk-high return slot' which explains the reason for tremendous enthusiasm for IT stocks in the investing community.

Inter-sector Comparison

Individual investors examined risk dimensions in IT versus non-IT sectors in terms of their impact. A 3-point rating scale was used to facilitate the following responses. Comparison shows that technology, exchange rate, and stage of market evolution are the 3 most significant factors that add to risk perspective in the IT Sector. Oil prices and natural calamities are the risk factors in the non-IT Sector.

Risk perception of the respondents increase under the following circumstances:

1. Absence of a clear and continual plan to upscale by companies;
2. There is a lack of transparency in markets;
3. Strengthening of the rupee against the dollar in case of the IT sector; and
4. In the non-IT sector, oil price hikes are perceived to cut into profits while natural calamities can retard the progress and growth prospects of companies.

A comparative analysis is also made by investors to shuffle portfolios in order to maximise the return on their investment.

FINDINGS AND CONCLUSIONS

Uses of the Scorecard

The scorecard captures crucial dimensions of stock decisions in one single place and can serve as a checklist for the investor. It reduces the time taken for portfolio rebalancing and serves as a help card or a ready-reckoner for investors to check whether all factors have been considered and what they consist of and the key dimensions have been sequenced. The card can help the investors to see if the necessary homework has been done before deciding to buy or sell. They can track the investment already made. The card captures important dimensions of stock decisions and aids decision-making.

Limitations of the Scorecard

This card is merely a preliminary attempt at reflecting risk perceptions that impact decision-making.

Concluding Remarks

The scorecard is a moving and fluid approximation at any given point of time. A variation in returns is what concerns the respondents. Their perceptions are influenced by the degree of risk faced in securing returns. The scorecard can serve to make risk elements measurable, if not manageable. It is in this sense that the risk scorecard is offered, as a small step, to evolve a fine fit between an investor's expected return and the stock's capacity to return.

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IMPACT OF QUALITY OF TEACHING ON STUDENT SATISFACTION
A Study of Jammu University

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Abstract

Quality of teaching forms the cornerstone of a successful education system. It is essential for high standards of education and good image of an educational institution. This paper seeks to examine the relationship between the quality of teaching and the student satisfaction. A pilot study was conducted for sample design and for the refinement of the questionnaire. The data was collected from 324 students taken from 32 departments of the University of Jammu. It was analysed with the help of mean, standard deviation, factor analysis and multiple correlation and regression. The study has revealed that a majority of the students were satisfied with the teaching quality and the teachers' attitude towards the students, but were least satisfied with the temperament of the teachers.

Key words: ***Teaching quality, Student satisfaction, Service quality, Social set-up***

INTRODUCTION

An educational institution stands for the dissemination of knowledge, instruction, coaching and training to the students. The beliefs and values which underlie the educational system of a community can be regarded as its basic philosophy. In the present era, education seems to have become a business and is covered under service industry, where students are considered as customers and the teachers and educational institutions as service-providers. The job of the service-providers is to satisfy their customers. This system lacks personal responsibility of teachers towards their students (Caseley, 1999). In Indian universities, the students' unrest has become almost a regular phenomenon.

There are often news reports regarding strikes, agitations and closure of universities and colleges in different parts of the country. The students' unrest results in the wastage of precious time, and cost dearly to the society. Humayun Kabir, who made an analysis of the causes of student unrest in 1955, listed four important causes of student unrest in India: the loss of leadership by teachers, growth

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of economic difficulties, defects in the existing educational system and general loss of idealism. Besides these causes, other causes of unrest among the students include the lack of employment opportunities, lack of understanding and rapport between students and teachers, crisis of values in the society and absence of commitment on the part of teachers. The above-mentioned problems are directly or indirectly related to teachers and teaching quality. In order to satisfy the students there is a dire need to improve the teaching quality (Postema and Markham, 2001).

The teacher plays an important role in nation-building. Dreams, aspirations, and hopes of the modern India depend upon the quality of teachers who shape the future citizens. A student, in fact, is the touchstone of a teachers' role and responsibility. Although education is imparted by an individual (teacher) to an individual (student), yet the process of teaching and learning does not consist of isolated actions of individual; they form an interaction process between the two parties. The student has certain expectations from the teacher and vice versa. If either of them is unable to play his/her role properly, it results in dissatisfaction. The behaviour of both of them is shaped by their mutual expectations.

Thus, the teaching-learning process becomes a social-interaction process. The teacher has to manage the teaching-learning situation. The whole process of learning depends on the effectiveness of the teacher. He must have a deep understanding of teaching and learning, setting of classroom climate, and the ways to motivate pupils. A teacher is effective only if he has high values and good communication skills, and is receptive to new ideas.

REVIEW OF LITERATURE

In order to explore the research gap in the subject, it is imperative to review the related studies. The crux of the available studies conducted on the topic is given in the following paragraphs.

Kara and Wideshields (2004) examined the relationship between students' satisfaction and their intention to stay in the college or university. The study indicated that students' experience was positively related to their satisfaction and intention to stay at the college or university. The major implication of the study is that the educational institution which appreciates consumer-oriented principles has a better chance of satisfying the needs and wants of the students more effectively.

Postema and Markham (2001) found that student satisfaction was an important quality factor in educational institutions and raised the issue of teaching quality as an indicator of students' satisfaction. The study emphasised the effect of quality on student satisfaction because quality assurance in an educational institution cannot be seen within the same framework as that used in a manufacturing organisation.

Gunaratne and Carswell (2002) studied customer satisfaction with service quality dimensions in the tertiary education. The study sought to assess the students' perception about service quality. Through a sample of 200 undergraduate students, the study revealed that the perceived quality of teaching approach was the major predictor of student satisfaction.

The study conducted by King and Nair (2003) also found that the quality work was directly linked with the student's satisfaction. The survey was conducted twice to measure the student satisfaction. A questionnaire was used to measure the students' experience and opportunities for improvement. The questionnaire comprised three areas: the overall study experiences, the campus experiences, and the general university experiences. Out of 47,263 students, only 16,116 responded voluntarily. The study revealed that quality assurance was normalised in the university experience, and the students were conscious of the quality and continuous improvement in staff. The authors observed that quality never dies, instead challenges become greater.

Cuthbert (1996) stressed the need for a valid and reliable instrument for course managers to evaluate their product through customer feedback as a part of the system of quality assurance. For reviewing and measuring the extent of student experience, 134 students from three under-graduate degrees programmes were contacted. The study revealed higher average perception scores than the expectation scores on every dimension, except the tangibles. The analysis also revealed lower reliability coefficients. The reason for low reliability scores and different factor structures was the lack of focus on specific aspects of the service experience as a possible source of error.

Raza, Hashmi, and Ullan (1999) studied the major issues and problems of students in higher education, through a sample of 274 students, picked up from two public and two private universities in Lahore. A self-designed scale of thirty-one items was distributed among the students. The average mean score and standard error of means were calculated using SPSS. The study revealed that the students were mainly concerned about the problems related to part-time university teachers, communication gap, less teamwork, job/entrepreneurship-oriented education, and their personal and social development.

RESEARCH GAP AND OBJECTIVES OF THE STUDY

The literature reviewed above was concerned with the impact of service quality in general. None of the studies pertained to the impact of quality of teaching on student satisfaction. The present study seeks to explore student satisfaction from various aspects, namely, service quality, social set-up, institutional services, co-students' attitude, curriculum, administration, economic set-up, and information technology. It also seeks to assess the impact of quality of teaching on student satisfaction. Earlier researches on teaching quality in higher education often emphasised academics more than administration, concentrating on effective course delivery mechanism and the quality of courses and teaching (Atheeyaman, 1997; Cheng and Tam, 1997; Soutar and McNeil, 1996; Griemel-Fuhrmann and Geyer, 2003). Though previous studies sought to examine quality, but were not successful in identifying the specific teachers' characteristics, classroom practices and other related things, such as curriculum, that are most likely to improve student satisfaction.

The basic objectives of the study are:

1. To ascertain the relationship between quality of teaching and student satisfaction, and influence of teachers' characteristics on student satisfaction, and
2. To suggest appropriate measures for increasing student satisfaction.

HYPOTHESES

On the basis of the studies reviewed above, the following hypothesis was framed:

Ericson and Ellett (2002) identified the critical factors of student satisfaction**.** The study revealed that although efforts were made to achieve students' satisfaction, yet the level of their satisfaction was low, due to the lack of student interaction with the education system. Further, due to poor marketing strategies, student could not get the desired level of satisfaction (Shoemaker, 1998). This led to the formulation of the following hypothesis:

H_{01}: The level of satisfaction among the University students is low.

Caseley (1999) found that the students in general were highly satisfied with the quality of teaching and supportive services were suggested that it may be the perception of service quality that the students were satisfied with the quality of teaching. Thus, the second hypothesis of the study is:

H_{02}: There is a significant influence of quality of teaching on students' satisfaction.

METHODOLOGY

The study is explorative, evaluative and diagnostic in nature and attempts to discover the impact of quality of teaching on student satisfaction. The research design and methodology is discussed below:

Sample Size and Design

Thirty-two post-graduate departments of the University of Jammu were contacted and the information regarding students' strength was gathered from the office of each department. The total student population was 2842. The following formula was used to determine the sample size:

$1.96 * S.D \sqrt{N-n/n} * N = 0.05*$ mean (Mukhopadhya, 1998)

A pilot study was conducted and the mean and standard deviation from it were used in the above formula to determine the sample size which worked out to 324, which is nearly 11 per cent of the total population. 325 students belonging to 32 departments of the university were approached. An equal number of students were contacted from each department. Out of the 325 students, 306 (94.5 per cent) gave proper response.

Data Collection and Generalisation of Scale Items

In order to prepare a reliable questionnaire, both the primary and secondary sources of information were used. The items under different variables covering almost all the major aspects of student satisfaction were studied. The students' satisfaction questionnaire was finalised after reviewing the existing literature on the subject (Achala Raina 1996) and an extensive discussion with the subject experts. Likert's five-point scale and summated scale were used for measuring satisfaction. Some negative statements were added in the questionnaire to cross-check the responses, which were later, reversed during the data-feeding in the SPSS.

The questionnaire comprised of three sections, the demographic profile of the students, quality of teaching, and student satisfaction. The questionnaire also comprised of statements relating to different aspects of student satisfaction, namely, teaching quality, administration, infrastructure, curriculum, institutional services, co-students' attitude, service-quality, social set-up, and economic set up and ten statements pertaining to teaching quality.

Limitations

Although efforts were made to maintain objectivity, reliability, and validity of the study, yet certain limitations could not be overcome and are required to be kept in view while the findings of the study are considered for implementation. These are:

1. The study has measured teaching quality and student satisfaction on the basis of the experience of the students. They might have been guided by their likes and dislikes.
2. The study was limited only to the University of Jammu.

DATA ANALYSIS

The data collected was checked for reliability and validity, and was purified through factor analysis. The results are given in the following paragraphs:

Data Purification

The multi-variate data reduction technique of factor analysis was carried out through the Statistical Package for Social Sciences (SPSS), 13 version, to identify the appropriate factors. It involved the examination of interrelationship among variables and the reduction of the number of items into manageable and meaningful factors (Stewart 1981). It is also used to explain the pattern of correlation within the set of variables and to simplify and reduce the data (Foster 2002, Verma, 2004). The factor analysis was conducted with principal component analysis, along with orthogonal rotation procedure of varimax for summarising the original information with minimum factors and optimal coverage. The statements with factor loading of less than 0.5 and Eigen values of less than 1.0 were excluded from subsequent analysis (Hair, *et al.*, 1995, Sharma and Jyoti, 2006).

The factor analysis was conducted separately for the two scales. The 10 items of the first scale (teaching quality) got converged into three factors containing the various statements, viz., teaching quality (F1), approach (F2), and temperament (F3), with positive factor-loading, Eigen values and explaining 49 per cent of the total variance. The second scale (student satisfaction) consisted of 30 statements that got reduced to 22 under eight factors, namely, service quality (F1), social set up (F2), institutional services (F3), co-students' attitude (F4), quality of curriculum (F5), administration (F6), economic effect (F7), and information technology (F8).

Reliability and Validity

Reliability is assessed by determining the proportion of systematic variation in the scale, using Cronbach alpha values (Tull and Hawkin, 2005). The internal consistency was established by using the split-half method (Malhotra, 2002; Hair, *et al*., 1995; and Tull and Hawkin, 2005). The mean values of both halves were above the average, i.e., 3.27 and 3.49, for both the scales (Table 7), indicating the internal consistency and reliability of the data.

The content/face validity of the scales was duly assessed through intensive review of literature and deliberations with the subject experts for the selection of items in the questionnaires. Thereafter, the items of the questionnaires were modified to make statements comprehensible to respondents to check the face validity. The high KMO Value (Tables 1 and 2) indicated the construct validity.

Furthermore, the convergent validity of the construct was proved by the positive correlation between different statements of the two scales. The factorial validity was also established as all statements had factor loading above 0.5 (Hair, *et al.,* 1995).

Table 1

Summary of Results from Scale Purification for Teaching Quality

(Total Mean, Factor Loadings, Variance Explained, KMO Value, and Eigen Value)

Dimensions	*F1 Teaching Quality*	*Mean*	*Factor Loading*	*V.E.*	*KMO*	*Eigen value*
	Effective teaching services	3.55	0.714	29.07	0.875	2.907
	Effective teaching quality	3.57	0.700			
	Take interest in teaching	3.43	0.684			
	Skillful in teaching	3.78	0.635			
	Qualified teachers available	3.71	0.613			
	Adopting new technology	3.21	0.581			
	Total mean of F1	3.54				
	F2 Approach					
	Extra-curricular activities	3.58	0.864	19.02		1.902
	Problem solving approach	3.47	0.670			
	Come to class with preparation	3.92	0.562			
	Total mean of F2	3.65				
	F3 Teachers					
	Ill-tempered	2.66	0.970	1.043		1.043
	Total mean of F3	2.66				
	Total	3.54		**49.131**		

MAJOR FINDINGS

Measurement of Quality of Teaching

Quality of teaching includes an in-depth understanding of the subject taught, the use of appropriate instructional method, and the application of various classroom assessment strategies. The computations regarding various factors of quality of teaching are summarised in Table 1.

The overall factorial mean of quality of teaching worked out to 3.34. Further analysis is given in the following paragraphs:

Teaching Quality (Factor 1): The factorial mean of teaching quality came to 3.54 (Table1). About seventy per cent respondents reported that teachers were skillful in teaching (M=3.78) and (56 per cent) reported that teachers took interest in teaching (3.43). A majority (62 per cent) of the

Table 2

Summary of Results from Scale Purification for Students' Satisfaction

(Total Mean, Factor Loadings, Variance Explained, KMO Value, and Eigen Values)

Statements	*Mean*	*F.L.*	*V.E.*	*KMO*	*E.V.*
F1 Service Quality	3.24				
Career counseling services	3.03	0.782			
Modern means of communication	3.26	0.755	11.459		2.636
Availability of reading material	3.43	0.736			
F2 Social Set-up	3.96				
Education makes students lawful citizens	3.87	0.825			2.312
It is helpful in social development	4.00	0.826	10.052		
It is helpful in removing social evils	4.00	0.781			
F3 Institutional Services	3.13				
Proud on institution	3.34	0.672			2.22
My Institution is better than the others	3.19	0.732			
The institution is committed to students	2.99	0.676	9.652		
It provides quality service	3.01	0.717			
F4 Co-students Attitude	3.97				
Students behave properly	4.11	0.725			2.175
Helpful at the time of need	3.94	0.874			
Interaction with fellow students.	3.88	0.818	9.456		
F5 Curriculum	3.12			0.82	
Introduction of new courses	3.21	0.715			2.011
Effective content and coverage	3.38	0.659			
Job-oriented approach	2.77	0.776	8.743		
F6 Administration	3.42				
Systematic planning and controlling	3.23	0.708			1.613
Proper admission procedure	3.60	0.831			
F7 Economic Effect	2.47		7.014 6.79		1.521
Increased unemployment	2.51	0.827			
Scarcity of resources	2.44	0.802			
F8 Information Technology	3.02				
Availability of forms on Internet	2.8	0.819			
Declaration of results on Internet	3.24	0.77	6.333		1.457
			69.499		
Total	3.27				

students remarked that their teaching method was good (3.57) and viewed that qualified and dedicated teachers were there (M=3.71). On the other hand, the students felt that the teachers rarely used new techniques for teaching. Thus, no aspect of quality of teaching generated very high satisfaction. In order to increase the student satisfaction, teachers need to develop their interest in teaching and adopt new techniques for teaching.

Approach toward Different Activities (Factor 2): Teachers' outlook about different things helps to mould student behaviour. The overall mean satisfaction scored by this factor came to 3.65 (Table 1). About 73 per cent of the students felt that the teachers came well-prepared with their lecture in the class (M=3.92) and took interest in extra-curricular activities (M=3.58). 56 per cent of the respondents reported that teachers did not adopt a problem-solving approach (M=3.47).

Temperament (Factor 3): The teachers' temperament does affect the student satisfaction. The mean satisfaction secured from this facet was 2.67, which is below the average. About 47 per cent students felt that their teachers were ill-tempered. It suggests the need of teachers to improve their temperament while dealing with the students.

The above analysis shows that though teaching quality is above-average, but it is not very high and teachers need to control their temperament and adopt new technology to keep them abreast with the technological developments in the profession.

Measurement of Student Satisfaction

Student's satisfaction is the state where students' expectations are adequately met by the institution. It has been explored from various aspects like teacher-student relationship, subject matter, methods of instructions, and infrastructure. The computation of various factors and their impact on student satisfaction are shown in Table 2.

The factorial mean of student satisfaction came to 3.28. The factor-wise analysis is given below:

Service Quality (F 1)

The mean satisfaction scored from service quality was 3.24 (Table 2). About sixty percent students agreed to have been provided with needed reference material in the library (M=3.43). Students were moderately satisfied with career-counseling services (M=3.04). However, 40 per cent felt the lack of modern means of communication.

The correlation data of student satisfaction with quality of teaching is shown in Table 3. The correlation analysis has revealed a significant relationship between service quality and students' satisfaction (r= 0.46, sig. <.001, Table 3).

The multiple correlation between student satisfaction and the various elements of quality of teaching is shown in Table 4.

Table 3

Correlation and Student Satisfaction with Quality of Teaching

S. No	*Factors affecting the Quality of Teaching*	*r*	*r 2*
1	Service Quality	0.46	0.21
2	Social Set-up	0.24	0.06
3	Institutional Services	0.45	0.21
4	Co-students' Attitude	0.27	0.07
5	Curriculum	0.36	0.13
6	Administration	0.37	0.13
7	Economic Effect	-0.22	.051
8	Information Technology	0.35	0.12
9	**Overall Student Satisfaction**	**0.53**	**0.28**

*Correlation is significant at 0.01 level

Table 4

Multiple Correlation between Student Satisfaction and Factors of Quality of Teaching

Model	*R*	*R Square*	*Adjusted R Square*	*Std. error of the estimate*
1	0.710	0.504	0.499	0.378

Social Set-up (F 2)

The degree of satisfaction secured from the social set-up is 3.96 (Table2). A large majority of the respondents (78 per cent) agreed that education did not only help in social development (M=4.00) but helped in removing the social evils, like dowry (M= 4.00). About 74 per cent students further agreed that education helps in making them law-abiding citizens (M=3.87, t=0.01, at 0.98 significance level). It is noted that students' satisfaction with the role played by education in making them lawful citizens is minimum, as compared to other two variables. So, it is equally important to give value-oriented education to students so as to make them law-abiding citizens.

Institutional Services (F 3)

The degree of satisfaction with institutional services came to 3.14 (Table 2). About 67 per cent respondents felt proud of their institution (M=3.34). The mean score from the institutional commitment towards students was below average (M=2.99). As many as 32 per cent students felt that the institution was not committed towards them. The feeling of pride for their institution amongst the students has to be inculcated by infusing more institutional services as compared to providing them quality services only.

Fellow Students' Attitude (F 4)

The students enjoyed highest satisfaction (M=3.98) with the attitude of their fellow students. About 79 per cent students were satisfied with the behaviour of their college-mates (M=4.11, t=0.022, at 0.98 significance level) and 73 per cent found them helpful (M= 3.94). They were also eager to interact with the fellow students (M= 3.88). Further analysis reveals that the students were highly satisfied with the fellow students' attitude and helpful nature.

Curriculum (F 5)

The factorial mean of this factor (curriculum) came to be 3.18 (Table 2). About 53 per cent students were satisfied with regard to 'effective content and coverage' of the curriculum (M= 3.38). The grim feature of this factor is that about 43 per cent were dissatisfied with the lack of job-oriented approach in the curriculum (M=2.78). It is noticed that there is a need of vocation-oriented and technical education for the students so that unemployment and wastage of resources get minimised. Besides this, the students reported as satisfied at average level with the introduction of new courses. Thus, it is necessary to review and revise the curriculum, keeping in view the changing needs of the society. The university should introduce innovative and job-oriented courses.

Administration (F 6)

The factorial mean of this factor came to 3.42 (Table 2), which is modest. About 63 per cent respondents were found to be highly satisfied with the admission procedure in the University (M= 3.60) and 49 per cent were satisfied with the planning and controlling of operations (M= 3.24).

Economic Effect (F 7)

The factorial mean of this factor came to 2.48 (Table 2) which is the least among all the factors. About 59 per cent students opined that the present education system was responsible for increasing unemployment among the educated youth (M= 2.51). 58 per cent felt that there was a paucity of resources to meet educational expenditure (M= 2.44). The results show that the students had the lowest satisfaction with this factor. The reason behind this phenomenon seems to be the increase in unemployment and paucity of resources. In order to enhance student satisfaction, job opportunities have to be created for the educated youth and merit-cum-means scholarship are to be made available, so that the poor among the students can continue their studies without any financial constraint.

Information Technology (F 8)

Modern educational institutions try to provide its students appropriate technical facilities in order to increase their capabilities by broadening their mental horizon and enhancing their vision. The mean satisfaction from this factor came to 3.03, which are modest. About 62 per cent students reflected their satisfaction due to declaration of results on the Internet (M=3.25), while 54 per cent were dissatisfied with the non-availability of forms on the Internet (M= 2.80).

The results reflect that students are dissatisfied with the availability of admission form on the Internet. This is due to lack of knowledge about this facility. In order to increase their satisfaction, efforts have to be made for creating awareness among them about the Internet facilities offered by the University, exclusively for students.

Relationship between Student Satisfaction and Quality of Teaching

Correlation analysis was conducted to judge the relationship between the quality of teaching and student satisfaction. It is noted that result indicated that there is a significant and positive relationship r=0.53, r2=0.28, Sig=0.01, see Table 3). Factor-wise exploration revealed that service quality had the strongest relationship with the teaching quality (r=0.46, p<0.01), followed by institutional services (r=0.45, p<0.01). The relationship between teaching quality and curriculum, administration and information technology was comparatively less than the above factors but it is significant (Table 3).

The relationship between teaching quality, social aspect and co-students' attitude has been found to be low (r=0.27, p<=0.05) but significant There is negative correlation between economic effect of student satisfaction and quality of teaching which reflect that many students have been dropping their higher education due to financial constraint. (r=-0.22, p<0.01). The correlation between teaching quality and overall student satisfaction indicates a strong and significant relationship between the two.

Thus, the second hypothesis that quality of teaching is significantly related to student satisfaction stands accepted.

The regression ANOVA, showing the model fitness, is presented in Table 5.

Influence of Quality of Teaching on Student Satisfaction

In order to study the influence of teaching quality on student satisfaction, multiple regression was conducted. The computations revealed a high multiple correlation (R=0.71) and adjusted R2= (0.504) values, which indicate appropriateness of the model. Further, regression ANOVA (Table 5) also confirms the fitness of the model, as the regression sum of squares (44.0) is greater than the residual sum of squares (43.28). The regression equation (Table 6) shall be:

$$Y= a+b_1x_1+b_2x_2 + b_3x_3$$

That is to say,

Student Satisfaction = a+ b1 (Quality) + b2 (Approach) +b3 (Temperament)

That is,

Student Satisfaction =1.7+0.669(Quality) +0.058(Approach) +0.092 (Temperament)

The computations are shown in Table 6. As shown in the table, while all the factors of teaching quality did not equally influence the student satisfaction, the service quality (F1) is the strongest predictor of student satisfaction, followed by temperament. However, approach (F2) is not the predictor of the students' satisfaction.

Table 5

Regression ANOVA showing Model Fitness

	Sum of Squares	*Df*	*Mean Square*	*F*	*Sig.*
Regression	44.000	3	14.667	102.339	0
Residual	43.281	302	0.143		
Total	97.281	305			

Predictors: (Constant), Quality, Approach, and Temperament

*Dependent Variable: Student Satisfaction

Table 6

Regression Coefficients

Component	*Cronbach Alpha Value*			*Validity Construct*
	Overall	*Split-half reliability*		
		Sample I	*Sample II*	*KMO*
Quality of Teaching	0.934	0.916	0.858	0.830
Student Satisfaction	0.924	0.909	0.833	0.789

Table 7

Reliability and Validity

	Standardized Coefficients	*T*	*Sig.*
	Beta		
(Constant)	1.7	16.625	0
Quality(F1)	0.669	14.032	0
Approach(F2)	0.058	1.215	0.225
Temperament(F3)	0.092	2.27	0.024

Implications for the Teachers

This study has revealed certain aspects of student satisfaction. It is found that in order to increase the level of satisfaction among the students, teachers have to improve their attitudes toward their students. They need problem-solving outlook and should come fully prepared for the class in order to enhance students' satisfaction. Besides this, the teachers need to control their temperament and remain calm and cool while teaching. All this will not only increase the level of students' satisfaction, but it will also improve their teaching quality. Other suggestions are:

1. The students should get financial support for curricular and co-curricular activities.
2. Studies related to the performance measurement of the university teachers should be conducted from time to time.
3. Training programmes should be organised for improving teachers' teaching abilities.
4. Vocation-oriented curriculum should be introduced.
5. Financial help, which is at present nominal in the form of merit scholarships, should be increased.

CONCLUSION AND SUGGESTIONS

The study has revealed that the perceived quality of teaching was a predictor of student satisfaction. This is in conformity with earlier studies (Dulawat and Rai, 2005). Moreover, there are two other aspects of quality of teaching that have not been explored earlier, viz., teachers' approach towards different activities and their temperament. Preparation and problem-solving approach of teachers do affect student satisfaction positively. On the other hand, negative temperament of teachers decreases their satisfaction which has not been explored in earlier studies.

In sum, the impact of teaching quality on student satisfaction is a valid mean of assessing student satisfaction. Students' ratings are based on teachers' effectiveness. It may be noted that the teacher cannot be a judge of himself; he needs feedback from his students in order to enhance his teaching quality. It is suggested that a feedback system should be designed on the major parameters of student satisfaction as well as the quality of teaching. The result of this feedback should be communicated to the authorities and the University teachers, so that improvement can be made wherever required.

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The working of great institutions is mainly the result of a vast mass of routine,
petty malice, self interest, carelessness, and sheer mistake.
Only a residual fraction is thought.

George Santayana
The Crime of Galileo

★★★★★

Ask the right questions. The fastest way to change the answers you receive –
from yourself and others – is to change the questions you ask.

Lee J. Colan
107 Ways to Stick to It

EMPLOYEE PERCEPTION OF MANAGERIAL LEADERSHIP CAPABILITIES
A Study of MSIL (Bangalore)

Indranil Mutsuddi* and Sharash Chandra Patil**

Abstract

Leadership capabilities of managers had been a key contributor to the organisational success and employee development. Studies on leadership in organisations had primarily focused on brewing different leadership styles. These styles were most evident in the relationship between the leaders and their co-workers. Leadership emphasised the characteristics and 'rules' for expressing an effective leadership style with respect to a particular situation and most importantly the individual skills and competencies of the respective leaders. This study seeks to ascertain the perception of employees regarding the leadership capabilities and styles of the managers in Mysore Soaps International Limited (MSIL), Bangalore. For this purpose, Goleman's 'six-leadership styles' framework was used to categorise the opinion of the respondents in their preference for a leadership style useful for their organisation. The study has revealed that visionary style is the most preferred leadership style at the MSIL. For visionary leadership, 'team building and participative skills', 'vision and goal setting skills' seemed to be important.

Key words: ***Leadership capabilities, Leadership styles, MSIL, Visionary leadership***

INTRODUCTION

Leadership capabilities of managers in organisations had been one of the several key factors in the organisational success and employee development. Despite heavy investments in fixed assets, machinery, processes, etc., the problems of better quality and productivity, still exist within many organisations already beset with the problems of low employee retention, absenteeism, low morale, stress, and resistance to change.

Researches have shown that the unabated persistence of these issues is due to poor leadership and management skills and an also on an over reliance on systems and processes. Nurturing and retaining of highly motivated and enthused employees should be the first strategic priority for organisations to be successful. Over the years, leadership in organisations had primarily focused on different leadership styles evident in the relationship between leaders and their co-workers. Leadership emphasised the characteristics and 'rules' for expressing an effective leadership style with respect to a particular situation. Successful and winning leaders were able to strike a constantly adaptive balance between attention to tasks or goals and attention to the relationship

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with the team members. Good leaders also need to have a canny understanding of what motivates individuals to action and use this knowledge so as to improve individual, team and personal effectiveness.

Identifiable Attributes of Leadership

Leadership has probably been written about, formally researched, and informally discussed more than any other single topic (Luthans, 2008). Leadership can however, be simply defined as the act of making an impact on others in a desired direction (Pareek, 2007). A simple definition of leadership is that leadership is the art of motivating a group of people to act towards achieving a common goal. Put even more simply, the leader is the inspiration and director of the action. He or she is the person in the group that possesses the combination of personality and skills that makes others want to follow his or her direction (Ward, S., 2000). In its essence, leadership in an organizational role involves (1) establishing a clear vision, (2) sharing (communicating) that vision with others so that they will follow willingly, (3) providing the information, knowledge, and methods to realize that vision, and (4) coordinating and balancing the conflicting interests of all members or stakeholders (www.businessdictionary.com, 2009).

Almost all researchers are unanimous about the fact that leadership capabilities of managers are instrumental in transforming and boosting up of employee potential into reality. A good and effective leader identifies, develops and utilizes this potential of developing organisational core competencies. This ability to influence others is the key to his productivity. Sometimes a leader has to face a situation wherein he has to influence those who are either has co-ordinates or super-ordinates. Bern and bred up in corporate environment, everyone today must take on the role of leadership whereas he depends on others for the successful completion of his own job. In doing so he gets the benefit of learning how to build alliances, how to share responsibilities, and how to gain commitment. The focus is on how to get the co-operation and results one expects from the other.

The last mid eighties saw a shift in focus from 'transactional' to 'transformational' leadership, first brought home in the works of Bass (1997) and Bass, *et al.* (1987). In the transformational model, effective leadership was no longer a function of simply adjusting one's style and actions to a particular situation in order to get someone to efficiently accomplish a specific task, but rather to promote the expression of each individual's potential (helping him or her to perform 'beyond' expected outcomes). The edifies of transformational leadership was based on four key concept comprises vision, capability to facilitate change, capability to motivate people for inculcating continuous improvement, and inculcating trust and promoting team spirit in the organisation. The next decade witnessed an extension of transformational leadership through the skills of visionary leadership and meta-leadership (leading and developing other leaders). This has led to the emergence of other leadership abilities in relationship to act as change agents, to develop core values in the organisation, to tap the potential of organisational talents, and lastly to develop and empower people (Goleman, 1998).

The relationship between employee personality traits and their preferred leadership style is significant to leaders who believe that it is possible to adjust a leadership approach to enhance organisational performance. This was the orientation of the study by Thomas Kuhn, Jr. (2002) that 'agreeableness' is positively and age is negatively related to a 'transformational' leadership. This study also indicated a negative relationship of the difference between preferred and actual leadership and ratings of employee satisfaction and ratings of leadership effectiveness.

Lucas, *et al.* (1992) suggested that there was an extraordinary unity of thinking between managers and employees regarding those elements which are critical to effective leadership; managers agreed to a significantly greater extent than employees that the surveyed variables are critical to effective leadership. Sellgren, *et al*. (2006) in a hospital study found that there were statistically significant differences in the opinions of preferred leadership between managers and subordinates, especially relating to production and relation orientation. Sub-ordinates preferred managers with more clearly expressed leadership behaviour than the managers preferred and demonstrated themselves.

Employees tend to look for role models in their leaders and it is essential to remember that, subordinates would consciously or unconsciously tend to adapt or follow their leadership styles. The different leadership styles employed by people would, thereby, have an important role in influencing subordinate behaviour and performance. Goleman (2002) suggested in his study, "No matter what leaders set out to do – whether it's creating strategy or mobilising teams to action – their success depends on how they do it." Tichy and Cohen (1997) pointed out that "The scarcest resource in the world today is the leadership talents in managers who are capable of continuously transforming organisations to win in tomorrow's world. The individuals and organisations that build Leadership Engines and invest in leaders developing other leaders have a sustainable competitive advantage over their competitors". Briane Lee (1997) after reviewing a number of studies on leadership indicated that leadership is "an intensely human enterprise", and does not fit neatly into definitions and boxes. Leaders have all the spontaneity, unpredictability, frailty, vulnerability and potential that is possible in the human race. Thus, it is evident that, leadership in organisational perspective is not just guiding people but it is the art of realising the full potential of the intellectual capital in an organisation.

The process of leadership is the use of non-coercive influence to direct and co-ordinate the activities of the members of an organised group towards the achievement of group objectives. As a property, leadership is the set of qualities and characteristics attributed to those who are perceived to successfully employ such influence on the followers. Leaders are the backbone of any organisation. It is leadership that determines the overall plan and infuses the system with character and direction. Leadership is crucial in shaping the organisational effectiveness and employee performance.

Goleman (2002) has also indicated that the traits of outstanding leaders transcend cultural and national boundaries. The most effective CEOs have been found to have three main clusters of competencies. The first two falls under emotional intelligence which includes personal competencies like achievement, self-confidence, and commitment; the second comprises social competence like influence, political awareness and empathy; the third cluster comprises cognitive factors like thinking strategically, seeking out information with a broad scan, and applying strong conceptual thinking. Such managers are blessed with the competence to blend all these into an inspired vision and influence the thinking of others. Goleman (2002) identified the following six leadership styles:

1. Visionary Leader (T) is one who is capable of moving people towards shared dreams;
2. Coaching Leader (B) is one who connects what a person wants to do with the organisation;
3. Affiliative Leader (P) is one who creates harmony by connecting people to each other;
4. Democratic Leader (D/B) is one who values people's input and gets their commitment through participation;
5. Pace-setting Leader is one who harbours a strong desire to meet challenging and exciting goals;
6. Commanding (telling) Leader (A) is one who soothes fear by giving clear direction in an emergency.

The capabilities of a leader can be described to be complicated in terms of their wide array of skills, personality and behavior differences, different management styles they exhibit in different situations, and most importantly on the complexity of the situation under which they take decisions. Defining the ideal capability of a leader is beyond the scope of this study.

This study attempts to apply this framework of leadership styles to the employees working in Mysore Soaps International Limited (MSIL), Bangalore, to identify their perception of managerial leadership styles and behaviours of super-ordinates in their organisation.

OBJECTIVES AND HYPOTHESIS OF THE STUDY

The objectives of the study are:

1. To examine leadership capabilities of the managers in MSIL;
2. To identify their preferred leadership styles; and
3. To identify the leadership skills of the managers preferred by employees.

The study is likely to be beneficial for the organisation in:

1. Understanding the current and future profile of the managerial leaders;
2. Creating a talent pool in the organisation by identifying leadership capabilities amongst managers;
3. Facilitating the development of leadership capabilities of the sub-ordinates; and
4. Enhancing the level of team work and productivity in the organisation.

The study sought to test the following hypothesis:

$H_{0:}$ There is no significant association between the age of the employee and his satisfaction with the leadership role and behaviour of the managers.

RESEARCH DESIGN

Mysore Soaps International Limited is a state government organisation, established with the primary objectives of being an effective marketing unit for various products of Karnataka. With its subsidiary advertising company, marketing consultants and agencies limited, MSIL provides a comprehensive range of marketing and advertising services. In this organisation participation of employees is very important in the decision-making process for the attainment of organisational goals. Co-operation of employees in the attainment of organisational goals can be achieved only if there is positive exchange of ideas and open communication between the leaders and sub-ordinates. Inspite of being a government enterprise MSIL inculcates thorough professionalism in which it executes its business. In this context the whole-hearted participation of the employees and the leadership styles of their managers work wonders for their effectiveness in an organisation like MSIL. This occurs, particularly, through mutual exchange of their views and suggestions to various decisions taken with regard to them and inculcates team spirit in every sphere of the company's operations. MSIL being public sector enterprise is highly dependent on authority structure and bureaucratic principles and practices. The higher authority is responsible for strategic decision making in the organisation like all government enterprises. Over the years, like any other government enterprise, MSIL had also adapted an "Autocratic/Telling" Leadership Style (an autocratic leader tells people what to do, issues orders and expects them to be obeyed), where the higher management is involved with taking all the decisions related to the organisation. In some critical cases they follow participative style.

The study is based on descriptive research design and involves administering a questionnaire as a tool for research by taking the response of about 50 employees working in the MSIL, Bangalore Office. In order to fulfill the objectives of the study, the data was collected from both the primary and secondary sources. While the primary data was collected by means of questionnaire administration, the secondary data was collected from journals, magazines, and Internet.

The leadership style assessment questionnaire was developed to evaluate the employee opinions regarding the dominating style amongst various leadership styles as developed according to the Golemann (2002) framework. The respondents were assessed on a four points scale. The points were later converted into a percentage score. The style average was calculated using the average score obtained by each candidate on the style item. The questionnaire also aimed to collect the opinion of the respondents with respect to their overall perception of leadership in the organisation as well as on the essential leadership skills preferred by the respondents in their leaders. The sample consisted of 50 employees from the organisation. Since most of the employees worked outdoors, convenience sampling was used to collect the opinion of the respondents. The data collected Excel the study were analyzed by the use of SPSS and MS-EXCEL applications.

Profile of the Respondents

Out of the sample of 50 respondents, the profile detail of the respondents is shown in Table 1.

FINDINGS

Factors Influencing Leadership in the Organisation

The respondents were asked to indicate their opinion on the factors influencing leadership with respect to the impact of group tasks or goals, organisation as a whole and attitudes and needs of the sub-ordinates. Group tasks or goals mainly contributed to identify the shared roles that were developed by the leaders in the organisation. The organisation's management philosophy, culture and its image went to determine the leadership framework; attitudes and needs of the sub-ordinates also decided the nature of leadership style preferred by the respondents in the organisation.

Satisfaction on Leadership Roles and Behaviour

Employee satisfaction on the leadership roles and behavior plays a vital role in terms of determining the effectiveness of the leadership styles of managers in an organisation. It was found that leadership in MSIL was mainly contributed by organisational factors (52 per cent), followed by attitudes and needs of the followers (24 per cent) and group tasks and goals (24 per cent).

Table 1

Gender and Age Profile of Respondents

			Age (Years)				*Total*
			20-30	*30-40*	*40-50*	*50-60*	
Gender	Male	Count % of Total	6 12.0%	16 32.0%	11 22.0%		33 66.0%
	Female	Count % of Total			9 18.0%	8 16.0%	17 34.0%
Total		Count % of Total	6 12.0%	16 32.0%%	20 40.0%	8 16.0%	50 100.0%

As shown in the table, a majority (66 per cent) of the respondents was males and 34 per cent were females. Out of the male respondents, 12 per cent were belonging to the age group of 20-30 years, 32 per cent to 30-40 years, and 22 per cent to 40-50 years. Out of the female respondents, 18 per cent belonged to the age group of 40-50 years, and 16 per cent to 50-60 years.

As shown in Table 2, only 36 per cent of the respondents belonging to the age group of 40-50 years were satisfied with the leadership traits of the managers in the organisation. The age profile of the respondents had significant association with their opinion regarding satisfaction on the

Table 2

Opinion with Respect to Satisfaction on Leadership Traits of Managers at MSIL

			Extent of Satisfaction with the Leadership			*Total*
			Highly Satisfied	*Satisfied*	*Unsatisfied*	
Age	20-30	Count % of Total	6 12.0%			6 12.0%
	30-40	Count % of Total	7 14.0%	9 18.0%		16 32.0%
	40-50	Count % of Total		18 36.0%	2 4.0%	20 40.0%
	50-60	Count % of Total	1 2.0%		7 14.0%	8 16.0%
Total		Count % of Total	14 28.0%	27 54.0%	9 18.0%	50 100.0%

managerial leadership role and behavior at MSIL (λ^2calculated = 0.000, P value = 0.000<0.05). Hence, H_0 is rejected at 5 per cent level of significance.

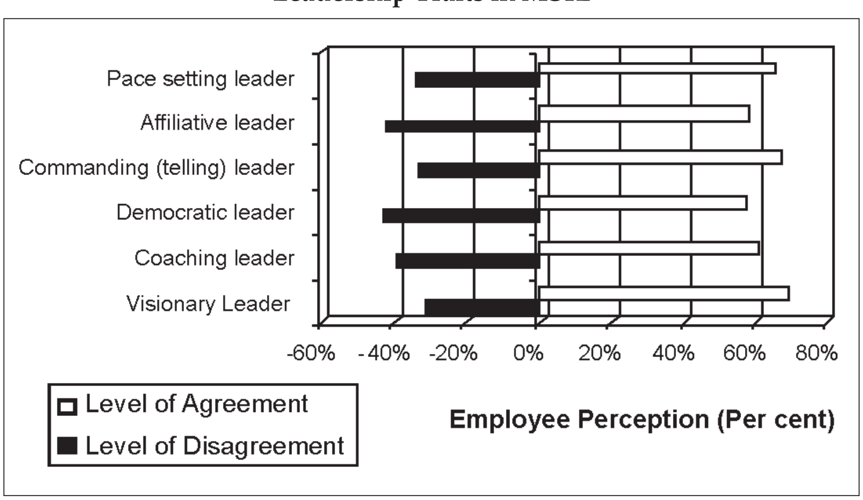
Leadership Traits and Leader skills

Leaders do not command excellence, they build excellence. Goleman (2002) has also indicated that the traits of outstanding leaders are important to influence their subordinates. Goleman (2002) identified the following six leadership styles, namely, Visionary Leader (the one who is capable of moving people towards shared dreams), Coaching Leader (the one who connects what a person wants to do with the organisation), Affiliative Leader (The is one who creates harmony by connecting people to each other), Democratic Leader (the one who values people's input and gets their commitment through participation), Pace-setting Leader (the one who harbours a strong desire to meet challenging and exciting goals), Commanding (telling) Leader (The one who soothes fear by giving clear direction in an emergency).

On the other hand, leadership skill is a critical management skill which involves the ability of managers to motivate a group of people towards achieving a common goal (www.management.about.com, 2009). With practice and more value added experience in their respective professions,

Figure 1

Leadership Traits in MSIL



these skills can become a part of the manager's leadership style/trait and might also prove helpful for them in exploring different leadership situations.

Leadership Traits in MSIL

Figure1 depicts the opinion of the respondents with respect to the leadership traits of MSIL managers.

It is evident from Figure 1 that majority of the respondents were of the opinion that dominant leadership styles of MSIL managers were 'commanding' (telling) (67 per cent), 'visionary' (69 per cent) and 'pace-setting' (66 per cent).

Though MSIL is a government undertaking, possibly this opinion might appear to contradict with the working styles of most public sector enterprises, where such organisations are strictly run by government rules and regulations and managed by bureaucratic or sometimes autocratic work set-ups. It is encouraging to find that inspite of being a government enterprise, MSIL employees and managers believed in the principles of 'team management, visionary leadership, believing in creating challenging and exciting goals for employees' which is evident from their response. On the other hand, it is also evident that respondents were of the opinion that their managers needed to improve upon democratic leadership (43 per cent) and affiliative leadership (42 per cent) where the level of disagreement seemed to be on the higher side.

The questionnaire also attempted to evaluate the personal competencies (technical competence and creativity, objectivity, rationality and problem solving skills, confidence, determination and persistence of leaders, emotional maturity and stability, mental and physical energy, vision and goal setting) and social competencies (team building and participative behavior, role model capabilities, empathy, flexibility and morality, knowledge of human relations, communication skills) of the leaders on a four point scale (1=not important at all, 2= not important, 3= important, 4= very important) to assess the level of importance given by the respondents on such skills.

Personal Skills of Leaders

The opinion of the respondents with respect to personal competencies of leaders is presented in Figure 2.

It is evident that technical competence and creativity, vision and goal setting, and emotional maturity and stability of the leaders were considered to be important for the organisation.

Figure 2

Personal Skills of Leaders

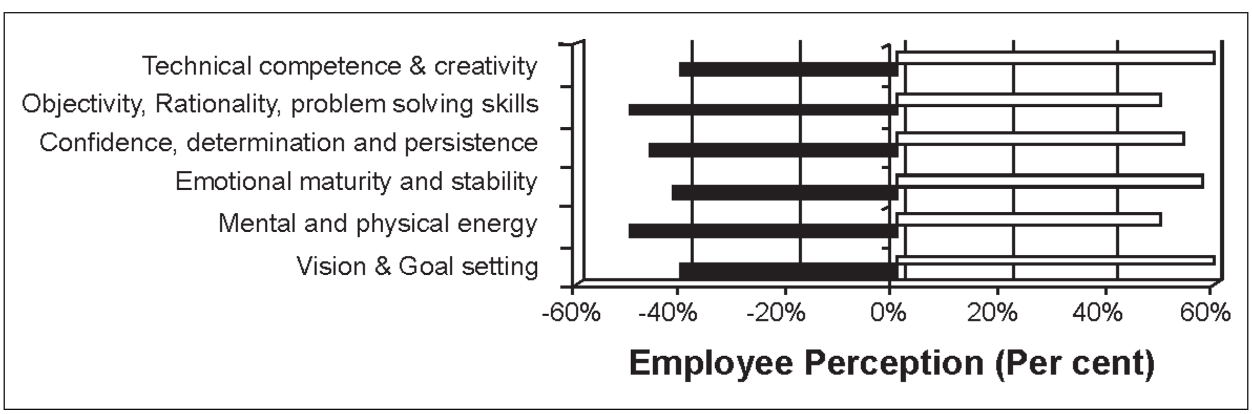
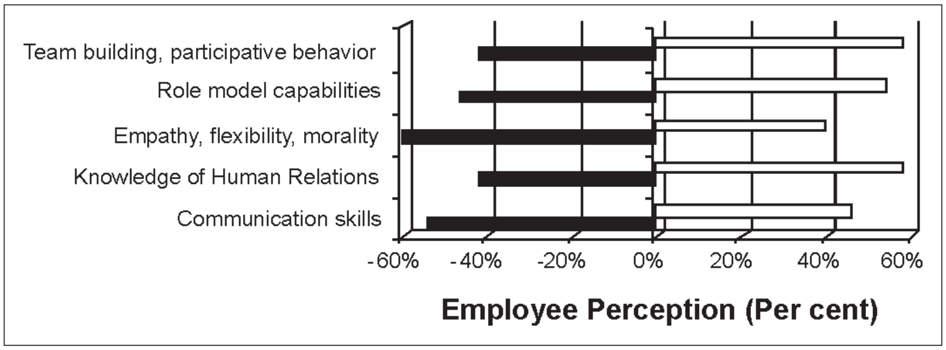


Figure 3

Social Skills of Leaders



Social Competencies of Leaders

Social skills of leaders are valuable in terms of their capabilities related to their adeptness in dealing with employees for inducing desirable performances in the organisation. Figure 3 shows the opinion of the respondents with respect to their preferences on social competencies expected from their leaders.

It is evident from above that, knowledge of human relations and team building; participative

Table 3

Correlation Matrix: Leadership Traits and Personal Skills of Leaders

Personal Leadership Skills	*Leadership Traits*			
	Items	*Visionary*	*Commanding*	*Pace Setting*
Vision and Goal Setting Skills	Pearson Correlation	0.198 **Correlation is significant at 0.05 level** (1-tailed).	0.149	**0.217** Correlation is significant at 0.05 level (1-tailed).
	Sig. (2-tailed)	0.**047**	0.013	**0.037**
Technical Competence and Creativity	Pearson Correlation	0.582	0.625	0.947
	Sig. (2-tailed)	0.000	0.000	0.000
Emotional Maturity and Stability	Pearson Correlation	0.183	0.523	0.679
	Sig. (2-tailed)	0.00	0.000	0.000

Table 4

Correlation Matrix: Leadership Traits and Social Skills of Leaders

Personal Leadership Skills	*Leadership Traits*			
	Items	*Visionary*	*Commanding*	*Pace Setting*
Knowledge of Human Relations	Pearson Correlation	0.598	0.71	0.665
	Sig. (2-tailed)	0.000	0.000	0.000
Team Building, Participative Behaviour	Pearson Correlation	0.197 Correlation is significant at 0.05 level (1-tailed).	0.545	0. 745
	Sig. (2-tailed)	**0.163**	0.000	0.000

behaviour was considered to be the most important social skills of leaders.

Impact of Personal and Social Skills on Leadership Traits

The coefficients of correlation obtained between the most preferred leadership traits and the personal and social skills preferred in the leaders are shown in Table 3 and 4.

As shown in the tables, vision and goal setting skills had significant positive correlation (at 0.05 significance level) with visionary and pace-setting leadership traits. Team building and participative skills had a significant positive correlation (at 0.05 significance level) with visionary leadership. With respect to other leadership skills and traits, no significant correlation was found.

CONCLUSION

The study highlights the fact that visionary style is the most preferred leadership trait at MSIL. For visionary leadership, 'Team building and participative skills', 'Vision and goal setting skills' seemed to be crucially important. Unlike most State Government organisations, it seemed that employees at MSIL had the uncanny desire of attuning themselves to a professional set-up which is facilitated by a leadership framework emphasising upon visionary and pace-setting leadership styles. Commanding (telling) leadership was probably preferred as a tradition maintained in most government organisations. For an organisation like MSIL, the study has brought out important learnings for similar organisations under the control of State Government control. Perhaps, it could well be the professional environment of business in a cosmopolitan city, like Bangalore, but regarding this aspect further investigations are being needed to be carried out by aspiring researchers so as to establish any strong conclusions. Policy-wise although the company has not yet decided to implement any changes in their HR interventions, but the findings had been appreciated and received well by managers and employees at all levels.

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When a person with money meets a person with experience, the person
with the experience winds up with the money and the person
with the money winds up with the experience"

Harvey MacKay

★ ★ ★ ★ ★

I don't pay good wages because I haven't a lot of money;
I have a lot of money because I pay good wages.

Robert Bosch

★ ★ ★ ★ ★

In the factory we make cosmetics, in the store we sell hope.

Charles Levlon

★ ★ ★ ★ ★

The aim of marketing is to make selling superfluous.

Peter F. Drucker

COMMUNICATION

TEACHER STRESS
Search for the Right Vision

Gurpreet Randhawa*

Abstract

Job stress has become a common problem in developing as well as developed countries. Teaching is often considered as a stressful occupation. Considering the significance of avoidable stress in a teacher's life from the point of view of students, institution, and the society, the present study examines the various sources of teacher stress and its evil consequences. It highlights the major stress-coping strategies adopted by teachers. Furthermore, it presents the methodology which should be used for measuring teacher stress in future. The focus is on the fact that teacher stress should be handled at individual, school, and the government levels.

Key words: ***Teacher stress, Consequences of stress, Sources of stress, Coping strategies***

INTRODUCTION

Stress has become an unavoidable feature of our day-to-day life. It has also become a costlier problem of global concern as it affects the developing as well as developed countries in the equal measure. In 1956, an endocrinologist, Hans Selye, defined stress as 'a general adaptive syndrome or non-specific response to demands placed upon the human body'. These demands could either stimulate or threaten the individuals. Erkutlu and Chafra (2006) defined stress as 'the reaction of individuals to demands (stressors) imposed upon them'.

Teaching has been considered as a particularly stressful occupation (Mwamwenda, *et al.*, 1997; Brown and Ralph, 1992). In his classification of several occupations in terms of the degree of stress caused to employees, Cooper (1988) pointed out that, as far as the occupations of social welfare were concerned, teachers experienced the highest levels of stress.

According to Borg (1990), up to one-third of teachers perceive their occupantion as highly stressful. In comparison to other professions, teaching community is more prone to stress because dealing with student of any age throughout the day is itself stressful.

Considering the importance of absence of avoidable stress in a teacher's life, the present paper attempts to examine the following three aspects:

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1. To identify the various sources of teacher stress and its negative consequences;
2. To identify various coping strategies as adopted by teachers; and
3. To suggest right methodology for future researchers to measure teacher stress.

In the light of the above objectives, this paper is based on the secondary sources of data. For this purpose, various journal articles, reports, and books published on stress management at the national and international levels were perused.

Concept of Stress

The first reference to teacher stress appeared in the 1970s. Kyriacou (1987) defined teacher stress as "the experience by a teacher of unpleasant emotions, such as anger, anxiety, tension, frustration, depression, resulting from aspects of work as a teacher". Boyle, *et al*. (1995) observed that teacher stress is seen as unpleasant feelings that teachers experience as a result of their work. Job stress among teachers, especially in higher education, has become a critical issue for faculty members and administrators alike (Smith, *et al.,* 1995). In fact, teaching is a field different from other helping and caring professions. According to Conners (1983), "nowhere else (but in schools) are large groups of individuals packed so closely tighter for so many hours, yet expected to perform at peak efficiency on different tasks and to interact harmoniously".

Teachers in large numbers had reported high levels of stress (Jarvis, 2002). In their classic model on teachers' stress, Kyriacou and Suttcliffe (1978) stated that stress resulted from the teachers' perception of the following type:

1. Demands were being forced upon them.
2. They were unable to have difficulty in meeting these demands.
3. Failure to do so threatens their mental and/or physical well-being.

Dunham (1984) proposed three different models which have different implications for teachers. The first model is the engineering model, which considers stress as the demand placed upon an individual that exceeds the elastic limit of the individual's capacity to adapt to it. This model recognises teachers as subjects and not as actors. Example includes teachers during their probation period, those working on a contract basis, or on an ad hoc basis. The second model is the medical model that concentrates on physiological and psychological responses that arises as a result of stress, such as tension, depression, weight loss, loss of appetite. In similarity to the first model, this model also considers teachers as a subject. The third model is the interactive model, which considers teachers as actors. It observes stress as situational and interactive. According to this model, there is a two-way process for the maintenance of acceptable levels of stress in teaching. On the one hand, teaching as a profession and some schools in particular may exert pressures on teachers. On the other hand, individual teachers react in different ways and bring a variety of adaptive resources to help them cope with those pressures. For example, on one side it is the responsibility of the organisation's management to ensure that the working environment of the workplace is conducive from the employees' health point-of-view. On the other side, teachers should also ensure that they will take on effectively the demands of their job by optimum utilisation of all their resources.

Consequences of Teacher Stress

In comparison to general population, teachers are at risk for higher levels of psychological distress and lower levels of job satisfaction (Travers and Cooper, 1993). So, stress among teachers is too costly to be ignored. The costs are high in terms of wasted training for those who leave their jobs and in terms of the psychological and physical effects upon those who stay (Pines, *et al.,* 1981). Stress is also costly for the students who are taught by a stressed teacher who is not able now to respond to their enquiries in an affectionate manner. Moreover, he is not now an earlier caring and a responsible teacher. A stressed teacher also no longer remains a role model for the young generation.

The teachers' stress has many-fold impact. First of all, on a teacher as an individual, there is an impact of stress, like absenteeism, early retirement, sickness, tardiness, depression, insomnia, and attrition. Then, there is the impact on his family life. Job stress adds to the teachers family and marital problems (Maslach and Jackson, 1981). Further, stress also affects the reputation of the department in which the teacher serves. This includes the effects on students and colleagues. In the long run, teachers' stress adversely affects the overall education system. Only the direct impact can be estimated in terms of the teaching time lost and the additional cost of replacement of teachers in the organisation. Indirect and long-run costs of the impact on teachers are difficult to compute. Wilson (2002) rightly observes that occupational stress in industry can be estimated in monetary terms in the amount of the lost production, but in teaching the loss is defined in terms of the departure of skilled teachers, impairment of teaching skills, or even premature death.

Sources of Teacher Stress

Teaching, research and service to society as well as nation are considered as the responsibility of the teaching community. According to Boyle, *et al.* (1995), a teacher is seen as a counselor to both the students and the parents, is also sometimes a nurse, a social worker, and even to some degree a parent for the students that are under his or her tutelage." But if a teacher is exhausted, frazzled or demoralised by his/her work, then he/she is not effective or creative in the classroom. And this exhaustion further undermines the social bonds in the school. When teachers do not have the energy to interact effectively with each other, with administrators and with students, serious problems may emerge" (Naylor, 2001). So, it is essential to minimise the tolls of stress which are overtaking teaching community in order to maximise their productivity. In this regard, it is important to identify various stressors in a teacher's life.

Teaching different classes with different subjects on a daily basis and doing justice to all subjects and all classes is itself a stressful work. In addition to their teaching assignments, teachers are also required to assist in the admission process and in invigilation work. In this regard, Sharma (2007) emphasised that though invigilation is a necessary hazard of teaching, it causes cumulative apprehension and worry ultimately leading to emotional exhaustion and burnout. Hence, responsibility associated with 'executive' roles may be more stressful than the passive roles. With increasing demands to be accountable, teachers' work is becoming more intense, leaving many teachers feeling emotionally exhausted (Hargreaves, 1994).

Numerous research studies have reported the sources of stress for teachers, such as research and publication demands (Blix, *et al.*, 1994; Smith, *et al.,* 1995), time pressure (Olsen, 1993; Thompson and Dey, 1998; Barnes, *et al.*, 1998), insufficient income (Koester and Clark, 1980), administrative bureaucracy and red tape (Fahrer, 1978), and insufficient resources (Clark, 1973; Hunter, *et al.*, 1980). Cultural factors also add to the teacher stress (Gaziel, 1993; Kyriacou and Chien, 2004). The absence of clear and standard guidelines for judging faculty performance causes a good deal of faculty stress with respect to pay, promotion and career advancement (Gmelch, *et al.,* 1986). According to Cook and Leffingwell (1982), the professional interactions that teachers develop with his colleagues, administrators and parents can also be a significant source of stress. Similarly, the professional interaction with supervisors has been known to cause stress (Cherniss, 1980).

The pressure from school-reform efforts, inadequate administrative support, poor working conditions, lack of participation in school decision-making, and the burden of paperwork have all been identified as factors that can cause stress among school teachers (Hammond and Onikama, 1997).

High expectations also cause stress to teachers (Gmelch, *et al.*, 1986). According to Alfred (1986), teaching community are without clear expectations and goals as a result they tend to lose their perspective on learning. According to him, they become 'tenets' within the institution to the extent that:

1. They do not participate fully in strategic decisions about the programmes, finances and students.
2. They maintain limited interaction with the students outside the classroom.
3. They engage in other personal and professional interests outside the college which limit the time and energy spent on instructional activities. Such conflict with a person's expectations and the job realities cause stress.

Other job stressors for teachers include job overload and workload plus little time (Bryne, 1992), repeated minor offenses by students (Johnstone, 1993), and handling relationships with staff (Cooper and Kelly, 1993). In his research report, Naylor (2001) found the top four causes of stress as identified by teachers themselves are: (i) Unsatisfied needs of students, (ii) Class composition, (iii) Inclusion of students with special needs, and (iv) The attitude of the government.

Boyle, *et al.* (1995) found four components that effect teachers' stress levels. First, the student misbehaviour (i.e., lack of respect from students, maintaining discipline). According to Boyle, nothing causes despair and demoralisation as much as a students' misbehaviour and it is a challenge to the teacher's dignity. The loss of self-respect kills the teacher's self esteem (Sharma, 2007). Second, lack of time and resources (i.e., large classes, time to create good lessons, or meet with parents).

The other two components are professional recognitions (i.e., growth opportunities, low salaries, and lack of recognition for good work) and poor relationship with colleagues.

Bertoch, *et al.* (1988) classifies teacher stressors into two categories: (i) environmental stressors, and (ii) personality-based stressors. The former include student discipline, attitude problems, teacher competence, teacher-administrator relations, accountability laws, low salaries, large classes, intense pupil dependence, and declining community support. On the other hand, personality-induced stressors are related with one's self-perception, low morale, negative life experiences and a struggle to maintain personal values and standards in the classroom.

Although the researchers strive hard to understand the nature and source of teacher stress, but media images of teachers present an overworked, poorly paid, dissatisfied body of professionals, whose morale can easily be raised by pay increases (Evans, 1998).

Coping Strategies of Teachers

All the above-mentioned stressors reduce employees' ability to perform by diverting their efforts away from performing job functions towards coping with the stressors (Koslowsy, 1998 and Jex, 1998). To minimise stress, teachers adopt different coping strategies, such as relax at work, keep things in perspective and avoid confrontation (Dewe, *et al.*, 1979; Johnstone, 1989). Social support (e.g., trusting relations with colleagues, etc.) is also considered as one effective means of reducing the stress (Schonfeld, 2001). Dunham (1984) listed the ten most often-used coping strategies by teachers. These are:

1. Set aside a certain amount of time during the evening from school-related work,
2. Try to come to terms with each individual situation,
3. Talk over stressful situations with partner or family,
4. Become involved with family and friends when not at school,
5. Learn to say 'no' to unnecessary demands,
6. Switch off, be open about feelings and opinions, more readily admit their own limits,
7. Accept the problem, and

8. Talk about the problem with colleagues at school.

Hall, *et al*. (1985) claimed that by keeping a stress diary, teachers are encouraged to recognise the actual classroom or school events which are critical to their stress levels. Reduction in emotional rumination also improves teachers' ability to alleviate stress (Roger, 1995). Cockburn (1996) observed that stress was reduced when a teacher understood what he was about to teach and prepares lessons accordingly. The author identified the six most common strategies that teachers intended to use: (i) stopping to enjoy the job; (ii) having some physical exercise during the school day; (iii) playing music in the classroom; (iv) being realistic about the goals; (v) concentrating on one thing at a time; and (vi) reading books about stress.

Apart from all these, some teachers also adopt various palliative strategies in order to relieve their stress. However, these strategies, just for the time being, relieve the person's stress, but do not cure it. Johnstone (1989) provided a list of palliative approaches used to relieve stress. These include : relaxation, seek promotion elsewhere, develop a sense of humour, meditation, listen to music, going out, and learning greater self-control.

Methodology for Studying Teacher Stress

There are various ways of measuring teacher stress. The most prevalent one is survey approach with the help of questionnaire. However, Lazarus (1999) emphasised the need of employing naturalistic, process-oriented methods, rather than survey approach. He stressed the requirement of those methods that can confine the processes involved in stress, emotions, and coping. That is why he has suggested multiple methods over one method of data collection. Specifically, he has suggested the use of clinical interview method similar to that used by psychotherapists to detain a person's know-how as closely as possible to the real time of incidence. In addition to this, he recommended combining these naturalistic, clinical interviews with physiological and behavioural measures in order to develop a complete methodology.

Further, there are also four types of process methods: (i) writing daily diary; (ii) ecological momentary assessments; (iii) electronic interviews, and (iv) emotional narratives (Snyder, *et al.,* 2000; Folkman and Moskowitz, 2000; Tennen, *et al.*, 2000; Lazarus, 1999, 2000). In the case of daily diary, the respondent writes a well-structured diary on a daily basis. In the ecological momentary assessment, the participant is asked to reply as soon as possible during or after a stressful event, whereas an electronic interview gathers data at random intervals. Lastly, an emotional narrative is "a dramatic plot or story which describes the provocation of an emotion and its background… and how [the stress story] progressed and turned out" (Lazarus and Folkman, 1984).

Conclusion and Implication

Job stress has been considered as an antecedent of key variables at the workplace, like job satisfaction and work performance. Numerous research studies have indicated negative relationship between job stress and these key variables (Stanton, *et al*., 2002; Cotton, *et al.*, 2002; Heslop, *et al*., 2002, Gandham, 2000; Reynolds, 1997; Blackburn and Bentley, 1993; Kyriacou and Suttcliffe, 1979). As far as the stress among teachers is concerned, it can easily lead to alienation, apathy and absenteeism and ultimately interfere with student achievement (Guglielmi and Tatrow, 1998).The presence of various types of stressors in the routine life of a teacher makes his life stressful. It deteriorates his physical, mental and social health. As a consequence, the performance of a teacher goes down and so the overall performance of the organisation (school, department, and institute). The outcome of this is that the teacher arrives at two conclusions: First, to quit the teaching profession, and the second, to change the present institute. Teachers who are thinking about the first option must be well aware of the alternative jobs available and suitable to them. Moreover, if a teacher leaves the profession, then he has to forgo all his personal savings and investments in this profession. And, the society and nation could not benefit from his earlier investments in the form of a teacher.

The above discussion emphasised that all the educational organisations should strive hard in the direction of elimination of unwanted stress at workplace. They should create awareness of this unnecessary cost and its negative consequences by organising conferences, seminars, mentor programmes and stress management workshops. Providing support with paper work and lesson-planning and having a clearly-defined role description is recommended for helping these teachers feel relieved from stress symptoms. Along with this, additional support and contact is required from parents, colleagues, administrators, and school advisors, alike. This seems to be essential to help in preventing teacher stress. Efforts to generate more productive, caring, clearly defined work situations and improve teachers' skills are the best prevention against teacher stress.

Reduction in job stress leads to higher job satisfaction and, thus, increases individual as well as organisational productivity. Teacher stress should be considered at individual, school and government levels. For teachers on an individual level, Johnson (2006) stressed the need to develop some system for organising their time effectively, otherwise the workload and associated stress can become overwhelming and their performance in the classroom can be affected. He claimed that with the help of effective time management, stress can diminish, confidence would grow, promises are kept, and the goals are reached.

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Managers tend to be promoted to the level of their incompetence.

Laurence J. Peter and Raymond Hall

The Peter Principle

★ ★ ★ ★ ★

Work expands so as to fill the time available for its completion,
and subordinates multiply at a fixed rate,
regardless of the amount of work produced.

Cyril Northcote Parkinson

Parkinson's Law – The Pursuit of Progress

BOOK REVIEWS

Kamal Nath, ***India's Century: The Age of Entrepreneurship in the World's Biggest Democracy,*** **Tata McGraw-Hill, New Delhi, Reprinted in India, 2008, Pages: 230, Hardbound, Price: Rs. 550**

The book, bearing an inspiring title, has twelve chapters and ten pages of Introduction, titled "Planet India". In the Preface to the book, the author has endeavoured to bring the great mosaic that India is intended for a discerning reader. The author portrays the impressive economic success and a heady growth rate in India during the 60 years since Independence. This, according to him, becomes more stunning if one realises that this has been done in the context of the world's largest democracy and complex and diversified culture, languages, social values, and climate. He observes how the world's perception about India, and our own perception about ourselves, has changed, and how a quantum change in paradigm shift has taken place with a hope that India presents a diverse set of value propositions as it marches forward on its journey of growth and development.

As a pre-cursor to the usual chapterisation, the author, a senior Minister in the Union Government and a prominent public figure, has portrayed an impressive account of India's transition after its Independence on August 15, 1947, and how from the abject poverty, the country has grown to a level where the world takes note of its achievements with an excellent potential to be counted among the leading global economies. He talks about '*Jugaad*' as a form of scientific innovation. *Jugaad*, which defies precise translation, aims to creatively manage to make do with a quick-fix solution as a survival skill. *Jugaad* represents a suppressed Indian inventive gene, converting an obstacle into an opportunity. The author peeps into India's great past, as the inventor of 'zero', the decimal system, grammar, medicine, and the 're-use, re-cycle, no-throw away' culture.

The manner, in which the author passionately brings out India's intrinsic strength in the pre-cursor to the book, is so fascinating that the reader looks forward to visiting and investing in India even from abroad. No wonder, in the WTO round of negotiations, Kamal Nath could forcefully advocate the cause of the developing world. He identifies India's competitive advantage and innovative creative instincts to find rough and ready solutions to the prevailing problems and ingenuity in converting a problem into an opportunity, her resilience and ability to assimilate ideas and technologies, are listed as important features and components of her unique multi-cultural, multi-linguistic, and multi-ethnic nationhood. This description of India, in fact, presents an exciting future scenario of this young nation with one of the oldest civilisations.

The twelve chapters that follow the Introduction are titled in an unconventional and imaginative way : 'Here and Now', 'There and Then', 'Modern Times', 'The Gap Years', 'Mind over Matter', 'The Buzz of Factories', 'At India's Service', 'The Challenge of Global Trade', 'View from the Outside', 'The Obstacle Race', 'Twenty-Twenty', and 'As for Me'. The readers can easily judge the contents of the chapters by the title itself. However, a brief overview of these topics in the sequential manner is attempted in the following paragarphs.

The first chapter, titled 'Here and Now', starts with a quote from the very first article of the Constitution of India: "India, that is, Bharat, shall be a Union of States". He uses the separator, 'that is', to contrast the two ground realities so strikingly different: India and Bharat. Most of this chapter profiles the author's experience with his electoral constituency and credits the legendry C.K. Prahalad's book "The Fortune at the Bottom of the Pyramid". Penetration of cell phones across India has bridged the gap between the urban and the rural markets. Aviation is another example of the churning at the lower quarter of the pyramid. What comes most naturally to Indians is the ability to spot an opportunity to do business. According to the author, what drives a marginal nation to become a significant one and to be noticed is the level of enterprises of her people and policies. In India, entrepreneurship is a unique way of seizing the day and it comes naturally to her people–even instantly. The author cites the example of post-partition refugees with street-smart ways that enabled them to overcome perceived handicaps of low literacy and low capital. The case of Mumbai's *dabbawalas* and a similar venture in West Bengal in cooking and serving lunch to workers in the factories are highlighted. The joint family system facilitates the 'economy of scale' by sharing many things in common. India is a mass producer of entrepreneurs, willing to take disproportionate risk for the reward of profit. The author lists a number of successful entrepreneurs born after Independence. The impression of India in the West has changed considerably in a short time in the recent past.

Chapter 2, titled "There and Then", portrays the history of India's development process and analyses the complexity of the past and why it took longer to reach the current growth status. It points out three fundamental elements of the Indian economic policy before the era of liberalisation. The author attempts to justify these in the context of the prevailing Indian circumstances. Thus, not surprisingly, from the mid-1960 to the year 1980, the industrial growth remained stagnant, around 4 per cent.

Chapter 3 portrays India's modern times as a post-1991 scenario, when it was mired with an unprecedented balance-of-payment situation and a grim economic situation. Against all odds, the then Finance Minister and current Prime Minister of India, Dr. Manmohan Singh initiated India's first major economic reforms and to align her economy in tune with the globally-emerging trends. The emergence of the WTO regime and associated concerns in India are also highlighted in this chapter.

In Chapter 4, the author talks about the 'Gap Years' and the changing political scenario, emergence of IIT graduates in the 'Silicon Valley' and its impact on India's brand image abroad, initiatives on telecom revolution, highways development project which essentially was in continuum with the economic reforms process. The author talks of the emergence of IT and ITES, and the cultural divide between the urban and the rural youth in the use of IT. He also describes the Indian paradox, with 18 per cent workforce in industry and 23 per cent in the service sector, having reduced focus on the manufacturing sector. The chapter concludes with projecting the strength of the Indian democracy in its capacity to reconcile the differences, and to incorporate the dissent without changing the basic system.

Chapter 5, entitled "Mind over Matter", portrays how the genius of the Indian mind has led to the IT revolution and how Bangaluru emerged as the Indian IT hub, with the setting up of large IT and ITES companies, and outsourcing-driven business which have put India at the top of the outsourcing pyramid. There are many other tasks that can be outsourced in favour of India –legal and educational services and publishing and editing. For outsourcing of knowledge processes, India's competitive advantage lies in its level of comfort with the English language. Leveraging IT, the author points out to Indian advantage in the knowledge society. This chapter perhaps is key to the main theme of the book which looks at the current century as India's century because of the legitimate lead Indians can have in the knowledge-driven society. He even calls IT, as

'India Transformed', which could also mean 'ivory tower'. However, this reviewer believes that IT is much more than information technology. It should actually mean 'Indian Talent', which, because of our demographic dividend, could be the prime mover for making India a leader of the knowledge economy.

Chapter 6 focuses on India's manufacturing potential and depicts its progress on the production front, such as steel and auto components, and portrays the 'Indian Advantage' in the pharmaceutical industry, Indian stock market and high capital productivity as well as the cost advantage. However, the author points out towards the country's woefully inadequate infrastructure. Another potential key strength of India is her education sector. If nurtured well, its intellectual capital can be leveraged globally through its academic prowess. The reviewer, having been an IITian throughout his life, feels elated to see highly positive reference to the IIT system which has brought glory to India, globally.

Chapter 7 deals with India's service sector, the author's association with the *Udyog Bhawan* (housing the Union Ministry of Industry and Commerce), and the role the SMEs can play in contributing to India's GDP. He advocates for the second generation reforms so that a large unproductive asset could be made more productive. He also raises the issue of FDI. A paradigm shift in India's industrial and manufacturing renaissance, as well as certain aspects of the patent regime, in the context of the WTO, are also outlined. The author's own contribution through diplomacy at Davos and in the WTO rounds of negotiations have brought big image-makeover of India abroad.

Chapter 8 deals with the challenge of global trade and the Uruguay Round for the establishment of the WTO. How the GATT had become a preserve of the rich and how glass partition between the rich and the poor nations had got shattered in the 1980's, with the combined clout of China and India making a difference. He points out the structural flaws in free and fair trade between countries, leading to "bleeding sore on the conscience of the world". He talks about 'fair trade, unfair barriers', service charge and the difficulties associated with the agriculture sector of the developing countries.

Chapter 9 shows how the world's perception of India has changed during the 60 years of her Independence. A quote each from Winston Churchill (in 1947) and George Bush (in 2006) portray the total change of the world's perception of India. He talks of the 'Diaspora Dividend' as a major asset for India's economy and its image abroad. How an Indian can maintain a balance between his *Janmabhoomi* and *Karmabhoomi* with ease speaks of a genius in him/her. The power of the Indian democracy is perhaps the major wonder of the world which we have sustained, despite India's size, complexity and all other odds. India should be proud of this achievement of the democratic success.

Chapter 10, titled "The Obstacle Race", talks of how the new challenge is not the stagnant economy but maintaining the high growth momentum that is already achieved. The development challenges listed in this chapter include: larger fiscal deficit, eradicating poverty, issues of agricultural policy, and low productivity of the agriculture and manufacturing sectors. The author briefly deals with health services, education, environment, and the curse of carbon, which he labels as the key challenges for the task ahead. However, there is no reference to the aspects of corruption perceived by the public as a major challenge.

Chapter 11 portrays the scenario of the year 2020, when India would have seen 30 years of the post-reform growth. Vision 2020 must be based on India's present, rather than extrapolating its past. He talks of India, being young while the developed world ageing, and paints India as the destination of the world in 2020 on account of its 'demographic dividend'. He advises India to become the world's 'service emporium' and the 'busiest workshop' and there would be a lot more for India to do as a nation at work. Perhaps, that is the reason the book is titled the way it is.

India may launch its own global brands, resort to mergers and acquisitions route to acquire the global brands. The expression "India – a middle class nation, an aspiring society", almost sums up the future scenario for the country.

The last chapter, titled "As for Me", a personal account of the author's own involvement in an exhilarating journey of India's transformation, for over half a century, into a vibrant and significant democracy, claiming its rightful place among the comity of nations. It is a story of his personal involvement in various events and in projecting 'Brand India'.

At the end, there are chapter-wise notes to explain certain terms, concepts and events, followed by an index and the listing of sources of facts and figures. The book does not have conventional references and/or bibliography at the end, nor it numbers the chapters, or even calls them as chapters!

In sum, the book authored by a celebrity public figure, having a track record of service to the nation, is very inspiring. Kamal Nath, known throughout the world as the face of the twenty-first century India, and one of the architects of India's economic reforms, is surely helping India in shaping the policies that have catapulted it to the world prominence. The book goes beyond the 'flatworld' view to reveal the roots of the Indian economic miracle. Written in a rather unconventional, anecdotal, and story-telling-like style, with a personal touch of experiences, the book brings hopes and confidence in India's innovative potential to be the leader of the knowledge society to earn its demographic dividend. It is a wonderful addition to the knowledge resources and is bound to inspire business strategists, public policy-makers, and every right-thinking Indian to exploit his/her hidden potential.

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Roger C. Gibson, *Asset Allocation: Balancing Financial Risk*, 4th ed., Tata McGraw-Hill Publishing Co. Ltd., New Delhi, 2008, Pages: xvii+366, Price: Rs. 625.00

The fourth edition of Gibson's bestseller, *Asset Allocation: Balancing Financial Risk*, has come in the midst of the financial crisis and global economic recession, which is comparable with the great depression of the 1930s. The third edition of the book was brought out in 2000, on the heels of the 'biggest bull market in the century and the talk of a new economy'. Through it all, Gibson's advice to investors remains the same – diversify your investment portfolio according to your investment horizon and do not rely on market-timing and superior security selection. Diversification is the key to success in investment. Market may not be perfectly efficient, but it is efficient enough to disallow supernormal profit from market-timing and superior security selection. Although nobody can earn superior profits through market timing and superior selection skill on a consistent basis, yet the benefits of diversification are always available in every kind of economic environment.

Gibson is a well-known name in the world of investment management. He is an investment consultant as also the chief investment officer of Gibson Capital Management Ltd. This book is an outcome of his rich experience of investment consultancy. Written in a simple and non-technical language, the book presents a deep insight into the investors' psychology as well as the gist of the financial theories useful for investment management. As the first edition of the book was published in 1989, the publication of its four editions within 18 years indicates the popularity of this book.

In addition to an Introduction and a Conclusion, the book is divided into fourteen chapters. The first chapter highlights the importance of asset allocation. The historical performance of different classes of assets, vis-à-vis inflation, is analysed in Chapter 2. Though inflation is an important factor affecting the real returns from an investment, most of the investors do not understand how the inflation affects the real returns and try to evaluate the performance of their investments in term of the nominal returns, rather than the inflation-adjusted real returns. Apart from the price volatility, inflation is another important source of risk which affects the real returns, particularly from fixed income securities.

Chapter 3 describes the reasons for differences in average returns offered by different classes of assets. It also shows how we can form rational expectations regarding the returns from our investments in different classes of assets based on the estimates of inflation-adjusted riskless interest rate, rate of inflation, horizontal premium, default premium, and equity risk premium, using historical data.

If it can be possible to perfectly predict the market, an investor could earn astronomical returns. However, market timing is, unfortunately, an impossible task. Gibson cites many empirical studies in Chapter 4 to bring about this fact. He advises the investors to overcome the temptation of market-timing.

The time–horizon of the investment is an important consideration in investment decisions. Chapter 5 elaborates how the relative attractiveness of different asset classes depends on the time horizon of investment. Interest-generating investments, such as treasury bills and corporate bonds, generate less volatile returns, but these are highly susceptible to inflation. These investments are suitable for short-time horizon. The short term returns on equity investments are highly volatile; but, with the increase in the time horizon, the volatility of returns decline dramatically. Equity investment also provides hedge against inflation and, therefore, long-term real capital growth. For a long-time horizon, equity investment provides better options.

Chapter 6 discusses the considerations for deciding the broad allocation of the portfolio. Gibson strongly suggests that the client should not leave the major investment decisions to the sole discretion of the investment advisor. The role of the investment advisor is to assist the client to reach at the appropriate decision by educating her. For this purpose, the advisor is first required to assess the investor in terms of her specific goals, investment objectives, investment knowledge, understanding of risk, and volatility tolerance. Investment decisions require a trade-off between risk and return. Although, conceptually, the risk is defined as the variability of expected returns, the client typically thinks of risk as 'the chance of loss'. The notion of standard deviation is not well-understood by most of the clients. Therefore, the author designs a simple and straight-forward model, where the chance of loss in different categories of assets at different times is presented through the use of historical data. Such models are easy to communicate to the clients and can be used indirectly to measure the clients' informed volatility tolerance.

Chapter 7 explains the benefits of diversification investment in a simple and non-technical language. The concept is further elaborated in Chapter 8. This chapter highlights how it is possible to extend the benefits of diversification with stocks of large and small companies, stocks of foreign companies, government and corporate bonds, real estate, commodity-linked securities, and inflation-protected securities.

Using historical simulations, Chapter 9 illustrates how multi-asset-class investing reduces the volatility and improves the returns. The selective inclusion or exclusion of an asset on the basis of its individual performance may lead to sub-optimal portfolio because the volatility of portfolio returns depends on the correlation among the returns from different assets. However, this simple fact is very difficult to communicate to the clients, who, because of their immediate frame of reference, attempt to evaluate the performance of each asset included in the portfolio separately rather than evaluating it as a part of the overall portfolio. The beautifully-designed illustrations in this chapter can be used by investment advisors to communicate the idea to their clients. Chapter 10 discusses the technique of portfolio optimisation and the computer programmes used or this purpose.

The process of investment management is presented in three chapters from Chapter 11 to Chapter 13. This process can be divided into 11 steps grouped in three stages: (i) Know your clients, (ii) Manage client expectations, and (iii) Portfolio management. At the first stage, the investment consultant is required to gather important data about the client - his income, life style, liabilities, existing investments, liquidity, tax status, regulatory and legal constraints, time horizon, etc. The consultant also needs to know the expectations of the client. Many times these expectations may be unrealistic and require to be corrected. Such expectations, if not corrected, may affect the investment advisory relationship in the future. Therefore, managing the investors' expectations is one of the crucial aspects of investment consultancy.

The frame of reference regarding the investment performance must be defined and the investment objectives must be developed on the basis of realistic expectations. It may be easy for an investment advisor to market her services, promising high returns based on successful market timing and superior security selection; but these promises are hard to fulfill. Benefits of diversification, on the other hand, are easy to gain. An appendix to Chapter 13 presents a model Investment Policy Statement to be jointly prepared by the investment advisor and the client.

Chapter 14 contains certain problems encountered during the implementation of the investment plan and suggests ways to resolve them. With the help of a lively dialogue between a client and an advisor, he explains different cognitive errors and emotional biases, which may affect investment decisions. Income tax, transaction tax and withdrawal needs are other important considerations discussed in this chapter.

The book is basically targeted at investment advisors and their clients. The relevant concepts are presented in a simple language, with real-world illustrations, which have been appropriately updated in the present edition. These illustrations are designed to educate the common investors and for the use of investment advisors to communicate with their clients. However, these can also be used as an effective teaching material. The book should be equally useful for the teachers and the students of finance.

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Amitabh Kant, *Branding India: An Incredible Story*, Collins Business (HarperCollins Publishers), Noida (U.P.), 2009, Paperback, Pages: 267, Price: Rs. 499

Consider the phrases: 'Cultural or Spiritual or Unbelievable', 'God's own Country', 'the very Heart of India', 'the Wonder that was India', or the ones being used abroad, such as 'Malaysia, Truly Asia', or 'Live it up, Singapore', 'Amazing Thailand', or '100% Pure New Zealand', and the controversial Aussie slogan, 'Where the Hell are you?' It was indeed the 'Incredible India' metaphor that caught the world's imagination. Essentially, it was a positioning and branding strategy that differentiated India in the global market place. Ironically, the same strategy for 'Shining India' campaign, in 2004, failed in the Indian electoral market place, due to a high-profile counter-strategy, launched by the Opposition party, surely an interesting study for any business school. It is claimed that as a consequence of this massive brand-building, the sectors like aviation, hotels, and infrastructure, grew in tandem, and new areas, such as rural, medical, and ecological tourism also developed. Thus, in 2008, India got 5.38 million visitors, compared to 2.54 million in 2001; and it earned US$11.5 billion in foreign exchange in 2008 as against US$3 billion in 2002. No wonder, the author, a former Joint Secretary in the Union Ministry of Tourism, is right when he mentions that the size of the tourism industry worldwide is US$ 4.6 trillion, whereas the much-hyped software industry globally is merely US$ 500 billion.

But, how did a sleeping giant, like India, get its act together? How did government departments not normally known for their speed, dynamism, and flexibility build and nurture a brand? How did infrastructure keep pace with the demand so that what was promised to tourists could be delivered? Indeed, these are some of the questions posed in this fascinating book, '*Branding India: An Incredible Story*', authored by Amitabh Kant. But what may really not be so fascinating is the amount of money that was spent by the government in the exercise, considering the enormous budgetary grant for the campaign that reached Rs 220 crore in 2008-09, from a modest outlay of s. 15.71 crore in 2002. Of course, the realisation had indeed dawned on our leadership that not enough was being done to promote our beautiful country and its natural resources that imply infrastructural development and not tourism potential alone. Perhaps Kant was fortunate in having Ambika Soni and Kumari Selja at the helm, as observed by him "both had, however, one thing in common—the highest levels of integrity I have come across in my twenty-eight years as a civil servant".

Nonetheless, turning a contratarian image of India into a contemporary brand was a daunting task notwithstanding the rise of India as an economic superpower. The branding exercise was no doubt leveraged, as India became representative of a global superpower in the making.

The book has been very well illustrated, with eleven chapters that highlight issues ranging from 'making of a brand' to 'God's own Country' where it all began, 'propping up the fundamentals' from 'infrastructure, air transport and hotels to create room for growth', to 'clicking for e-business', and 'holistic healing and health care' as also from 'sustainability for future' to 'poverty alleviation'. The book, at many places, reads more like a white paper, and the language is more of a bureaucratese: that appears to be out of the ministerial meetings, minutes, and files, garnished with strategic objectives, marketing challenges, and so on. It would indeed have been a treat had Kant dwelt more on the decision-making that goes in between the lines and the challenges before India's policy-makers. I also wonder as to why the pagination has been done in a way which makes it difficult to decipher. The discussion on "Andaman Islands: The Last Frontier" appears to be incomplete in the absence of the perceived threat analysis by the Defence Ministry and the Environmental Impact Assessment that was once undertaken by the Union Ministry of Environment and Forests against the then Prime Minister Rajiv Gandhi's proposal to make the Great Andaman's a free-trade area, exploiting its proximity to the great channel shipping lines, on the lines of Hongkong and Singapore, for the sake of India's growth. Also, it would have been desirable to have a critical appraisal of the utter apathy and neglect that most of our archaeological and historical sites, barring a few, are facing. A chapter on what ails the Archaeological Survey of India and other government authorities/bodies, both at the Centre and in the States, would have been welcome.

The last chapter, bearing an interesting title, 'Through the Looking Glass,' does provide an insight into the planning and strategy that is imperative for the India story to be complete. However, it is really the Appendix, titled "Brand India: Where Next?" with excerpts from a panel discussion at Harvard Club, New York City, on "Incredible India@60", that I found to be most intriguing and yet revealing.

The book is prescriptive and not merely narrative. It provides an overall and inspiring insight, which is attractively brought out, making it relevant for future planners as also for the students of management, marketing, branding, advertising, and tourism.

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T.N. Srivastava and Shailaja Rego, *Statistics for Management* (New Delhi: Tata McGraw-Hill Publishing Company Ltd., 2008), Pagination by chapters, Price: not mentioned

Statistical techniques are used in decision-making in various business and non-business areas. The application of statistical tools is often considered relatively less important in business management undergraduate courses. Now-a-days, when a business research often amounts to searching for marginal improvement in the allocation of financial resources, an attempt is made to understand the action of business managers on complex data analysis. In such a situation, an understanding of statistical reasoning is essential.

This book is mainly intended for the students of business studies, and is concerned more with interpretation of the data, using statistical techniques. It is a valuable text for modular structuring of both business knowledge and complex data analysis. It includes many diagrams, list of symbols, notations, formulae, case studies, and examples, using raw data sets. The text of the book is sufficiently oriented towards the age of advance computer technology. The glossary of terms used in the book contains useful explanation for relevant topics. It provides guidance in various fields suitable for the researchers working in the areas of finance, marketing, operations, and personnel. Although a large number of books are available in the market to cater to the needs of business managers, the book under review is likely to be useful to the MBA and M.Com. students for understanding basic statistical techniques.

A special feature of the book is that each chapter starts with the list of contents, learning objectives, and relevance and significance of the topic covered. The applications of the concepts are explained with the help of solved numerical examples and diagrams. The book also introduces the use of MS Excel software for statistical calculations. Some relevant books on statistics are listed in the Appendix, given at the end of the book. The index, statistical tables, answers to the unsolved problem, and a CD Rom to accompany the book, will be of immense help to the readers.

The book is divided into 19 chapters, besides two appendices, and a comprehensive subject index. The coverage and the depth of treatment of various topics are adequate, as expected in an introductory business statistics text.

The first four chapters of the book provide foundations and tools for the data-analytic methods. The brief introductory chapter includes the genesis and evolution of statistics and the applications of statistics in various areas. It would have been better if the steps involved in business research methodology were also given in the chapter. Chapter 2 contains a careful discussion of the various types of data and the methods of their collection. The different sources for secondary data collection are also mentioned, alongwith the particulars of important websites. The short glossary of terms, given at the end of chapter, will be particularly useful for management students. The idea of developing a questionnaire for consumers along with multiple-choice questions will further help the users.

In Chapter 3, the author discusses the diagrammatic and graphical presentation of data, with the help of industrial and business problems. Chapter 4 explains the importance of the major concepts of central tendency, dispersion, skewness and kurtosis. The introduction of the concept of moments given in this chapter may be helpful to students in understanding the statistical distribution patterns.

Chapter 5 contains the exhaustive treatment of the concept and application of probability in business and managerial areas. The focus is on the modern theory of probability and its application. The numerical examples based on the engineering process and system would help the students of professional courses.

Chapter 6 deals with the techniques and briefly explains the probability and non-probability sampling techniques for selecting a sample from the population. A comparative evaluation of different sampling techniques is given for the benefit of the reader. The authors present the discrete and continuous probability distributions in Chapter 7, and discuss the different application of these distributions through diagrams. The method of fitting the distribution is explained with the help of numerical examples. The concept of simulation is introduced in the last part of the chapter.

Chapter 8 discusses the general theory of linear correlation and regression analysis and the method of obtaining least squared solution through numerical data. This is followed by a discussion on the concept of rank correlation and its application in different situations. Advanced topics, such as non-linear regression analysis and logistic regression are also introduced.

Chapter 9 deals with multiple correlation and regression analysis. The use of multiple regressions to forecast the value of the dependent variable is also explained. Partial correlation and regression coefficients, alongwith the concept of multi-collinear and step-wise regression analysis, are briefly introduced. Point and interval estimation methods are introduced in Chapter 10, through diagrams and illustrations. The tests-of-significance starts with an explanation of the terms, the critical region and the acceptance region. The methodology of carrying out the tests of significance is explained with the help of illustrations. The z-test, t-test, chi-square test, and the F-test are discussed with numerical examples. The test of significance of correlation and regression coefficient is explained with the help of transformation method. The use of p-value in the testing of hypotheses is explained with the help of a real-world example. This chapter is followed by 'one-way' and 'two-ways' ANOVA, alongwith the interaction effect.

In Chapter 11, the design of experiments is introduced together with the factorial experiment and testing the significance of the regression model. Chapter 12 is devoted to non-parametric test for a better understanding of business managers: Run test, Rank test, Kolmogorov Smir-nov test, U-test, H-test, and Friedman's test are explained with numerical examples. Time-series analysis is discussed in Chapter 13 through graphs showing actual and forecasted values. Trend and seasonal time-series calculations, with curve-fitting, are explained through excel spread sheet. Linear, quadratic, and exponential curve-fitting and moving average is given in an appendix at the end.

Chapter 14 introduces the indispensable tool of 'ABC' analysis to deal with planning, analysis, and controlling managerial functions. The use of 'ABC' analysis is explained for selecting a sample from the population and the same concept is also introduced in cost and profit analysis.

In Chapter 15, the authors present the trend method, time-series method, correlation and regressions method, end-use method and exponential-smoothing method, for arriving at the best possible solution for forecasting. The use of excel spread-sheet template is also illustrated.

In Chapter 16, the authors discuss the application of the decision theory in business studies. The major decision situations under certainty, uncertainty and risk are explained with the help of examples from business. Marginal analysis with continuous distribution is illustrated through a decision tree. The index number theory is also highlighted.

Chapter 17 deals with the cost of living index, Laspeyre's index, Paasche's index, and the Fisher's Ideal Method. The uses and importance of index numbers are also presented. The role of statistics in controlling and improving the quality of industrial products is explained through control charts. Single, double and sequential sampling plans are also provided in addition to the concept of six-sigma.

Finally, some important statistical techniques, such as principal component analysis, canonical correlation analysis, discriminant analysis, multivariate analysis (including factor analysis, cluster analysis, and conjoint analysis), are illustrated with the help of numerical examples.

The terminology used in the book is often confusing, and needs clarification (see, for example, page 1.3, last but one line). The use of the term '*deduction*' does not convey a clear meaning. Moreover, the population parametric values are generally denoted by capital letters and the estimators based on sample observations are shown by small letters. However, the authors have denoted the population by *m*, instead of the Greek symbol '*mu*' (μ), see page 7-31, Equation (7.10). This is apparently an error.

It is expected that this book will be widely used by under-graduate and post-graduate students of business studies and would be an invaluable text for the students of professional courses. This book, based around business raw data and solved examples are self-explanatory, will be especially useful to the MBA and M.Com. students and those pursuing a career in business statistics. Teachers of business statistics will also find this book useful.

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Lynn Upshaw, *Truth: The New Rules for Marketing in a Sceptical World*, PHI Learning Private Limited, New Delhi, 2008, Pages: 279, Hardbound, Price: Rs. 450

The book under review is authored by an internationally-known consultant, with two well-known books to his credit, one of which received a 2001-WPP Worldwide Atticus Grand Prix Award.

Business scandals, fraudulent actions, ethical violations are the common newspaper headlines these days, be it Enron or Satyam. Such events around the world have compelled people to be vigilant about business practices. It is time to recognise the significance of business ethics as a tool for achieving organisational goals, since only those firms which imbibe integrity and ethics in their strategies and policies will be patronised by their customers. Today, one thing which is often discussed, but less practiced, is ethics. Therefore, the author has made an attempt to clarify these concepts, with a focus on the revelation of truth.

The book is divided into three parts and 12 chapters. Chapter 1 introduces the concept of practical integrity and throws light on the challenges faced by marketers. The author has selected, for case studies, five companies, namely, Herman Miller, Infosys, Patagonia, Trader Joe's, and Kiehl's, which claim to have imbibed integrity in their business. The lessons to be learnt from these companies are discussed in Chapter 2. The author has selected one private company, two public companies, and two large corporations, for the study. The country of origin is also different in these cases, viz., Europe, India, and the USA. Moreover, their business domains are also different – three companies are in consumer marketing and two are associated with industrial marketing. This diversity allows the author to analyse the case studies from different perspectives.

Part II of the book is devoted to the discussion of marketing strategies guided by the organisational honesty and integrity. In Chapter 3, the author discusses how equitable partnership can be built with the consumer. At the end of the chapter, a few questions have been formulated for the organisation to consider. Chapter 4, titled "My Product, Myself", emphasises the importance of quality of the product/service offered, that speaks more about itself rather than any other marketing communication. The companies spending more on the quality will have to spend less on communication, is the final message of this chapter.

Chapter 5 describes the strategies for winning the credibility race. The author has advanced several reasons behind the credibility lapse and the associated price paid by the company. Before posing the questions for the chapter, the author suggests some competitive strategies to build credibility. Chapter 6 cites examples of fake claims by organisations for their products and services and the risks associated with such a practice. The main emphasis of this chapter is on the promotion of honesty in communication.

Chapter 7 underlines the importance of timely communication. The author has critically evaluated the practices of unwanted communication by organisations and the clutter and chaos created by it. He emphasises here how it is impossible for the consumers to remember so many messages. One interesting observation about message retention is that out of 250 messages that a typical consumer reads or observes daily, he/she remembers only one. Finally, the author emphasises that a marketer should be there only when the consumer wants him to be there.

In the last chapter of Part II, the author underlines the importance the consumers attach to value for money and the value strategies to be followed by the marketer. The author has pointed out the importance of genuine price discrimination, i.e., charging less for a bulk purchase or from a particular age group. He has, however, opposed the use of price discrimination and undercutting as a strategy for a short-term gain, leading to long-term business erosion.

Part III of the book focuses on some additional integrity strategies to be imbibed in the organisational culture. In Chapter 9, the author has suggested ways to 'integrity team-building' and how an organisation can achieve success by considering employees as humans with their own strengths and weaknesses rather than looking at them as mere employees. In return, motivated employees may turn out to be the marketer's best friends. Further, the author has emphasised that for better effectiveness and acceptability, the integrity has to start from the top. Strategies to build a high-integrity team are also discussed in this unit.

In Chapter 10, the author discusses an interesting concept of 'Return on Market Integrity' (ROMI) and how to measure such a return. He also discusses the concept of 'Costs of Value Lost' (COVL) and its impact on brand equity. Going by these concepts, it is claimed that integrity is an essential nutrition for any business organisation.

Chapter 11 details integrity-based marketing plan, exhorting the organisations to chalk out their business objectives, with a focus on marketing strategies from brand-building, distribution, sales, pricing, logistics, and measurement point of view. It emphasises on the need for practical integrity training for the staff. Finally, in Chapter 12, the author proposes the idea that, in today's sceptical world where people expect marketing to be less than honest, there is nothing more practical aand profitable than marketing with integrity.

At the end of the book, the author exemplifies an 'integritometer' for a software company, quoting some true stories related to malpractices, adopted by companies while marketing their products and services. In the appendices, the author gives some important material, like Word-of-Mouth Code ethics, issued by the Word-of-Mouth Marketing Association (WOMMA). Further, in Appendix D, the author gives a script of integrity training workshop. Appendix E carries a Marketing Ethics Quiz.

Throughout the book, the author uses interesting brief conversations which are dialogues, suitable for the theme of those chapters. It is an innovative way of putting the idea across in simple language. The book has incorporated interesting statistics, which are eye-openers from corporate-governance point of view. Each chapter ends with a brief summary and series of questions for self retrospection. Self-evaluation is a critical component of business ethics. It is said that people should spend the same time looking into the mirror as they do watching other's behaviour. The author also suggests periodically examining and reflecting upon one's own behaviour to ensure that one is on the ethical track. In fact, the author gives a clear vision of the holistic concept of integrity.

The smooth flow of information and message from one chapter to the next keeps the interest of the reader alive till the end. The author has successfully used the sidebars and boxes to narrate examples in each chapter. Except for some of the charts and graphs, which look a little clumsy due to overcrowding of the contents, the author has used the pictorial presentation to highlight certain important issues. Relating with the Indian scenario will be a little difficult for Indian readers, as most of the examples and case studies pertain to foreign firms. However, the author has made a good attempt in underlining the importance of integrity for the marketer.

This book is a prescription to all the marketers as a 'must read'. The strategies suggested by the author in the form of practical integrity, if practiced, will make this sceptical world regain some faith in marketing and marketers. This book is strongly recommended to all marketing students, teachers, and practitioners.

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David Brown, and Kassandra Bentley, *All About Stock Market Strategies*, Tata McGraw-Hill Publishing Company Limited, New Delhi, 2008, Pages: 249, Paperback, Price: Rs. 325.

Most of the people dabble in the stock market with varying degrees of success. With increasing institutionalisation of the markets, the retail investor is mostly at the receiving end of the larger forces. Presently (in 2009), most retail investors are nursing their wounds received during the mayhem of the latter half of 2008 and the early part of 2009. For them, it is a time to ponder as to what went wrong and how should they venture into the treacherous waters the next time around. It is time to find order among the information chaos perpetrated by self-styled investment gurus and hearsay floating about on the Internet.

All About Stock Market Strategies is an excellent first book for the investors who want to find order in chaos and appreciate the importance of application of a systematic investment strategy that best suits their personality. The authors' stated mission behind this book is "to help an investor find an investing style or strategy that fits his basic personality to see him through the market's ups and downs, not having to worry as much about the gyrations of the market". They argue that the key to success as an investor is that while the investor will always have losses, a well-chosen investing strategy and an investing process should keep the losses smaller and the gains larger.

In the first two chapters, the authors lay a foundation on which to talk about investing strategies and styles. Chapter 1 is about the market perception and the investor confidence: the two forces that move stock prices. A number of events that tend to change either or both are discussed. The different strategies one may use in implementing a given investment style will closely follow these factors. In the opinion of the authors, the events that have the maximum impact on market perception and/or investor confidence, in the decreasing order of potency, are: earnings announcements, revising estimates, company warnings, interest rate changes, insider-trading, the ripple effect of industry news, change in margins, change in inventories, technology and products, and product failure.

Chapter 2 presents the three general strategies that make up the investing process – stock selection, entry and exit timing, and portfolio management. Although this three-step investing process is basic to every investing style, the strategies for selecting stocks, buying and selling them, and managing one's portfolio will differ, depending on the investor's style or approach to investing.

Chapter 3 provides a brief overview of the investing styles that are discussed at length in the later chapters. One may be able to tell from this rather short glance as to which styles will most likely fit his personality. Apart from the major four investing styles, i.e., growth investing, value investing, momentum investing and technical investing, there are five minor styles which are simply variations on a theme. These are: fundamental investing, income investing, active trading, hybrid investing and style surfing. To make it easier to grasp the essence of each investing style, the chapter also introduces the Psychological Quotient (PQ) chart that rates each investing style for ten different psychological or personality traits and other qualities, including discipline, patience, risk tolerance, reward expectation, volatility tolerance, time horizon, time commitment, quantitative skills, charting skills, and investing confidence. The higher the rating for a particular trait or quality, the more important it is to the investing style.

In Chapters 4 to 7, the authors present the four major investing styles – growth, value, momentum, and technical investing – with a personality profile of each style, a look at the characteristics of stocks that represent that style, and strategies for implementing the style. Each of these style chapters includes a section on how to apply the style to mutual funds and exchange-traded funds and a section on how to find on-line resources for the style. Actual case studies, supported by price charts and stochastic parameters, make for easy comprehension of the strategy in action. Hints for success conclude each of these chapters.

Chapter 4 describes the growth strategy, in which the investors with higher risk appetite invest in the stocks of companies exhibiting (or promise to exhibit) aggressive growth rates year after year. These stocks may be from an industry sector that is rapidly growing or even from traditional sectors. Interestingly, authors illustrate with real examples that how superior management can turn an ordinary company into high growth one and how a growth stock can cease to grow. The chapter discusses the methodology for identifying the growth stocks and selecting the right ones, entry and exit criteria, strategy for managing a growth portfolio, and hints for successful growth investing.

Chapter 5 is on value investing, which is the appropriate strategy for the risk-averse bargain-hunters. The value stocks (which may not be cheap stocks) are characterised by low prices, in comparison to their historical earnings growth and earnings growth prospects. The investors seek to take advantage of cyclic under- and over-evaluation of stocks. The authors provide valuable insights into the process of finding value in ordinary stocks, which do not exhibit the traits of value stocks. This chapter also gives the methodology for identifying value stocks and value stock mutual funds and selecting the right ones, entry and exit criteria, strategy for managing a portfolio of value stocks, and hints for successful value investing.

Chapter 6 discusses the successful momentum investing strategy. The momentum investors latch on to a stock that has already started moving up with a certain (earnings) momentum and get out of the stock (ideally) just before the momentum is lost or reversed. This strategy comes with moderate risk and the caveat that losses must be cut as quickly as possible. The chapter includes the discussion on stock identification, entry and exit criteria – which is especially critical for this strategy, managing a momentum portfolio, and hints for successful momentum investing. The authors observe that there are no mutual funds for momentum stocks, since momentum investing, where investors seek quick returns, is against the basic idea behind a mutual fund.

Technical investors believe that all information about a company is reflected in its stock price and rely on a plethora of technical charts to arrive at investment decisions. As opposed to momentum investors, who rely only on earnings momentum, the 'technicians' rely on classic chart patterns, irrespective of the source of price movement. The predominant traits of technicians are discipline and good charting skills. Chapter 7 describes this very popular investing style in terms of process for stock identification and selection, entry and exit criteria, portfolio management strategy, and hints for success.

Chapter 8 examines the role of market capitalisation in an investing style. Market cap is a way of measuring the size of a company (which is the number of shares outstanding times the stock price). Some people prefer to buy large-cap or mid-cap stocks and others prefer small-cap or micro-cap stocks. Because these preferences create critical masses within the different caps, market caps move differently in different markets, which allow them to be used as a supplemental investing strategy.

In Chapter 9, the authors evaluate the strategies for five minor investing styles – fundamental investing, income investing, active trading, hybrid investing, and style surfing – all of which are derivations or combinations of the four major styles, and also discuss strategies, such as top-down investing and insider trading, which can be used to enhance any investing style.

Chapter 10 introduces the investor to a number of advanced strategies that can be incorporated into any investing style, such as short selling, market neutral investing, index trading, option hedging, and global investing.

Besides the main chapters, the book also has two appendices, one containing a list of on-line resources and a glossary and the other containing definitions of the major terms used in the book.

This book does full justice to its mission and should prove to be an invaluable and handy resource for anyone who needs an investing strategy. The book does not offer specific instructions or tools for making money in the stock market, because its objective is to help an investor find a strategy or style that fits his basic personality and to outline a process for implementing that strategy. After reading this book, one definitely will have a clearer picture of the kind of investor he is at heart, will be able to select an investing style or strategy that fits right for him, and will be convinced that a systematic process is necessary to execute that strategy.

From the Indian readers' perspective, though, the book comes with a minor blemish. It would have been welcome if the authors had included a few case studies of Indian stocks, such as RIL, RPL, and SBI. There could be differences in the manner in which a certain investing strategy would have worked in the Indian stock markets in comparison with the US markets, because of difference in the speed of price discovery, transparency of corporate disclosures, and impact cost, etc. These factors significantly matter in choosing the right investing strategy.

Even so, the book delivers well on its promise and is highly recommended for all investors, old and new. It offers great value at the price of a medium-size pizza. The readers can invest in this book, irrespective of their chosen investing style!

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Kerry Patterns, Joseph Grenny, David Maxfield, Ron McMillan, and Al Switzler, *Influencer: The Power to Change Anything*, Tata McGraw-Hill Publishing Company Limited, New Delhi, 2008, Pages: 300, Hardbound, Price: Rs. 550.

The book under review, *Influencer: The Power to Change Anything,* is a unique piece of literature, inasmuch as it takes a novel approach to explain the major influence strategies to problems that others have not been able to solve for years – rather centuries. The authors of the book promise that almost all persistent problems the people face in their lives can be solved by acting differently in different situations. Most of the people are indeed not all that skilled at getting themselves and others to behave differently. The book has been written by noted behavioural scientists, who can get others to behave differently all the time. The purpose of the book is to share the principles and skills routinely employed by a handful of powerful change agents so that readers can expand their sets of influence tools and bring about important changes in their personal life, their family, their company, and their community. In this book, the reader will come across a lot of real-life problems and non-traditional way of their solution.

An 'Influencer', according to the authors, is the one who motivates others to change, replaces bad behaviour with powerful new skills, and makes things happen.

The book has been divided into two parts: 'The Power to Change Anything' and 'Make Change Inevitable', which are further divided into three and seven sub-parts, respectively.

Part 1, titled "The Power to Change Anything" in which the authors explain that usually when the influencing strategy fails, people tell themselves that we are not influencers, and we are turning our attention to things that are in their control seek serenity. Instead of pleading for the wisdom to know when to give up, we should be demanding the names and addresses of the influencers who have found solutions to the problems we face every day. Then there will be no need to seek serenity so often. Traditionally we know that the main power of influence comes through verbal persuasion. It means if one likes to encourage others to stop their bad behaviour one can do it with just the right combination of words. But the authors show with the help of interesting examples that this traditional believe does not work. Instead they explore the full array of strategies successful influencers use every day to change lifelong habits and bring about improvements.

In the first sub-part of Chapter 1, titled "Choosing influence" the authors give example that usually when one tries to exert influence over others with a few well-chosen words and nothing happens, one stops talking and try something new. Instead of owning up their responsibility of becoming effective agents of change, people complain and find ways to adjust. They are better at adjusting than at exerting influence.

In the second sub-part of Chapter 1, titled "The Wisdom to make a Difference", the authors cite examples of greater influencers in Thailand and America and prove that there are people who know exactly what it takes to exert influence over human behaviour and change the world in a good way. These remarkable individuals have successfully applied their influence strategies to problems that others haven't been able to solve for quite long. None has succeeded through serendipity. Through years of careful research and studied practice, they have developed powerful influence principles and strategies that they themselves can replicate, and others can learn.

The third sub-part, titled "You are Influencer", introduces Dr. Mimi Silbert, a profound master who influences the founder of Delancey Street Foundation in San Francisco. Uniqueness of Silbert's company is the employed population. They have been homeless for years, and most are lifetime drug addicts. Within hours of joining Delancy, they start working. No therapists, no professional staff, no donations, no guards – just a remarkable influence strategy that has profoundly changed the lives of 14,000 employees, over the past 30 years. 90 percent of those who join Delancey never go back to drugs or crime. Instead, they earn degrees, become professionals, and change their lives forever. In this part, the authors introduce the father of social learning theory and the most cited psychologist alive – Dr. Bandura. He generated a remarkable body of knowledge that led to rapid changes in behaviours that other theorists had dawdled over for years. Seeing a rise in violence corresponding with the diffusion of television, Bandura thought it worthwhile to examine whether children were learning violent behaviour by watching TV. After an experiment Bandura was able to prove that the violence was pumped out by the television network.

Influence strategies can indeed be studied, tested, and mastered. Humans observe, cogitate, draw conclusions, and then act. All this is important to know because if one wants to change the world, one eventually has to change how people behave. And if one wants to change how they behave, one has to first change how they think. It means that one can become a powerful influencer. The authors promise that they will help the readers create their own set of tools by sharing the strategies used by every influencer the authors have studied.

Part 2 of Chapter 2, titled "Find Vital Behaviours", focuses on what people try to change and an enormous influence which comes from focusing on a few vital behaviours. The sub-part, "The King's birthday present", introduces Dr. Wiwat Rojanapithayakorn, whose life and knowledge guide the authors to explore the next strategy – "Search for behaviours". In the next sub-part, bearing the title, "Search for behaviours", the authors give a few principles. The first principle is that when one faces a number of possible options, one must be careful to search for strategies that focus on specific behaviours. Without a behavioural focus, people do not choose to show the right behaviours.

The second principle is that one must discover a few vital behaviours to change. As Dr.Sillbert is quick to point out, if one wants to change ex-cons' lives, one needs to focus on behaviour, not values, or emotional appeals. The introduction in the next sub-part is titled "Meet Ethna Reid". Here, Dr.Ethna Reid from Salt Lake City teaches how to identify which behaviours, from a list of hundreds, separate successful people from everyone else. From research, the readers learn two important concepts. First, there is a process for discovering what successful people actually do. Second, in many of the areas where one would like to exert influence, the vital behavioural research has already been done.

In the next sub-part, "Study positive deviance", readers will find another tool that can help in their search for vital behaviours. It is known as 'positive deviance'. Positive deviance can be extremely helpful in discovering the vital behaviours that will help solve the problem of people. First, one needs to dive into the centre of the actual community, family, or organisation one wants to change. Second, one should discover and study the settings where the targeted problems exist. Third, one has to identify the unique behaviour of the group that succeeds. The authors have identified the vital behaviours which lead to higher customer satisfaction scores. They are five: smile, make an eye contact, identify yourself, and let people know what you're doing and why, and every interaction by asking "is there anything else that you need?" The next sub-part titled "Search for recovery behaviours" in which has been exemplified the third search principle: search for recovery behaviours. People are going to make mistakes, so one has to develop a recovery plan. The next sub-part is titled "Test your results", in which the authors advise the reader to check whether the results they want are happening and to compare top performers to poor performance. At the end of this chapter, a reader will find the summary of what makes it easy to revise new information which they have learnt.

Part 3 of Chapter 1, titled "Change the way you change minds", focuses on how to change minds. Before people will change their behaviour, they have to want to do so, and this means that they'll have to think differently. The first sub-part of the third chapter, titled "Learning from phobics" where Dr. Bandura turned his academic eye on finding a way to cure snake phobics. Phobics provide perfect set of beliefs for learning how to change people's thinking. Phobics' feelings are not accurate, and they would benefit from having them changed. The next sub-part is titled "*Honest, Snakes are our Friends!*" Since lectures don't work with phobics one can not get them to conquer their fear through personal experience, one has to find something in between – something more than words and less than personal action. This "in between" thing turns to be one of the highly valued tools in any influence genius arsenal. It is referred to as vicarious experience. The next sub-part is titled "What do we learn from this". People choose their behaviour based on what they think will happen to them as a result. At work an employee might believe that if he or she comes in late, nobody will care, leading to an erratic start time. The next sub-part, titled "Use stories to help change minds", continues that most of people are not going to be in the phobic-curing or radio-drama business soon. They should become experts in the use of the most portable and readily available map-changing tool around – the poignant story. "Become a Master Storyteller" and "Tell the Whole Story" are the following sub-parts with solution to problems. When it is impossible to create an actual experience, it is best to create a vicarious experience that means one can make use of a well-told story which must contain a clear link between the current behaviours and existing negative results.

"Make change inevitable" is taken up in Chapter 2. In this chapter, the readers find an answer to the question how to make that change happen and the opening sub-part is titled "Master six sources of influence", where they will find a model with six sources of influence. With this model at their disposal, influence geniuses know exactly which forces to bring into play in order to over-determine their chances of success. In next sub-part, titled "Make use of all six sources", the authors explain why one must use all six sources. All of the following sub-topics are the six sources of the model of influence: "Make the Undesirable Desirable", "Surpass your Limits", "Harness Peer Pressure", "Find Strength in Numbers", "Design Rewards and Demand Accountability", "Change the Environment". The conclusion is found in the last sub-part of the second chapter, titled "Become an Influencer".

In the business world as well as in personal life, one probably wished one had more influence from the people. The book under review from the best-selling authors who taught the world how to have 'crucial conversation' would serve as a comprehensive guide for management students and business professionals who want to enhance their skills to influence. This book is unique inasmuch as it explains the influencing process and practices in different countries. One can say it is based on global or cross-cultural research. Numerous examples are given to illustrate the various forms of influencing process. Moreover, the authors provide additional tools and resources on their website mentioned in the book. The tools will help to measure existing influence skills. The site offers a self-assessment guide to the reader that not only gives a view of influence repertoire but also help him develop next steps for becoming an effective influencer.

A discerning reader might detect only a few weaknesses in the book. First, there are no illustrations for the model of six sources of influence. Second, the authors claim that they have done research from San Francisco to Thailand, but there is no example from India.

However, students and teachers, working in the field of psychology and business communication, must find the book interesting and useful.

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Adrian Haberberg and Alison Rieple, *Strategic Management: Theory and Application*, Oxford University Press, New Delhi, 2008, Pages: 822, Paperback, Price: Rs. 495

The business world is changing rapidly. Today, we have improving economies, rising interest rates, extensive outsourcing, migration of work to developing countries, more attention to business ethics, increasing globalisation, rising unemployment, and intense rivalry in almost all industries. E-commerce too has changed the nature of business. Many strategic alliances, partnerships, joint ventures, corporate scandals, downsizing, re-engineering, and acquisitions have altered the corporate landscape in recent years. Due to this, thousands of firms have prospered and many have failed during the last couple of years.

In the prevailing business world, the words of Joel Ross and Michael Kami seem to be true: "Without a strategy, an organisation is like a ship without radar, going around in circles. It is like a tramp; it has no place to go." The old saying, "if you do not know where you are going, any road will lead you there", accentuates the need for organisations to use concepts and techniques of strategic management. A firm will have to adopt strategic management process, even if it is a small unit or a large company, non-profit institution, government organisation or a multinational conglomerate. It is a well-known fact that people and organisations who adopt a proactive approach to get what they want do better than those who believe in a reactive approach. A proactive person or organisation strives to influence, anticipate, and initiate rather than just respond to events. This can be achieved if the organisation adopts the strategic management process.

Strategic management refers to the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organisation to achieve its objective. It helps managers by explaining, analysing, and evaluating important strategy concepts and showing how these can be applied in the real-business world. It helps the manager to understand and exploit the change and interpret the trends for the benefit of the corporation. The book by Adrian Haberberg and Alison Rieple, titled *Strategic Management: Theory and Application*, emphasises how a theory is applied in business organisations and for a deep understanding and thinking like a strategist. The book has been divided into five parts, having 17 chapters. Each chapter focuses on practical as well as theoretical approaches to the concept.

The first part of the book, having two chapters, introduces the core concepts of strategic management and organisation. Chapter 1, titled "Strategy and the Organisation", introduces five different ways of thinking about organisations. This chapter also elaborates the fact that each of thinking ways interacts and overlaps with the others and must be taken into account when strategies are developed. Chapter 2, titled "What is Strategic Management?" explains the difference between strategic and non-strategic decisions. It introduces the concepts of corporate level, business level, and functional strategies in an organisation.

Part Two, titled "Assessing Fit and Distinctiveness", explains the environmental influence on the functioning of an organisation. This part contains four chapters. Chapter 3, titled "Understanding the Influence of the Environment", talks about the impact of environment on the organisation's strategic performance in the past, present, and the future. Chapter 4, titled "Distinctiveness (1): Competitive Stance", explains the key segments in a market. It discusses the concept of segmentation and the main characteristics used to distinguish one segment from another. Chapter 5, titled "Distinctiveness (2): Scope, Scale, and Diversity", emphasises the expansion and diversification strategy of business and the degree of relatedness and synergies between the SBU's in a corporation's portfolio. The last chapter of this part, titled "Distinctiveness (3): The Value Chain', discusses how organisations configure themselves to achieve cost and differentiation advantages. The value-chain analysis pinpoints the particular capabilities and assets that are important to an organisation, and shows, where and how they are being applied to add value.

Part Three, "Sustainability of Advantage", comprises four chapters. Chapter 7, titled "The Resource-based View of the Firm", highlights the fact that strategic resources are rare and valuable for an organisation. But the resources that are valuable in one industry or market segment may not be valuable in another. This chapter further elaborates that an organisation's competitive position at any given time depends on its assets and capabilities that generate cost and/or differentiation advantages. Chapter 8, titled, "Architecture, Structure, and Culture", discusses how to evaluate an organisation's existing structure, control systems, and other elements of the architecture, against the ABCDE criteria, i.e., autonomy, bureaucracy, cultural controls, devolution, and economic incentives, has been explained. Chapter 9, titled "The Management of Complex Organisation", is devoted to particular difficulties encountered in managing diverse and complex organisations. The authors provide appropriate solutions that have been proposed over time. The ways of structuring complex organisation's circumstances are also given. Chapter 10, titled "Knowledge, Learning and Innovation", looks into the ways in which knowledge and learning can be encouraged and enhanced in an organisation and how best to manage the development of new products and innovative processes.

Part Four, titled "Strategic Analysis and Strategy Formulation", contains chapters from 11 to 15. Chapter 11, titled, "Assessing Organisational Performance, and Setting Strategic Priorities", explains the process of using both qualitative and quantitative data to broaden the understanding of an organisation's strategy. Chapter 12, titled "Options and Strategic Reviews Methods", deals with the major strategic issues faced by an organisation and stresses their importance and relevance. Alternative methods that may be used to implement the chosen strategic option are also examined. In Chapter 13, on "Strategies in Profit-Making Contexts", the industry life-cycle and strategic options, appropriate at each stage of the life-cycle, are discussed at length. The main focus of Chapter 14, titled 'Strategies in International Context', is on the factors that are increasingly making strategy an international issue for organisations. The chapter also explains the prominent features of major countries and regions of the world and their impact on world trade now and in the future. Chapter 15, on "Strategies Where Profit is Not the Main Objective", discusses the types of strategic alternatives available and appropriate for small firms and for public and not-for-profit-making organisations. It also explains the main issues which are faced by social enterprises.

The last part of the book, comprising two chapters, discusses the mechanism of strategy implementation. Chapter 16, titled "Effecting Organisational Change", explains the different internal and external changes in an organisation. These changes largely affect the success or failure of any organisation. Successful change cannot be guaranteed but the chances of its occurrance can be enhanced by taking some prudent decisions.

A number of factors related to the implementation of strategy are examined in Chapter 17, titled "Making Strategy Happen". The methods to identify the style and approach to be adopted by a leader are discussed in the chapter. However, in an effort to make the various chapters comprehensive and elaborate the book contains chapter summary, references and review questions at the end of each chapter. The real business case studies of international companies, like Sony, McDonald's, and British Airways, are appended to most of the chapters. These help students develop their analytical and problem-solving skills.

The contents of this book are comprehensive and up-to-date. For providing assistance to students, self-test multiple-choice questions are given in each chapter. Moreover, web links, glossary, web exercises and bibliography are also given. At the end of every chapter, a feature, titled, "Key Skills" is given. It lists the main applied skills that one can acquire in the course of the chapter. Elaborate 'Further Readings' and comprehensive 'References' are also given at the end of each chapter.

The book exhibits the hard-work of authors as they have made it quite comprehensive and voluminous. But, at the same time, it is difficult for the students to cover each and every topic of the book in one semester of an under-graduate or post-graduate programmes in business administration. Moreover, many chapters have a long title which fails to explain the real meaning of the contents of that chapter. Furthermore, too much information on a single topic reduces comprehension of the reader, which is a serious limitation for a text book. Thus, the book can be used as a reference book by students in business schools. Authors may like to come up with more Indian cases in the revised edition, which are lacking in the present edition.

Nevertheless, the book is a valuable learning tool, helpful to students, teachers, and researchers who are keen to gain knowledge on the subject of great importance.

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Philip Kotler, *Ten Deadly Marketing Sins: Signs and Solutions*, John Wiley and Sons, Hoboken, New Jersey (USA), 2004; Hardbound, Pages: 152, Price: not mentioned

Coming from the most celebrated author on marketing, the book under review has an awe-inspiring title. This book is, to a large extent, different from over 30 text books written by Philip Kotler, singly or with co-authors, on as many aspects of the fascinating field of marketing. All his books which are masterpieces in their own right are read all over the world. Writing a review of a work authored by the doyen of marketing is a formidable task.

The author claims that this book is based on many years of his working with consulting firms and individual clients and is the outcome of the findings from over 75 marketing audits of business firms, conducted by his co-author of *Marketing Audit*, Will Rodgers, and a few others.

Besides the introduction and the epilogue, the book is divided into ten chapters. In the introduction, titled "The State of Marketing Today", the author starts on a dismal note, when he says, 'Marketing is in a bad shape', which he supplements by saying 'not marketing theory but marketing practice'. He wonders why 75 per cent of the new products, services, and business firms fail. In fact, these failures occur in spite of all the work that goes into market research, concept development and testing, business analysis, product development and testing, market testing, and commercial launch.

Kotler laments over a majority of advertising companies not registering anything distinctive in the customers' mind and the direct mail achieving barely one per cent response rate. He identifies the ten worst deficiencies in contemporary marketing practice, which forms the subject matter of the ten chapters of the book. These are:

1. The company is not sufficiently market-focused and customer-driven.
2. The company does not fully understand its target customers.
3. The company does not identify and monitor its competitors.
4. The company mismanages its relationship with its stakeholders.
5. The company is not good at finding new opportunities.
6. The marketing plans and planning process are deficient.
7. The product and service policies of the company need 'tightening'.
8. The company is weak in its brand-building and communication efforts.
9. The company's organisational structure is not proper so as to carry out effective and efficient marketing.
10. The company has not made optimal use of technology.

Kotler observes: 'Most of marketing is reduced to a one-P function, i.e., promotion, and not a four-P job. Since the company ends up making a product that does not sell well, he adds, the major task of marketing is to clean-up the mess through hard-selling and advertising. Even in performing the task of selling and advertising, marketing cannot claim perfection. Kotler cautions that every sign suggests that marketing will become more challenging in the future. He cites eight practical examples, most of which are from the American business scenario.

In Chapter 1, Kotler deals with the insufficient market focus. The three signs of this malady identified by him are: poor identification of market segments, insufficient prioritisation of market segments, and absence of market segment managers. The solutions suggested by the author include: adoption of more advanced techniques in segmentation, such as benefit segmentation, value segmentation, and loyalty segmentation; prioritising the most important segments; and specialising the company's sales force, respectively.

As the signs of insufficient customer-orientation of the company, Kotler identifies the major symptom of the malady, namely, the company is not sufficiently organised to do an especially good job of serving and satisfying its customers. The signs include: (i) Employees think that it is the job of the marketing and sales department to get, serve, and satisfy the customers; (ii) There is no training of employees to serve the customers; and (iii) There are no incentives or sanctions to employees for improving customer services. He offers the following solutions for these problems:

1. Develop a clear hierarchy of company values, with customers at the top;
2. Undertake activities that will produce more customer-consciousness among employees; and

3. Make it easy for customers to reach the company by phone, fax, or e-mail, with enquiries, suggestions, and complaints, and respond quickly.

Chapter 2 deals with the second major marketing sin, which Kotler terms as the company's inability to fully understand its target customers. The signs of this major sin, according to Kotler, are: weak information on target customers, sales lagging behind expectations and competitors doing better business, and high level of customer returns and complaints. The solutions offered are: (i) Better customer research, including focus-groups, surveys, depth interviewing, in-home research, in-store research, and 'mystery shopping' (Kotler refers to this phenomenon as *customer insight*); (ii) Using more analytical techniques; (iii) Establishing customer and dealer panels; and (iv) Installing Customer Relationship Management (CRM) software and doing data-mining.

In Chapter 3, the author talks about the third sin, which he says is the need to better define and monitor its competitors. For this major malady, the author identifies two signs: (i) the company is over-focusing on the wrong competitor, and (ii) the company does not have a system for gathering and distributing competitive intelligence. The solutions suggested are: establishing a person or office for competitive intelligence, hiring away ('poaching') employees from competitors, monitoring every new technology, and preparing offerings similar to those of the competitors.

Chapter 4 pertains to the management of company's relationship with its stakeholders. Here, a set of signs have been identified. These include: (i) The employees are not happy, (ii) The company has second-rate suppliers, (iii) The dealers are not the best and not happy with the company, and (iv) The investors are not satisfied. The solutions offered are: moving from 'zero-sum thinking' to 'positive-sum thinking', and improving employee management, supplier relationship, and dealer and distributor relationship.

In Chapter 5, Kotler highlights the sin referred to as the company's inability to find new opportunities. The signs identified are: (i) The company not having done enough to find new opportunities, and (ii) The failure of most of the company's initiatives. Appropriate solutions are suggested by the author.

Chapter 6 deals with the deficiency in the company's marketing planning process. The author, here too, mentions the major sins and the corresponding solutions.

Chapter 7 is devoted to the company's product and service policies, which need tightening. Kotler observes that companies often give away too many services for free and allow too little cross-selling of its products and services. Through an example from Unilever, the author advises such companies to establish a product-tracking and evaluation system, to decide as to which services to price and which to offer free, and to improve the process for cross-selling and up-selling.

Chapter 8 deals with the company's weak brand-building and communication skills. The signs of this malady include the lack of awareness about the company in the target market, absence of distinctiveness of the brand, inflexible promotional budget, and the lack of valuation of financial impact of investments. Through examples from Coca-Cola, McDonald's, Dell Computers, and General Motors, the author suggests that the solution to the problem pertains to advertising, sales promotion, public relations, and direct marketing.

In Chapter 9, the author focuses on the inadequate company organisation to carry on effective and efficient marketing. The major problems identified under this head include: the ineffectiveness of the chief marketing officer, lack of marketing skills in the staff, and strained relations between marketing and other departments. The solution involves appointment of a stronger leader of the CRM and data-base marketing, PRM (Partner Relationship Management), Internet marketing, public relation marketing, service and experiential marketing, integrated marketing communications, profitability analysis, market driving skills, and improvement of relationship between marketing and other departments with which it comes into contact, namely, sales, R&D, engineering, manufacturing, purchasing, accounting, finance, and logistics.

Chapter 10 deals with the inadequate use of technology by certain companies. The major technological aspects pertaining to marketing include the Internet, sales automation, marketing dashboards, an effective Intranet and Extranet, e-recruitment, e-training, e-procurement, and e-market research.

Finally, in the epilogue, the author offers ten commandments of marketing effectiveness. It is a beautifully formulated gist of the solutions to the ten deadly marketing sins propounded by the author.

Although the USA and India have different economic phenomena and even though Kotler has nowhere stated so, the ten "most deadly marketing sins" equally apply to marketing firms in India. Thus, marketing managers and chief executive officers of Indian firms stand to gain a lot from this interesting book.

The treatment of the subject is distinct from the celebrated author's textbook approach. The book reads like a story book.

It is a must-read for marketing executives and students of business management.

Prof. DPS Verma
Advisor
Shobhit University
Meerut

That leaves 93 per cent of "potential" untapped. Humans only use 10 per cent of the brain and 7 per cent of company databases, yet we're always 100 per cent sure of everything. That just doesn't add up.

Christina Bultinck
"Mind Your Own Business", Executive Update magazine

★ ★ ★ ★ ★

Brevity is the soul of wit.

William Shakespeare
Hamlet,

★ ★ ★ ★ ★

The only job security anybody has in this company (Chrysler) comes from quality, productivity and satisfied customers.

Lee Iacocca

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We have no right to consume happiness without producing it,
than to consume wealth without producing it.

George Bernard Shaw
(Candida (1898), Act I)

★ ★ ★ ★ ★

Under capitalism, man exploits man.
Under communism, it's just the opposite.

John Kenneth Galbraith

★ ★ ★ ★ ★

The reasonable man adapts himself to the world;
the unreasonable one persists in trying to adapt the world to him.

George Bernard Shaw
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