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Direct Tax Code

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"It was only for the good of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold"-Kalidas in Raghuvansh eulogizing KING DALIP.

It is a matter of general belief that taxes on income and wealth are of recent origin but there is enough evidence to show that taxes on income in some form or the other were levied even in primitive and ancient communities. The origin of the word "Tax" is from "Taxation" which means an estimate. These were levied either on the sale and purchase of merchandise or livestock and were collected in a haphazard manner from time to time. Nearly 2000 years ago, there went out a decree from Ceaser Augustus that the entire world should be taxed. In Greece, Germany and Roman Empires, taxes were also levied sometime on the basis of turnover and sometimes on occupations. For many centuries, revenue from taxes went to the Monarch.

In India, the system of direct taxation as it is known today, has been in force in one form or another even from ancient times. There are references both in Manu Smriti and Arthasastra to a variety of tax measures. Manu, the ancient sage and law-giver stated that the king could levy taxes, according to Sastras. The wise sage advised that taxes should be related to the income and expenditure of the subject. He, however, cautioned the king against excessive taxation and stated that both extremes should be avoided namely either complete absence of taxes or exorbitant taxation. According to him, the king should arrange the collection of taxes in such a manner that the subjects did not feel the pinch of paying taxes.

However, it is Kautilya’s Arthasastra, which deals with the system of taxation in a real elaborate and planned manner. The reason why Kautilya gave so much importance to public finance and the taxation system in the Arthasastra is not far to seek. According to him, the power of the government depended upon the strength of its treasury. He states – "From the treasury, comes the power of the government, and the Earth whose ornament is the treasury, is acquired by means of the Treasury and Army". However, he regarded revenue and taxes as the earning of the sovereign for the services which were to be rendered by him to the people and to afford them protection and to maintain law and order. Kautilya emphasised that the King was only a trustee of the land and his duty was to protect it and to make it more and more productive so that land revenue could be collected as a principal source of income for the State. According to him, tax was not a compulsory contribution to be made by the subject to the State but the relationship was based on Dharma and it was the King's sacred duty to protect its citizens in view of the tax collected and if the King failed in his duty, the subject had a right to stop paying taxes, and even to demand refund of the taxes paid.

In India Constitution is the parent law. All other laws should be enacted without exceeding the framework of the constitution. The Constitution of India empowers Central Government to levy taxes on income. By virtue of this power Income Tax Act 1961 was enacted in place of Income Tax Act 1922, which extends to whole of India. The Income-tax Act was passed in 1961 and has been amended every year through the Finance Acts. The Act deals with income-tax. Dividend Distribution Tax was included in the Act by inserting Chapter XII-D with effect from June 1, 1997. Fringe Benefit Tax was included in the Act by inserting Chapter XII-H with effect from April 1, 2006. Wealth Tax is administered through the Wealth-tax Act, 1957.

In the year 2009, Government had announced the New Direct Tax Code (DTC) from 01/04/2011. This announcement had created a big hype and also talked about simplifying our Tax structures. Initially it talked about replacing EEE(Exempt Exempt Exempt) regime i.e. Exempt at Contribution, Exempt at accumulation and Exempt at withdrawal with EET (Exempt Exempt Taxed) regime i.e. all savings and investments would be taxed at the time of withdrawal. Income tax Slabs were proposed to be significantly higher from present which would have resulted in much lesser tax outflow.

It was open for public discussion and there was a huge outcry on Retirement benefits which was proposed to be taxed in the absence of any social security system in place. In its Final draft, although EEE regime has been retained there has been many changes made which would effect the way we manage our investments. Against the original proposal of initial draft to lower tax slabs and give higher limit for investments for tax exemption, New direct tax code actually is reducing the investment avenues without actually raising the investment limits considerably. Indian public participated fairly and suggested many changes but broadly only one thing was heard and kept i.e. "Continuation of EEE regime and retirement benefits should not be taxed." the Direct Taxes Code Bill, 2010 (DTC-II) was placed before the Parliament on August 30, 2010. This is a revised version over Direct Taxes Code-I (DTC-I) which was released in August, 2009 and was found so deficient that a Discussion Paper-II had to be issued by the Government making corrections and lead to issue of DTC-II which too is also likely to create lot of debate on almost all of its provisions.

Finally Direct tax Code bill no. 110 of 2010 was tabled in parliament to replace the Income Tax Act`1961.

The Direct Tax Code is a combination of major tax relief and removal of most tax exempted benefits. It is expected to usher in a new tax regime of transparency and greater compliance. When archaic rules have to be replaced with new ones, the changes must be dramatic and path breaking. In the forward to the Tax Code Mukherjee explained that the aim is to eliminate distortions in the tax structure, introduce moderate levels of taxation, expand the tax base, improve tax compliance, existing Income tax Act, and simplify the language and lower tax litigations. The Code is a completely new law and not an amendment of the existing Income Tax Act. The new Direct Taxes Code (DTC) proposal is among the two far-reaching reforms that will help India sustain high growth rates. The Finance Minister made very few amendments in the direct tax arena in this budget with no major reforms / initiatives, as anticipated due to the impending Direct Taxes Code Bill (‘DTC’). The introduction of DTC from April 1, 2012 has been re-affirmed by the Finance Minister.

Objective: The basic objective of the paper is to study Direct Tax Code a simple and leaner document which tends to carry out not just changes in the form in which you will want to look at the Income Tax Code but important legislative changes as well. India has taken a very bold and unreasonable position that the domestic law will override the double tax treaty which goes against the cannons of the International Taxation.

Comparison *vis-à-vis* other aspects

Subject	***IT Act, 1961***	***DTC-I***		***DTC-II***	***Impact***
(*a*) Exemption limits - General taxpayers (TPS)	Varied ones	General (TPS)	160000	` 200000 (for general taxpayers and women tax payers, 250000 for senior citizens	(*i*) General taxpayers including women taxpayers will save ` 4000 in tax because of increase in exemption limit.
		Women Taxpayers	190000		
		Senior citizens	240000		

(*b*) Slabs	(*ii*) beyond exemption limit 10% upto 2.5 lakhs; 20% - 5 to 8 lakhs; and 30% beyond 8 lakhs with surcharge and cess	Beyond exemption limit upto 10 lakh – 10% 10 lakh to 25 lakh – 20%	Upto 5 lakh - 10% 5 lakh to 10 lakh- 20%	(*ii*) Women taxpayers get benefitted by ` 1000 only.
		Beyond 25 lakh – 30% with surcharge and education cess	Beyond 10 lakh – 30% no surcharges and cesses. The adjustment of tax brackets compared to those proposed in DTC-I will make the lower and middle income group taxpayers to pay more tax.	(*iii*) Senior citizens will also get a benefit of ` 1000 extra because of increase in exemption limit from ` 2.40 lakh to ` 2.50 lakh. Total gain would be ` 5000. *Vis-à-vis* the existing Act, they will be loser to the extent of ` 3000 each year.

Overall impact of tax structure in DTC-II in regard to general taxpayers could be summarized as under:

Particulars	***1961 Act***	***DTC-I***	***DTC-II***
Computation of tax liability:			
Tax liability on			
` 0 to ` 160,000	*NIL*	*NIL*	*NIL*
` 160,001 to 200,000	4,000 (Saving)	4000 (Saving)	*NIL*
` 200,001 to 500,000	30,000	30,000	30,000
` 500,001 to 800,000	60,000	30,000	60,000
` 800,001 to 10,00,000	60,000	20,000	40,000

The rate above ` 10, 00,000 is 30% in DTC-II.

Comparison regarding other aspects

As regards other respects, only comparison of existing provisions (of 1961 IT Act) and those proposed in DTC-II is being made as there is no point in bringing the DTC-I and compare the same with 1961 Act and DTC-II, since the proposal in DTC-I have no relevance after the introduction of DTC-II.

S.	***Subject***	***IT Act, 1961***	***DTC-II***	***Impact***

No.				
(1)	(2)	(3)	(4)	(5)
(*i*)	**Taxation of companies**	(*i*) Under this Act, domestic companies are taxable @ 33.90% where income exceeds ` 1 crore. No surcharge @10% is leviable upto income of ` 1 crore (*ii*) Foreign companies are taxable @ 42.33% where income exceeds ` 1 crore	Under DTC-II, the proposal is to tax all companies including the foreign companies @ 30% - No surcharge – no education cess	uMarginal relief for domestic companies uWelcome proposition for foreign companies- relief of about 13% on tax rates uHowever, profits of Indian branches of foreign companies will be subject to additional 'Branch Profits Tax' leviable @ 15%
(*ii*)	**Minimum Alternate tax in the case of companies**	MAT rate is @ 19.93% (inclusive of surcharge and education cess) where income exceeds ` 1 crore. Tax credit for MAT paid is available for 10 years	MAT is proposed to be taxed @ 20% without any surcharge and education cess. Credit for MAT is proposed for 15 years	MAT rate of tax increases slightly. Credit for MAT gets extended from 10 years to 15 years
The proposal to impose MAT on total value of gross assets @ 2% in DTC-I has been given up				
(*iii*)	**Wealth tax**	**1957 Wealth tax Act** No wealth tax on companies	Wealth tax is proposed on wealth exceeding ` 1 crore Tax generally on non-productive assets. However value of equity in preference shares held by a resident in controlled foreign company will be liable to tax.	Companies hitherto non-taxable will be taxable. Favourable aspect is that limit of ` 30 lakh gets extended to ` 100 lakh.
(*iv*)	**Taxation of salaries -** In regard to income from salaries the pattern of taxation remains the same as in the existing enactment. Changes however have been made in certain respects. These			

	briefly are as under			
(*a*)	**House rent allowance**	Exemption is available subject to satisfaction of prescribed conditions	Exemption is continued	Distinction between employees living in own houses and rented houses has been removed.
(*b*)	**Leave encashment**	Exemption is available upto ` 3 lakh in specified cases and fully exempt in case of Govt. employees	Exemption of leave encashment on retirement up to the limit to be specified allowed	Employees would continue to avail of exemption subject to limit prescribed.
(*c*)	**Medical reimbursement**	Medical treatment in specified hospitals not taxable, nor is payment of medical insurance premium. More so, reimbursement of medical bills is exempt up to ` 15,000.	Medical facilities not taxable (as present) and medical expense reimbursement up to ` 50,000 exempt	There is continuation of exclusion of medical facilities out of perquisite net. Increase of medical expenses reimbursement limit to ` 50,000 is commensurate to the increased medical costs.
(*d*)	**Leave Travel Concession (LTC)**	LTC is exempt in respect of travel expenses for self/family subject to certain conditions.	LTC exemption removed	LTC benefit (travel expenses) shall be taxable.
	A report published in some newspapers shows that Government is reconsidering the proposal for exemption of LTC in a round about manner by including it in the total income of an employee and then giving deduction on prescribed basis. This would lead to complication in an already complicated legislation. This also shows the fickle mindedness of the policy makers! A proposal is to be changed only after 3 days of its announcement.			
(*e*)	**Retirement Benefits of employees**	Exemption is available (gratuity up to ` 10 lakh, VRS up to ` 5 lakh etc.) in specified cases subject to conditions	Terminal benefit such as gratuity, VRS, commuted pension are exempt, subject to conditions	Continuance of exemption will ease tax burden on such payments.

(*v*)	**Taxation of House Property incomes** Here too, the pattern would continue to be the same *i.e*, taxation on A.L.V. basis. However some changes proposed are mentioned hereinafter			
(*a*)	Newly introduced concept of taxation of house properties on notional ALV basis by DTC-I	House property (other than self-occupied) income is taxed on deemed rent basis, even if not actually let out.	House property income taxable only where rent is actually received/receivable	*Vis-a-vis* DTC-I, the hardship of taxation on notional basis gets removed and to this extent, the new proposal in DTC-II is welcome.
(*b*)	Deduction of expenses for repair and renewals in regard to property income	Deduction of 30% of gross rent is allowed	20% on gross rent allowable towards repairs, etc.	In view of the increased cost of construction the proposed reduction from 30% to 20% is *prima facie* unwarranted and of an arbitrary and *ad hoc* nature.
(*c*)	Interest deduction for housing loan for self-occupied property	Interest deduction upto ` 1.5 lakh is allowed in case of one house property which is not let out by an individual	Deduction of ` 1.5 lakh (including pre-construction interest instalment) allowed.	Since the present practice of deduction upto ` 1.50 lakh is to continue, no benefit on this count can be said to accrue or arise to taxpayers. An adverse impact would be that repayment of loan which could be deducted u/s 80C along with other items will be discontinued.
(*vi*)	**Income from business or profession** The changes proposed in DTC-II are too many to be covered in a short article of this nature.			

	These could be discussed in a separate write up on this subject only.			
(*vii*)	**Income from capital gains** Fundamental changes are proposed to be made in regard to taxation of capital gains to "attract" small investors to stock market. To what extent this objective would be fulfilled could be a matter of debate. In the meantime, comparative study of some of the aspects of taxation of this income under the 1961 Act and proposed DTC-II is briefly mentioned hereinafter.			
	Securities transactions Act (STT)	Applicable	To be continued	No change
	Equity shares and units of equity oriented funds	If held for more than 12 months, entire gains are not taxable.	If held for more than 12 months, 100% gains are allowed as deduction, *i.e.* entire gains not taxed.	Continuance of *NIL* tax on gains from sale of shares/equity oriented units held for more than a year continues and should be welcome.
		If held for less than 12 months, tax payable on gains @ 15%	If held less than 12 months, deduction of 50% of gains will be allowed and the balance will be taxed at gradual rates of 5%, 10% & 15% depending on income of the assessees.	50% deduction mechanism would result in lower tax impact
	Other investment assets	Holding period for classification as long term/indexation/exemption benefits is 36 months	Holding period for indexation/exemption benefit is one year from end of financial year post acquisition	Cut off date for working cost of acquisition shifts from 1-4-1980 to 1-4-2000. thus unrealized gains upto 31-3-2000 will get exempted. Holding period for indexation/ exemption benefit is reduced to 12 – 24 months.
		Long term, gains taxable @ 20%, subject to indexation	Indexation and rollover benefit (subject to	

		benefit (inflation indices starting 1981)	conditions) available with reference to purchase price, or optionally, fair market value as on 1 April, 2000, if asset acquired before that date	
		If short term, gains taxable at applicable slab rates.		
(*viii*)	**Some other aspects concerning common taxpayers**			
	Govt. PF, PPF, recognized PFs etc.	Employer's contribution to recognized provident fund exempt up to 12% of salary Employee's contribution eligible for deduction up to ` 100,000	Employer's contributions to PF up to 12% of salary exempt. Employee's contribution eligible for overall investment deduction limit to ` 100,000 Accretions and amount received exempt. Withdrawals exempt based on prescribed guidelines	EEE continued for these schemes. Overall investment deduction limit of ` 100,000 applies for contributions to approved funds, *viz.*, PF, superannuation fund, gratuity, pension and other notified funds. On withdrawal and maturity not taxable, subject to conditions.
	Superannuation funds	Employer's contribution up to ` 100,000 per annum is exempt Withdrawal is exempt based on prescribed guidelines	Employer's contribution to approved superannuation funds exempt Employee's contribution eligible for overall investment deduction limit of ` 100,000 Maturity payments on retirement/ achieving certain age/ incapacitation not taxable	Continuance of EEE would mean no tax liability on end-payments. Removal of present anomaly of part double taxation of employer's contribution will help.

	Life Insurance Premium	Premia deductible upto ` 100,000  Sum received on life insurance policy (including bonus) exempt if premium in any year is <20% of sum assured.  Further maturity amount is exempt if premium paid is less than 2) 5 of the sum assured.  Premium paid on is exempt upto ` 1 lakh, along with other sums.	Premia eligible for overall additional deduction limit of ` 50,000 (with mediclaim & tuition fees) Premia paid on policies with premium less than 5% of sum assured not deductible. Maturity proceeds exempt, if the premium paid in any year <5% of sum assured and received on completion of original insurance period. Proceeds received on death are completely exempt. Equity linked life insurance schemes subject to 5% tax on distribution	Overall additional deduction limit not only lowered to ` 50,000, but is also merged with mediclaim insurance and tuition fees. Amounts received during the term of the insurance contract under cash back insurance policies would become taxable. Threshold of 5% of sum, assured seems to be too low- may affect even genuine policies. No grandfathering provisions for presently issued policies. 5% distribution tax on equity linked insurance schemes would lower the effective yield of such instruments.
	Medical premium	Premia paid for self/ spouse/ children are entitled for deduction of ` 15,000 and additional deduction of ` 15,000 (` 20,000 in case of senior citizens) for parents	Premia paid for self/ spouse/ children/ dependent parents eligible for overall additional deduction limit of ` 50,000	Overall additional deduction limit although increased, is merged with life insurance and tuition fees. Parents need to

				be dependent, if premium is to qualify as a deduction.
	80C investment avenues considerably reduced	Such payments were eligible for ` 100,000 deduction limit	No deductions for avenues such as mutual fund investments (ELSS), housing loan repayment (principal), fixed deposit etc.	These avenues will no longer be eligible for deduction
(*ix*)	**Aspects concerning special situations/incomes**			
	Special Economic Zone (SEZ) units	No sunset clause under existing laws	Unit set up in SEZ to get deduction from profits if set up before March 31, 2014	Adverse impact, i.e. no exemption from 1-4-2014.
	SEZ developers	Profits are not subject to tax	Existing developers engaged in operations before April 1, 2012 shall be eligible to claim profit based tax holidays	Adverse after 31-3-2012. No profit tax holiday after this date.
	Tax losses	To be carried forward for maximum 8 years	Unlimited carry forward of losses	New proposal would have adverse impact on working of undertakings affecting their efficiency.
	Monetary limits regarding tax audit	Existing limits: For income from profession, ` 15 lakh; and  For income from business, ` 60 lakhs	Tax audits limits to be enhanced: For income from profession, ` 25 lakh; and  For income from business, ` 1 cr.	It will give relief to small and middle income group taxpayers. The present limits prescribed in 1984 have become totally unrealistic
(*x*)	**International taxation**			
	General Anti Avoidance Rules (GAAR)	No such provisions	Empower tax authorities to declare an arrangement impermissible under certain conditions.	These can lead to harassment and hardship for taxpayers.

	Treaty override proposal	Treaty or the Act, whichever is more beneficial, to prevail	Treaty or the Act, whichever is more beneficial, is to prevail subject to some caveats.	Can impact foreign business dealings adversely
	Branch profit tax	No such provisions	Additional branch profit tax @15% on all foreign companies having any form of PE in India.	This can have dampening effect on foreign trade transactions and volumes
	Residential status of foreign companies	Resident in India only if controlled and managed wholly in India	In DTC-I, rules were broadened. A company was deemed to be resident in India even if a part of management was in India. In DTC-II Rules relaxed –Focus shifted to place of effective management.	May create difficulties in implementation as their could be difference of opinion in regard to where is placed effective management
	Indirect transfer of capital asset	No specific provisions	Under DTC-I, income from indirect transfer of capital asset (situated in India) specifically covered). Provision retained with relaxation – transfer of shares of a foreign company taxable in India; if FMV of assets in India exceeds 50% of FMV of total assets	Being a new provision, its impact will have to be watched
	Royalties and Fees for Technical services	Currently, royalty and FTS are taxable @ 10% on gross income for foreign companies	Royalty and FTS proposed to be taxed @ 20% on gross income for foreign companies	Rate of tax on these income is proposed to be doubled. Can adversely affect import of technology in the country.
	Controlled foreign companies (CFC)	There are no rules concerning CFCs in the current legislation.	CFC provisions have been introduced to tax passive income earned by a foreign company	The proposal can affect outbound investments.

			(controlled directly or indirectly by a resident in India) Under proposed CFC rules, even income of such foreign companies not distributed to shareholders would be deemed to be distributed and consequently taxable in India in the hands of resident shareholders as dividend received from the foreign company.	There is no provision for getting credit for taxes paid abroad. This can result in double taxation.
	Income from transfer outside India on shares of interest outside India.	No such provision in the existing law	There is considerable litigation at present regarding the taxability of such interest in foreign countries. It started with Bombay High Court's decision in the case of *Vodafone International Holding BV* v. *Union of India* [2008] 175 Taxman 399. The practice is affecting Indian taxation through indirect transfer relating to Indian business. The amendment is intended to ensure clarity.	This will check cross-border transactions involving transfer of shares or interest in foreign company taxable in India if at any time preceding 12 months, fair value of assets in India owned directly or indirectly represent at least 50% of fair value of all assets owned by foreign company.

Findings

As part of its financial reforms process, the government wanted to modernize and upgrade its direct tax laws i.e. the Income Tax Act and Wealth Tax and bring them more in line with current times. DTC is expected to widen tax base, give moderate relief to tax payers, reduce unnecessary exemptions, and improve compliance thus improving collections.

Concluding comments

As stated earlier, DTC-II is big document of 405 pages spread over 20 chapters. Obviously all aspects of this Code bill, many of which are of a procedural nature, cannot be covered in an article of this size. Yet attempt has been made to consider all important aspects briefly. The article is like a window for peeping in the enormous provisions of the future law of the country to generate interest for study in detail. If this objective is fulfilled and the write up generates interest in the readers in regard to DTC-II, the labour put in would be considered to be amply rewarded.

India's Demographic Dividend and Global Competitiveness.

By

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1 Introduction

1.1 Human capital has always been an extremely important determinant of individual, social and national development. Human capital is broad and multifaceted concept. It includes the knowledge and skilled embodied in people accumulated through education, training and experience. These skills are useful in the production of goods and services. There is a direct and positive relationship between economical growth and rise in education level of the workforce. Education is necessary for the effective creation and application of knowledge which further builds technical and professional capacity. The economical value of knowledge is increasing day by day in the current digitalized and globalized world. Globalization and the growth of knowledge economy are the two key influencers of nation's economic growth today. Education plays a very important role in building sustainable human capital stock which further influences the economic growth.

1.2 When we discus human capital, along with education level one of the important aspects need to be analyzed is the demographic profile of the population. The age factor among demographic variable is highly influential on economic growth. Increase in the ratio of working age to the total population is positively associated with growth of the nation. The demographic profile of the world is rapidly changing, and it has become imperative to reexamine the influence of this demographic change on economic development and India's strategic position. Considering that in 2020, an average age of US and China is expected to be 37 years, in west Europe 45 years and in Japan 48 years against an average Indian is expected to be only 29 years old. This is the "demographic dividend" of India that economist keep harping about. Demographic dividend is described as a phenomenon of rising share of working age people in a population leads to rise in the rate of economic growth. India's demographic dividend is more evident considering the changing global demographic structure. At the one hand world is aging and at the other hand India have more working population. This gives India a competitive edge globally.

1.3 Globally changing demographic trends have created some economical opportunities to the India. These changing trends are imperative to be analyzed to determine India's strategic position in this changing global demography.

1. Global Demographic Trends

2.1 Global population has touched 6.9 billion and is expected to reach 9.1 billion by 2050. Three demographic trends are evident globally:

i. Fertility rates are dropping,
ii. Life expectancy is rising. &
iii. Developed countries are well ahead with respect to others in the above two trends reflected in their aging population and declining share in world population.

2.2 Out of this projected population growth 95% of the growth is going to take place in developing countries and at the other end the population in developed countries is going to remain steady. Population growth rate will decline in all countries including China. In the period 2000-2005 the fertility rate stood at 2.65 children per woman, this is nearly half the level it was in 1950-55. The fertility rate is below the replacement rate in almost all the developed countries and even in some part of the developing world like China.

2.3 Global life expectancy has risen from 46 years in 1950-55 to 65 years in 2045-2050, but in the developed countries the projected figure is 82 years by mid century. The outcome of these trends is the aging population; the share of elderly population is increasing compared to the younger population in the world. In developed countries the proportion of people aged 60 or above will increase from 20 to 32 percent by 2050. The elderly population in developed countries has already surpassed the number of children and by 2050 there will be two elderly persons for every child.

2. China's Demographic Profile

3.1 Over the past 20 years the two greatest centers of manpower growth have been China and India. However because of China's strict one child policy the huge fall in young manpower is set to take place in the country in the coming years. Over the next 20 years, China will experience around100 million down falls in the working age population. At the other end China will experience a huge increase in older aged manpower. No doubt older workers will bring some particular skills, based on their experience, but they tend to be less educated and less healthy than younger workers.

3.2 U.S census Bureau predict China's total fertility rate at about 1.5 children per woman, 30 percent below the level required for long term population stability. U.S. Census Bureau projections anticipate fewer people under the age of 50 in China in 2030 than today and many fewer Chinese in their 20s and early 30s. Same projections predict many elderly Chinese in their 60s, 70s, and 80s. China will be experiencing a population increase of senior citizens over the next 20 years. In 2010 about 115million people in China were 65 or older. By 2030 this number is projected to reach 240 million people. How Beijing will support this coming tsunami of senior citizens remains an unanswered question. Meeting the needs of its rapidly growing elderly population will create economic and social pressure on China.

3.3 China still has potential source for enhancing productivity, including the migration of the rural workers to more productive urban jobs, the wider applications of currently under utilized technical knowhow, improved financial intermediation for the country's high saving rates and broader institutions and policy reforms to enhance efficiency. Such untapped potential can fuel future growth; however China's serious demographic challenges could slow economic growth more than currently expected.

4 Russia's Demographic profile

4.1 Russia is another emerging market in the world. However Russia's demographic profile would restrict the countries growth in the coming years. Official figures suggest that the country's population has shrunk by around 5 percent – nearly 7 million people from 148.6 million in 1993 to 141.9 million today. Russia's Official, statistical service predict 10 million more deaths than births over the next two decades. Even more troubling for Russia is the country disastrous public health situation. In 2009 Russia's overall life expectancy was a bit lower than it had been in 1961, almost half a century earlier. To make matter worse from an economic point of view Russia's health crisis is concentrated in its working age population. The U.S. census Bureau projects that Russia's working age population will fall by nearly 20 percent and Russia's workforce will surely suffer more ill health than its counterparts in the OECD (Organization for Economic Co-operation and Development) and BRIC countries. According to the world health Organization estimates mortality levels for Russia's working age population were 25 percent higher than those for India. In addition Russia's old age burden will be continuously increasing – whereas 13 percent of the Russia's population today is 65 or older the projected proportion for 2030 is 21 percent. Taking all the above into account, it is difficult to see how Russia can hope to generate sustained and rapid economic growth on the basis of its human resources.

5 Japans Demographic Profile

5.1 Japan's changing demographic profile has created huge burden and challenges at front of the country. In 2008 the country recorded around 40 percent as many births as it had 60 years earlier. Due to Japans continuous improvement in the public health since the end of Second World War life expectancy has increased up to 85 years, in Japan, higher than any other country in the world. According to the U.S. Census Bureau estimates the surplus of deaths compared to births. This will reduce Japan's total populations from 127 million to 114 million a 10 percent decline. The relative decline in the working age population is projected to be even steeper from 81 million to 67 million a 17 percent decrease. Besides the number of Japanese senior citizens would be rising - and by 2030, the country's median age will 52 with 30 percent of the total population 65 or older. All this variables will create hurdle for economic growth of the country.

6 Western Europe Demographic Profile

6.1 Western Europe can expect population stagnation by mid century. According to the U.S Census Bureau its population may grow by just 3 percent over next two decades, with near zero growth projected by 2030. Germany and Italy expected to experience population decline. The U.S Census Bureau estimated that Western Europe's Median age would rise from 42 years today to nearly 45 years by 2030. Despite overall population stagnation Western Europe's 65 and older population is set to rise by nearly 40 percent, while its man power pool is scheduled to shrink by 12 Million people.

7 United State Demographic Profile

7.1 The United States, the third-largest population globally, accounts for about 4.6 percent of the world's population. The Census Bureau projects that the U.S. population will continue to grow and it will reach to 420 million persons by year 2050, the growth is with much slower pace than the growth recorded over the past half-century. Population has become qualitatively different from what it was in 1950. As noted by the Population Reference Bureau, "The U.S. is getting bigger, older, and more diverse".

7.2 As like other OECD countries one of the important characteristic of US demographic profile is the rapid aging of its population. Increasing proportion of persons aged 65 and older, and an increasing median age in the population. One of the major reasons of this is increasing Life expectancy of U.S population. In 2003 US life expectancy at birth was 77.5 years. By 2010, the median age of the population had risen to 36.6 years and by 2030 it is expected to rise up to 39 years. The number of persons aged 65 and older had been continuously increasing and reached 41.15 million persons in 2010. This is 13 percent of the U.S. population and expected to increase up to 87. 12 million persons, representing 21.6% of the total U.S population. The increasing aging populations would create financial pressure through increasing expenditure on social security and public pension system. This manpower trends point to mounting demographic pressure and quite possibly would attributed for a slowdown in the rate of long-term economic growth. These trends would also lead to slowdown in consumer spending, which could perhaps leads to a slowdown in the business profit as well.

8. India's Demographic profile

8.1 While the world is ageing India in particular is favorably placed in terms of changing global demographics because of its relatively younger population profile. With more than 50 percent of the population below 25 years, India is and will remain for some time one of the youngest countries in the world.

8.2 Following are the important characteristics of the India's Demographics Profile

- As per the UN estimates India's median age of population at 25 years in 2010, with more than 550 million or 50 percent of India's billion plus population is below 25 years. According to the projection in 2020, an average Indian is expected to be only 29 years old.

- Going by projections from 2010 to 2030, India will have lower number of elderly people than most of the developed countries. The 65 years plus cohort will account for only 12 percent of the population by 2030.

- The percentage of population under 15 years of age is expected to fall from 36 to 27 percent. On the other hand adult population in the age group 15-64 years is expected to rise from 604 million in 2000 to 942 million in 2025, which in percentage term 60 to 67 percent of the total population.

- As a result of this changing age structure the dependency ratio is expected to fall from 67 percent in 2000 to 46 percent in 2025.

8.3 As India's total population is estimated to increase by 400 million between 2000 and 2025. Of the total growth 86 percent of the growth would be in the age interval of 15-64. This can have a positive impact on the economic growth. Thus during the next 10 to 20 years demographic conditions would be favorable to economic growth. This is the demographic dividend of India that economist keeps harping about.

Table-1. Comparative population projection for 2010 and 2030.

Demographic Indicator	**China**		**India**		**Japan**		**Russia**		**United State of America**		**Europe**	
	2010	**2030**	**2010**	**2030**	**2010**	**2030**	**2010**	**2030**	**2010**	**2030**	**2010**	**2030**
Total Population (Mil.)	1354	1462	1214	1485	127	117	140	128	317	369	732	723
• 0-14 years (%)	19.9	16.9	**30.8**	**22.8**	13.2	10.8	15	15.2	20.2	18	15.4	14.7
• 15-64 years (%)	71.9	67.2	**64.3**	**68.8**	64.2	58.4	72.1	65.4	66.8	62.3	68.3	62.7
• 64+ years (%)	8.2	15.9	**4.9**	**8.4**	22.6	30.8	12.9	19.4	13	19.8	16.3	22.6
• Median Age in years	34.2	41.1	**25**	**31.7**	44.7	52.2	38.1	43.5	36.6	39.5	40.2	45.3
Dependency Ratio												
• Child (0-14) years (%)	28	25	**48**	**33**	21	19	21	23	30	29	23	24
• Elderly (65+) years (%)	11	24	**8**	**12**	35	53	18	30	19	32	24	36
• Total (%)	39	49	56	45	56	72	39	53	49	61	47	60

Source: World Population prospect: The 2008 Revision Population Data base.

This is all about India's available workforce and age structure. However to remain competitive in the world it is imperative to analyze the qualitative aspect of this population in term of education and skill sets.

9. Talent pool of India

9.1 India not only have ample amount of workforce but other characteristic of these workforce such as knowledge and skill set embodied within the youth are complementary for India's economic growth. These characteristic gives competitive edge to India against other economies.

9.2 India has the largest number of higher education institutes in the world. India has 348 universities and 17,625 colleges and 1500 research institutions, producing 441000 technical graduates and over 300,000 post graduates each year. India produces 2 million English speaking graduates, 4 lakh engineers, 1 lakh management students, 25,000 doctors, 15000 law graduates and about 9000 Ph.Ds every year. By 2015 India is estimated to have about 20 million students enrolled in higher education system, with 1.4 million engineering students, 60,000 doctors and 50,000 Ph.Ds. In comparison the U.S produces 75,000 engineers, 25,000 doctors, and about 40,000 Ph.Ds. in all disciplines. The world class higher education institutions like IIT's, IIM's and IISs's have established themselves as center for excellence and are globally respected and recognized.

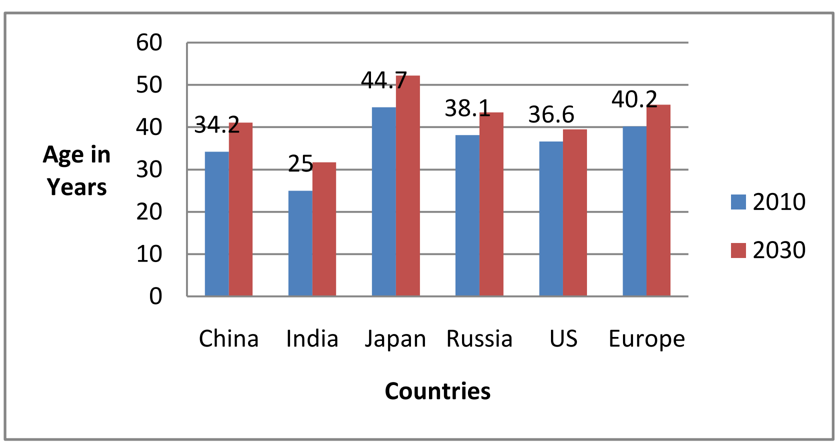
9.3 The quality and depth of the India's talent pool, along with other demographic variables indicates highly positive and competitive scenario. Though China and US can give a strong competition in trained work force in terms of numbers but India scores over China due to its population's maiden age and English proficiency, whereas in the case of US its workforce is ageing and they are going to face strong shortage of the workforce in the coming years. Along with all these advantages another important advantage which India has is the cost of labor is less in India compare to other developed countries.

9.3 As a result of all this advantages India emerged and will remain a profitable destination for outsourcing. It is clear that India is not the only country where world would look at to fulfill the shortage of manpower. However all above analysis indicates that not many countries possess all required ingredient to be competitive in the global changing demographic scenario. India's workforce has demonstrated superior quality and quantity with sustained cost advantage and this give a huge advantage over others in attracting off shoring business from countries, how are struggling with ageing population and lack of suitable talent in their countries.

10 Implications of India's demographic dividend

10.1 India's lower median age compared to other major economics in the world implies that there will be continuous increase in workforce in the country. As other countries are and will face workforce shortage, India's ample supply of labor force along with the skill and knowledge embodied within, leads to emerging of India as a profitable & competitive offshore destination

Figure 1 Median age projection for the year 2010 and 2030



10.2 Off shoring work to India leads to create employment opportunities in the country and ultimately growth of the nation.

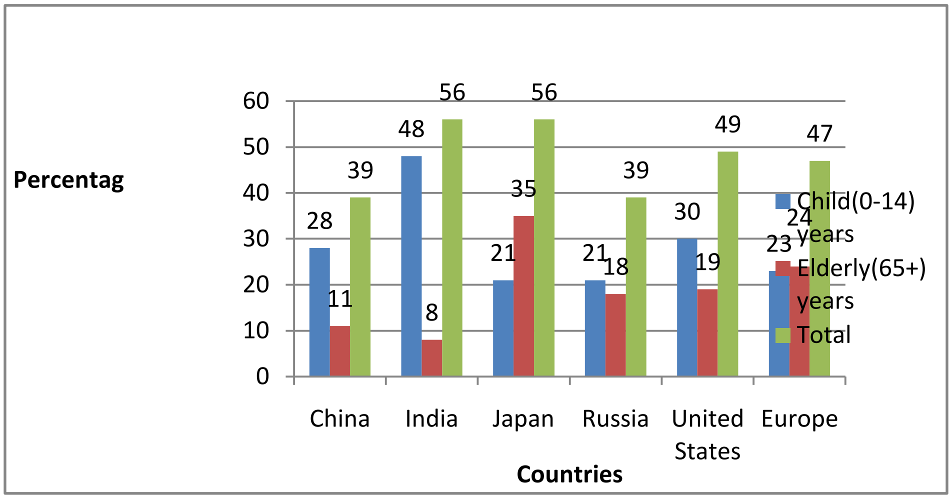
Source: World Population prospect: The 2008 Revision Population Data base.

10.3 India's projected lower "dependency ratio" implies lower dependent population to the working-age population. This implies:

a. Young and working age generation would boost the domestic demand. This will lead to create economic stimuli for the countries growth.

b. Along with the higher propensity to consume working age generation has higher propensity for saving. India's high saving rate would increase capital formation. This would boost the investment in the country.

Figure: 2 Dependency ratios for the year 2010 and 2030



c. India's lower upper age dependency ratio implies comparatively less resource requirement to support older persons, and resources can be used for more productive activities.

11 Weaknesses:

11.1 India is comfortably placed to reap the benefits of demographic dividend for at least next 20 years. But as mentioned earlier, size alone is not sufficient. The quality of human resource is an important aspect. Still there are certain areas that need to be address for sustainability of the competitive advantage. They are as follows:

a) To maintain India's current global share the country need 2.3 million professionals by 2010, but there are critical labour shortage in many segment. This shortage is due to suitability of workforce rather than the availability of the workforce.

b) India's education system has many loop holes on quality front. For example in 2007 not a single Indian university was among the world's 300 top universities or the top 10 Asian universities. India occupied the 33rd position among all countries in term of research quality (the United States ranked 1st, China 19th and south Korea 21st). The government spending on research and development is considerably lower in India (0.0843 percent of the country's GDP in 2007) than the in some competing countries such as 2.8 percent of South Koreas GDP.

c) Government spending on education: According to Assessment Status of Education Report (ASER) 2010, the Union government's education budget has double between 2004-05 and 2009-10, just a 0.64 percent of the total GDP, much lower than the world average of 5 percent.

11.2 Along with the Government spending on the education, private expenditure on education is also need to be analyzed. According to the trends revealed by NSSO (National Sample Survey Organization, Government of India):

- Indian households spend just a 3.58 percent of their total household expenditure on education which translates into Rs. 73 per month for rural and Rs 230 per month for urban in 2004-05. This has marginally increased from 2.42 percent in 1993-94. Though the expenditure on education by household increased both in the rural and urban India between1993-94 and 2004-05, the rural household's spending on education in 2004-05 was roughly about 44 percent of what urban households were spending on education in 1993-94.

- In 2004-05, rural households spend roughly about the same amount on education and on consumption of pan/tobacco and other intoxicants. Significantly education featured at a bottom on the list of priorities, and just above entertainment, in terms of household expenditure.

- The expenditure on tuition fees and private tutor fees, as subsets of education expenses, reported highest growth. On the other hand the expenditure on library charges has gone down.

The above figures are definitely a cause for concern. A strong culture of reading is a prerequisite for any society that expects to compete in a fast globalizing environment.

12 Conclusion:

12.1 India has a one-time demographic opportunity for the next two to three decades which it must utilize to sustain its growth rapid ageing of the OECD countries provides India with significant commercial opportunities. India must ensure that these opportunities are used to significantly advance its economic space rate. No doubt there are many loop holes which need to be bridged. National Knowledge commissions report and increased allocation in the 11th five year plans of education. The Eleventh Five Year Plan (2007-2012) places high priority on education as a central instrument for achieving rapid and inclusive growth. This is evident from the proposed allocation of Rs 3 trillion, a fourfold increase over the Tenth Plan. The share of education in the total Plan will accordingly increase from 7.7 per cent to 20 per cent. To strengthen vocational education a new Skill Development Mission under the supervision of the Prime Minister, with an outlay of Rs. 31,200 crore, will aim at opening 1600 new industrial training institutes (ITIs) and polytechnics, 10,000 new vocational schools and 50,000 new Skill Development Centers.

12.2 A Skill Development Corporation will also be created by the Government with the active participation of the private sector to give special training to young men and women, workers and technicians. Eleventh Plan aims at expansion with the establishment of 30 new universities. Further, 8 new IITs, 7 new IIMs, 20 new IIITs, 5 new Indian Institutes of Science, 2 Schools of Planning and Architecture, 10 NITs, 373 new degree colleges and 1000 new polytechnics will also be set up. In establishing these institutions the scope for Public Private Partnership will be explored. For rejuvenation of research in Universities a National Science & Engineering Research Board is proposed. A provision of Rs. 5,000 crore has been made in the Eleventh Plan for an 'Education Mission through ICT' to leverage the potential of ICT to enhance the Gross Enrolment Ratio (GER) in Higher Education.

12.3 Thus population growth along with other factors such as openness to trade, educational attainment and the quality of institutions will help to harness India's human capital and emerged economic super power through capitalizing its demographic dividend.

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THEME: INNOVATIVE STRATEGIES AND PROCECCESE FOR EFFECTIVE MANAGEMENT

SUB THEME: INTERNATIONAL MARKETING: GLOBAL PERSPECTIVE

(CHALLEGNGES OF INTERNATIONAL MARKETING)

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ABSTRACT

In today's era marketing is growing even more complex; it is an ever-evolving discipline. It builds on past while taking advantage of new opportunities. Each new challenge demands a firm grasp of what has happened before, a clear picture of the present situation, and an understanding of the most important new options at the moment. In general, the centre of attention in marketing has to shift away from the instruments and concentrate on information. Creation of personalized customer relationships, calculating the lifetime value of customer and investing in it, and satisfying and retaining existing customers and using predictive modeling to target those customers most similar to existing customers will be the ultimate approaches to face the marketing challenges of the 21st century.

As an art or science, marketing is undergoing dramatic and exciting changes, and the field promises to be just as dynamic in the years ahead. Marketing has emerged as the most critical function in today's international business climate; even the smallest of the firms are now using innovative marketing techniques due to increasing global competition.

The challenge of international marketing is to develop strategic plans that are competitive in the intensifying global markets. For a growing number of companies, being international is no longer a luxury but a necessity for economic survival.

The successful international marketer possesses the best qualities of the anthropologist, sociologist, psychologist, diplomat, lawyer, prophet, and businessperson.

Introduction:

International business landscape is rife with fast changes and new developments. As the world is going global, there are plenty of factors that have to be addressed first so that success in the global commercial trade is ensured, where marketing plays an important role. The question is not just how to make your product uniquely attractive and functional, but it has to be apt in responding to the fast paced competitions from various business sectors. With technological developments leading the pack of marketing challenges, the global marketing atmosphere is like a wild horse that should be tamed with flexibility.

Today most business activities are global in scope. Technology, research, capital investment, production, and marketing, distribution, and communications networks all have global dimensions. Every business must be prepared to compete in an increasingly interdependent global economic and physical environment, and all businesspeople must be aware of the effects of these trends when managing a domestic company that exports or a multinational conglomerate.

Meaning:

International marketing is an important work. It can enrich you, your family, your company, and your country. And ultimately, when international marketing is done well, by large companies or small, the needs and wants of customers in other lands are well understood, and prosperity

and peace are promoted along the way.

Definition:

"International marketing is the performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit."

In case of international marketing, marketing activities take place in more than one country that accounts for the complexity and diversity found in marketing operations. Marketing concepts, processes, and principles are universally applicable, and the marketer's task is the same whether doing business in India, Texas, Dar es Salaam, or Tanzania. Business's goal is to make a profit by promoting, pricing, and distributing products for which there is a market.

The International Marketing Task:

Getting success when marketing globally is not an easy task. Hence, there must be a concrete business plan before embarking on an international journey for your business.

Following are the reasons why companies go global:

1. The product is deemed outdated in terms of keeping up with present technology
2. The product has reached its life cycle in the domestic market
3. New government regulations and other concerns from social entities emerge
4 Big advantage of marketing internationally rather than just in a domestic market

In addition, taken into consideration the fact that almost 95% of the world's population are migrating from place to place. Hence, it makes perfect practical sense to bring your own brand to the international market.

The international marketer's task is more complicated than that of the domestic marketer because the international marketer must deal with at least two levels of uncontrollable uncertainty instead of one. Uncertainty is created by the uncontrollable elements of all business environments, but each foreign country in which a company operates adds its own unique set of uncontrollable factors.

Objectives of International marketing:

- Winning Customer Confidence:

After facing global crisis, various corporations and institutions face responses such as scepticism, indecisiveness, and objections from customers worldwide. Such responses often kill initiatives like expansion and further market penetration. In this case, marketers from the top management down to the sales team should be able to smartly retort opposition to win back customer confidence. It is now the main task of companies to project an image of global presence, industry experience, high standards of financial policies, and excellent customer service. In order to overcome the scepticism of corporate partners and capitalists, multinational companies are clearly communicating and implementing a solid campaign of responsible and ethical business management. Now, economic recovery greatly depends on the ability of companies to promote guarantees of customer satisfaction, making consumers display brand loyalty.

- Moving Ahead of Time:

When marketers apply communication strategy in their advertising copies, consumers find less incentive to purchase featured products or services. With a poor or weak marketing campaign, consumers will not be able to know the promotional period within which they could enjoy product discounts and price cuts. To avoid this occurrence, marketers have to draft marketing campaigns that instill in consumer’s minds a sense of urgency. Marketing messages should deliberately propose products to be limited edition items, highly subjected to inflationary factors, and restricted raw supplies with exclusive buying options and rare availability. With this method, consumers perceive a sense of deadline to induce them for an immediate acquisition or purchase.

- Marketing Luxury Items in Recession:

Maintaining premium brand image is a challenging task for companies in recessionary markets. Premium brands have to be well-served in high-end markets, segmented between high net worth buyers, must-have buyers, and luxury buyers.

Consumers belonging to the highest market spectrum, though affected by recession, are still capable in maintaining the same old rich and extravagant lifestyle. It is must to start introducing discounts and exclusive buying options for those in the must-have segment. These consumers are significantly affected by financial crunch, thus they tend to purchase items at lower price points yet still consider product quality and brand image. The last segment is composed of consumers that desire for luxury items without having the innate capacity to experience and finance such lifestyle.

As a marketer, it is a must to provide smart options for these consumers by offering the items that could pass as a luxury without the cost.

- Building a Competitive Sales Team:

In order to win over customers, sales agents must be able to communicate the unique selling proposition of their products or services. Customers must recognize that the offer is the only adequate solution to their indispensable needs. Moreover, customers must be provided with prime product or service features that are beyond the obvious or ordinary. In this way, a sales team can position the offering or brand product as a mutual solution for customer's needs as well as a stable base for the company.

Challenges of international Marketing:

The uniqueness of foreign marketing comes from the range of unfamiliar problems and the variety of strategies necessary to cope with different levels of uncertainty encountered in foreign markets.

- Competition
- legal forces
- political forces
- government controls
- weather
- fickle consumers

and any number of other uncontrollable elements can frequently do affect the profitable outcome of good as well as sound marketing plans. Generally speaking, the marketer cannot control or influence these uncontrollable elements, but instead must adjust or adapt to them in a manner consistent with a successful outcome.

What makes marketing interesting is the challenge of molding the controllable elements of marketing decisions:

  - product
  - price,
  - promotion,

- distribution, and
- research within the framework of the uncontrollable elements of the marketplace

such as competition, politics, laws, consumer behavior, level of technology etc. in such a way that marketing objectives are achieved. Even though marketing principles and concepts are universally applicable, the environment within which the marketer must implement marketing plans can change dramatically from country to country or region to region. The difficulties created by different environments are the international marketer's primary concern.

Any executive experienced in international business will verify that things never go as planned in global commerce. You still have to plan and forecast, but markets, particularly international ones, are ultimately unpredictable. The natural fluctuations in markets are best managed through building strong interpersonal and commercial relationships and broad portfolios of businesses. Flexibility means survival.

The uncertainty of different foreign business environments creates the need for a close study of the uncontrollable elements within each new country. Thus a strategy successful in one country can be rendered ineffective in another by differences in political climate, stages of economic development, level of technology, or other cultural variation.

<u>Some of the areas of challenges are discussed below:</u>

- Cultural Issues

Typically, a consumer who already knows the quality of a particular product will, of course, buy it again. The same thing applies if an enterprise is selling a superb service, and then there are bigger chances that a client will go back for more. This behavior is in a way similar to a consumer's preference of products and services due to culture and tradition which have become part of his or her life. This is one of the challenges that a company must face if it really wants to fare well in the global market.

The business must be able to incorporate the local taste and climate with that of their global strategy so that it will stay in the minds of consumers. Hence, the global marketer must give due consideration to the political, local, social and business cultures when devising his marketing strategy.

- The Costs

With the different monetary values as well as the economic fluctuations from country to country, it is just natural that prices of a specific brand will differ in various places. Accordingly, the cost of launching a product in a foreign country will of course differ too, along with many economic and financial factors.

For a small to medium enterprise, proper business plans must be prepared because going global entails a large amount of money for operating budget. In case of failure sums are allocated along with the entailed expenses, and then the business might get lost in the middle of seemingly insurmountable global marketing challenges. Thus it is must to look for the most cost-effective methods in the operation and distribution of your product to have lower overhead expenses.

- Foreign Government Regulations

Another challenge that a company faces when selling products globally are the foreign regulations imposed by governments of respective countries. While there are countries that give lieu to foreign investors, there are other governments that tend to protect their local businessmen by creating stricter custom and trade laws for foreign companies.

Hence, appropriate feasibility studies must be undertaken if a certain country will be more friendly to foreign investors or not. E.g. the heavy taxations imposed on tobacco manufacturers in the U.S., which in turn makes the pricing of cigarettes there higher compared to third-world countries. Thus, certain trade barriers pose another challenge to the global marketer and it is up to his capabilities how to use them to his own advantage.

- Competition Issues

When the enterprise finally enters into the global market, the competition can quite quickly change, too. It will certainly increase and proliferate into something very diverse that your company may have a hard time guarding your product from all fronts.

The current competitors will naturally react to the new player and the entrance of new comers into a particular target market will all the more make the competition very stiff. The type of competition will also vary from one market to another, creating a domino effect in other markets or market segments. Hence, the wise marketer will take advantage of these interdependencies to gain a competitive edge over other global business players

- The International marketer's abilities to understand and adapt to differences prevalent in foreign markets:

A global awareness and sensitivity are the best solutions to these problems, and these should be nurtured in international marketing organizations.

Three different strategic orientations are found among managers of international marketing operations.

1. Some see international marketing as ancillary to the domestic operations.

2. Some see international marketing as a crucial aspect of sales revenue generation but treats each market as a separate entity.

3. Finally, a global orientation views the globe as the market place and market segments are no longer based solely on national borders—common consumer characteristics and behaviors come into play as key segmentation variables applied across countries.

For example, McDonald's standardizes its processes, logo, most of its advertising, and store decor and layouts whenever and wherever possible. However, you will find wine on the menu in France and beer in Germany, a Filipino-style spicy burger in Manila, and pork burgers in Thailand—all to accommodate local tastes and customs. The point is, being global is a mindset, a way of looking at the market for commonalties that can be standardized across regions or country-market groups.

- Degree of marketing involvement and commitment :

Once a company has decided to go international, it has to decide the degree of marketing involvement and commitment it is prepared to make. These decisions need considerable study and analysis of market potential and company capabilities which is not always followed. Many companies begin tentatively in international marketing, growing as they gain experience and gradually changing strategy and tactics as they become more committed.

- Domestic economic climate

The domestic economic climate is important home-based uncontrollable variable with far-reaching effects on a company's competitive position in foreign markets. The capacity to invest in plants and facilities, either in domestic or foreign markets, is to a large extent a function of domestic economic vitality. It is generally true that capital tends to flow toward optimum use; however, capital must be generated before it can have mobility. If internal economic conditions deteriorate, restrictions against foreign investment and purchasing may be imposed to strengthen the domestic economy.

- Legal factors

In the transitional phase, new laws are passed but left to be interpreted by local authorities, where confusion prevails as to what rules are still in force and what rules are no longer applicable.

- Other factors:

Even companies that do not operate in the international arena are affected to some degree by the success of the European Union, the export-led growth in South Korea, the revitalized Mexican economy, the economic changes taking place in China, military conflicts in the Middle East and global warming etc.

Companies with only domestic markets have found increasing difficulty in sustaining customary rates of growth, and many are seeking foreign markets in which to expand.

Companies with foreign operations find difficulty in foreign earnings as are making an important overall contribution to total corporate profits.

- Foreign business environment

The uncertainty of different foreign business environments creates the need for a close study of the uncontrollable elements within each new country. Thus a strategy successful in one country can be rendered ineffective in another by differences in political climate, stages of economic

development, level of technology, or other cultural variation. So it is necessary to frame a new strategy varying from country to country.

<u>How to face challenges:</u>

- Current interest in international marketing can be explained by changing competitive structures coupled with shifts in demand characteristics in markets throughout the world. With the increasing globalization of markets, companies find they are unavoidably enmeshed with foreign customers, competitors, and suppliers, even within their own borders. They face competition on all fronts—from domestic firms and from foreign firms.e.g. A significant portion of all CD players, computers, apparel, and dinnerware sold in the United States is foreign made. Sony, Laura Ashley, Norelco, Samsung, Toyota, and Nescafe are familiar brands in the United States, and for U.S. industry they are formidable opponents in a competitive struggle for U.S. and world markets.
- The challenge of international marketing is to develop strategic plans that are competitive in the intensifying global markets. For a growing number of companies, being international is no longer a luxury but a necessity for economic survival.
- The successful international marketer possesses the best qualities of the anthropologist, sociologist, psychologist, diplomat, lawyer, prophet, and businessperson.
- Companies with existing foreign operations should be more competitive to succeed against foreign multinationals. It necessary to spend more money and time improving their marketing positions abroad because competition for these growing markets is intensifying. For firms venturing into international marketing for the first time and for those already experienced, the requirement is generally the same: a thorough and complete commitment to foreign markets and, for many, new ways of operating.
- To adjust and adapt a marketing program to foreign markets, marketers must be able to interpret effectively the influence and impact of each of the uncontrollable environmental elements on the marketing plan for each foreign market in which they hope to do business. In a broad sense, the uncontrollable elements constitute the culture; the difficulty facing the

marketer in adjusting to the culture lies in recognizing their impact. In a domestic market the reaction to much of the environment's (cultural) impact on the marketer's activities is automatic; the various cultural influences of the lives are simply a part of our socialization, and the organizations react in a manner acceptable to our society without thinking about it because people are culturally responsive to our environment. For example, a Westerner must learn that white is a symbol of mourning in parts of Asia, which is quite different from Western culture's use of white for bridal gowns

Conclusions:

International marketing play in producing peace:

E.g. Boeing Company, America's largest exporter, is perhaps the most prominent example. A class of companies that promotes global dialogue and therefore peace is the mobile phone industry. During 2005 more than 700 million new mobile phones were purchased around the world connecting more than one-quarter of all people on the planet. Nokia (Finland), the market leader, is well ahead of American manufacturer Motorola, Samsung (S. Korea), LG (S. Korea), Siemens (Germany), and Sony Ericsson (Japan/Sweden).

The successful manager constructs a marketing program designed for optimal adjustment to the uncertainty of the business climate.

The key to successful international marketing is adaptation to the environmental differences from one market to another. Adaptation is a conscious effort on the part of the international marketer to anticipate the influences of both the foreign and domestic uncontrollable factors on a marketing mix and then to adjust the marketing mix to minimize the effects.

Global awareness can and should be built in organizations using several approaches. The

strategy is to select individual managers specifically for their demonstrated global awareness. Global awareness can also be obtained through personal relationships in other countries. Indeed, market entry is very often facilitated through previously established social ties. Certainly, successful long-term business relationships with foreign customers often result in an organizational global awareness based on the series of interactions required by commerce. Foreign agents and partners can also help directly in this regard. But perhaps the most effective approach is to have a culturally diverse senior executive staff or board of directors.

Hence, the organizations that tackle the all the controllable and uncontrollable issues like the importance of cultural issues, the factors affecting costs, and the foreign regulations as well as the typical competition issues when joining the global marketing playing field.

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Ethics In Indian Business

By

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Is India Rising?

India Is Certainly Going To Rise, As Stated By A Noted Economist, Dr. Vijay Kelkar, Former Member Of The Planning Commission, Provided The Quality Of Corporate Governance Is Improved. This Is Not What Is Happening Today. Instead, In Recent Months, There Is Reverse Flow Of Foreign Investment. During The Last Year, More Funds Have Gone Out Of India. Foreign Investors Are Afraid Of Increasing Degree Of Corruption And Bribery Alongwith Red Tapism In India. They Are Also Afraid Of Lack Of Proper Security Against The Background Of Possible Terrorist Attacks. If Foreign Investment Is To Come Back In India, The Government Must Take Serious Steps To Improve The Quality Of Business Ethics. If This Is Done, There Will Be More Foreign Investments In Multi-Brand Retail And Also In Agriculture.

Thanks To Investors Getting Hungry For Proper Returns On Their Investments, Corporate World Has Started Thinking Seriously About Corporate Governance, Well-Known Industrialists From Ratan Tata To Godrej And Rahul Bajaj To Arun Firodiya, Have Warned That Unless The Managements Take Conizance Of Value-Based Governance, The Only Alternative Will Be That The Business May Degenerate Into A Crisis, Particularly A Crisis Of Confidence. One Major Reason That Has Affected Eqity Market Recently Is A Poor Level Of Corporate Governance. Both The Shareholders, As Well As Customers, Have Now Become Demanding And Expecting The Companies To Think Seriously About Ethics In Business. This Is A Good As It Should Be. If Our Business Companies Wish To Develop Their Capacity To Compete On Global Front, We Will Have To Improve The Quality Of Our Business Practices. Our Performance, In Future, Will Be Judjed By The Quality Of Our Service To Customers, Our Attitude Towards Our Shareholders And The Image That We Would Develop On The Basis Of Efficient And Transpatrent Corporate Governance, Business Leaders Have Shown Inclination To Make Their Business Dealings More Fair And Transparent. It Has Been Found Necessary To Strenghthen The Fiduciary Responsibilities Of Directors Of Companies.

The Question Under Debate Is Whether Mere Legislation Or Regulation Can Achieve Business Ethics? The Answer Is ‘No’ Beyond Lim, It. The Threat Implicit In Globalisation Can Vanish If Voluntary Efforts Are Made By Business Leaders To Invoke Ethical Values In Business Practices. In The Long Run, Good Corporate Governance Will Improve Their Market Driven Performance.

Business Ethics Like Peace, Is Appreciated By All, But No One Knows How To Adopt It, It Is A Never-Ending Subject, Right From The Days Of Chanakya. On The Eve Of The Golden Jubilee Of India’s Independence Day, Leaders Of The Nation Announced That We Require A Second Freedom Movement And There Would Be A War Against Corruption. It Is A Moot Question Whether Corruption Would Totally

Disappear. Hilton Root Has Raised The Question In Times Of India (20th September, 1997) Whether Corruption Is Inherent In A Developing Country Administration. International Developing Communityhas Long Treated The Link Between Corruption And Underdevelopement With Indifference.

Our Work Culture

It Is Said To Find That Our Work-Culture In India Is So Negative And Demotivating That The Tendency On The Part Of Those Who Work, Is To Create Bottlenecks In The Speedy Diosposal Of The Work. The Clumsy And Rigid Rules Contribute Further To Inefficiency And Indifference And Businessmen, Therefore, Resort To Speed Money For Getting Work Done. The First And Foremost Thing Is Required, Is To Improve The Efficiency And Accountability Of Civil Servants In This Country And Also To See That The Government Takes Steps For Further Liberalization And Decentralisation Of Administration.

Even The Economist Provides Scientific Support For Ignoring Corruption By Elaborating A Number Of Reasons Why Corruption Does Little Economic Harm During Development. Corruption, It Is Believed, Lubricates Unwieldy Administrative Machinery That Might Otherwise Grind To A Halt. This Is A Dangerous Thinking.

It Is Also Argued That Liberalization Is Likely To Open New Opportunities - Like Privatization Deals- For Corruption. Such A Kind Of Corruption Distorts The Decision Making Of Both Public And Private Sectors. Officials May Work At Cross Purposes With The Organisation They Represent, They May Keep Supplies And Permits Scarce And Use Opaque Regulations To Create Insecurity In Order To Maximise Their Profitable Interventions.

One Good Thing That Happens Is That In A Democracy, Corruption Is Difficult To Hide. Instead, It Is Publickly Debated, Discussed And Examined, As It Has Happened In Our Country. Business Ethics And Corruption Have, Therefore, Become A Political Problem That Has Far Reaching Economic Concequences – Opportunities Are Lost, Innovation Is Deferred, Investment Is Aborted, Entrepreneurialism Is Stuted And Credibility Of Government Is Lost.

In The View Of The Above, It Must Be Stated That Corruption Has Three Aspects:-

- The Development Of A Manager As A Person With A Set Of Moral Values.
- The In Fluence Of Corporation As A Value-Based Enterprise.
- The Action Needed To Map A High Road To Economic And Ethical Performance And To Keep A Watch On Those Who Are Likely To Be Influenced Bu Unethical Considerations.

A Vast Literature Is Available As A Source Of Ethical Instructions, For It Informs The Mind And The Heart Together, About The Complexitites Of Moral Choice. Emotionally Engaged With Fictional Or Historical Characters, Who Must Choose Between Death Aand Dishonour, Integrity And Personal Advancement, Power And Resposibility As Well. I Always Recommend Such Thought Provoking Books For Ethical Guidance, As The One Written By Deepak Chopra On The Subject – 'Seven Spiritual Laws Of Success' Or Another Book Written By Stephen Covey On The Subject "Seven Habbits Of Highly Effective

People" Such A Kind Of Literature Reminds The Managers As To How Thy Should Control The Temptations To Go Astray And How, In The Long Run, A Good Corporate Governanca Will Bring Rewards To Them.

The Role Of B-School Is To Prepare Its Graduates For Lifetime Of Learning From The Experience That Will Go Better And Faster Than It Would Have Done Without Formal Education.

Making Ethical Decisions Is Easy When The Facts Are Clear And The Choices Are Black And White. But It Becomes A Different Story When The Situations Are Clouded Bu Ambiguity, Incomplete Information, Multiple Points Of View And Conflicting Responsibilities.

Responsible Modern Judgement Cannot Be Transferred To Decisions Makers Ready-Made. Developing It In Business Turns Out To Be Partly An Administrative Process Involving Recognition Of Decesion's Ethical Implications, Discussion To Expose Different Points Of View And Testing The Tentative Decision's Adequacy In Balancing Self Interest And Consideration Of Others, Its Import For Future Policy, And Its Consonanace With The Company's Traditional Values.

Ethical Decisions Therefore, Require Individuals Three Qualities That Can Be Identified And Developed.

1. Competence To Recognize Ethical Issues And To Think Through The Concequences Of Alternative Resolutions.
2. Self Confidence To Seek Out Different Points Of View And Then To Decide Right At A Given Time And Place, In A Particular Set Of Relationships And Circumstances.
3. Tough-Mindedness, Which, In Management, Is The Willingness To Make Decisions When All That Needs To Be Known Cannot Be Known And When The Questions That Press For Answers, Have No Established And Incontrovertible Solutions.

Irony:-

Fifty Years Back, As If We Made A Tryst (With Dishonesty), And Now, The Time Has Come When We Should Redeem That Pledge, The Degree Of Corruption In Any Society Is In Inverse Proportion To The Sense Of Values. If Our National Leaders Had Set The Moral Tone Right From The Beginning It Would Have Been Possible For Us To Inculcate And Nourish These Values. People Of Lower Levels Are Said To Be Corrupt, But They Emulate The Example Of Corrupt People At Higher Levels. Mere Ligislation To Curb Wil Not Help. Judiciary System Also Cannot Be The Final Answer. Let Us Hope That The Younger Generation Will Accept This Challenge.

The Shadow War Which Goes On Against Corrruption, Through The Media, Smacks Of Hypocrisy. Political Leaders Also Speak Vehemently Against Corruption, But Most Of Them Have Lost Their Credibility. Our All Hopes Are Now Centered Around Bureaucracy. If Bureaucrats Develop A Transparent And Resposible Work-Culture And Give Every Kind Of Information To The Citizens. This Country Will Have A Bright Future.

I Am, Of Course Not Pessimist. We Must Not, However, Forget What Is Given Brlow:-

Knowledge Without Wisdom

Politics Without Principles

Competence Without Character

Wealth Without Work

Business Without Ethics

Life Without Character

Religion Without Sacrifice

Pleasure Without Culture (Philistine Attitude)

Civilized work place:-An Analytical study.

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Nasty people don't just make others feel miserable; they create economic problems for their companies. ------ Robert Sutton.

Introduction:

A civilized workplace is one where people have the time and freedom to do their jobs to the best of their ability. No one is bullied or hassled by some boss high on ego and testosterone. Leaders trust their subordinates to do what they're paid to do; and subordinates trust their leaders to act with their interests in mind as well as the firm's profits (and the executives' stock options).

It's a place where, the pay is fair in relation to the nature of the work, and raises are awarded to those who deserve them, not based on some arbitrary formula designed more to cut costs than recognize merit. People aren't expected to ruin the rest of their lives and relationships to save the boss's butt or make the business look good in the eyes of some Wall Street hacks. In a civilized workplace, work/life balance has real meaning; and those that choose to honor parts of their lives outside of work aren't immediately marked down as "lacking commitment."

Civilized workplaces are good to be in. Productivity is high, because people enjoy what they do and put a lot of themselves into their work. There's a sense of fun, as well as deep purpose. Lots of people want to work there; talented ones easily choose to stay. You can feel the difference when you walk through the door, just as you can feel instantly the hostility, depression and frustration in a workplace run on Enron-type, pseudo-scientific, neo-Taylorist principles.

Workplace jerks do their dirty work in a number of ways, and Sutton recently listed 12 of them

1. Invading coworkers' personal territory;

2. Uninvited physical contact;
3. Threats and intimidation, verbal and nonverbal;
4. Sarcastic jokes and teasing used as insult-delivery systems;
5. Withering e-mail;
6. Status slaps intended to humiliate victims;
7. Public shaming or status degradation rituals;
8. Rude interruptions;
9. Two-faced attacks;
10. Dirty looks; and
11. Treating people as if they were invisible.

Variables: civilized workplace, toxic behavior, work life balance.

Objectives of the study:

1. **To find out the civilized work place prevailing in various organizations.**
2. **To identify the motives behind availing civilized work place.**

Hypotheses of the study:

1. Ho - Leaders can take steps to build workplaces in which demeaning behavior is not tolerated.

Problems of the study:

Truths that have been around for a long time:

- That haste makes waste;
- That driving your people to the edge of breakdown isn't something to be proud of;
- That an essential part of the job of a leader is to create and preserve a workplace that's a more civilized and satisfying place to work than it was when he or she found it.

Literature Review:

Sutton's latest book proposed zero tolerance for jerks. Managers who be little and oppress one victim after another shouldn't be hired, the Stanford University professor of management science said. And if people turn mean on the job and won't change, they ought to be fired. The book, as recently referred to it, is "a constant reminder of how terribly toxic, costly and counterproductive bad behavior in the workplace can be."

“The No Asshole Rule: Building a Civilized work place and Surviving One that Isn’t “sprang from an essay Professor Sutton wrote a few years ago that Harvard Business Review included in its *Breakthrough Ideas for 2004*.

In the HBR essay, Sutton apologized for the crude language, and while he suggested more civilized synonyms — tyrants, bullies, boors, destructive narcissists and psychologically abusive people — he defended the "A-word" because, "Somehow, when I see a mean-spirited person damaging others, no other term seems quite right." Sutton says the term "asshole" encompasses "bullying, interpersonal aggression, emotional abuse, abusive supervision, petty tyranny and incivility in the workplace."

And these nasty people (hardly a substitute for the all-encompassing term) have devastating cumulative effects, "partly because their uncivilized interactions have a far bigger impact on our moods than positive interactions — five times the punch, according to recent research.... It takes numerous encounters with positive people to offset the energy and happiness sapped by a single episode with one asshole."

Moreover, Sutton shows that such behavior affects the bottom line of a business through impaired individual performance and collectively impaired organizational performance, including increased turnover, absenteeism, and decreased commitment to work.

Research in the United Kingdom and the United States suggests that the problem is more widespread than you may think, and that jerk infestations are quite common. A 2000 study found that 27 percent of the workers in a representative sample of 700 Michigan residents experienced mistreatment by someone in the workplace.

Lars Dalgaard is CEO and cofounder of Success Factors, one of the world's fastest-growing software companies—and the fastest with revenues over $30 million. Dalgaard recently listed some milestones that his California-based company passed in its first seven years:

- the use of its software by more than two million employees at over 1,200 companies around the world
- the use of its software by employees speaking 18 languages in 156 countries
- growth three times that of the company's nearest competitor
- enthusiastic recommendations of the product by nearly all customers
- dramatically low employee turnover
- employing no jerks

That's right—no jerks—although the word Success Factors really uses (except on its Web site) is a mild obscenity that starts with the letter A and sort of rhymes with "castle." All the employees Success Factors hires agree in writing to 14 "rules of engagement." Rule 14 starts out, "I will be a good person to work with—not territorial, not be a jerk." One of Dalgaard's founding principles is that "our organization will consist only of people who absolutely love what we do, with a white-hot passion. We will have utmost respect for the individual in a collaborative, egalitarian, and meritocratic environment—no blind copying, no politics, no parochialism, no silos,...

Proving objective 2 from the study: reasons inspiring for civilized work place:

1 The organization strives to be an extraordinary and sustainable workplace for world-class professionals. Organization should apply the human-centered design process to own organizational structure and processes, and continually fine-tune their system to ensure that they should effectively address employee growth and wellness.

2. It's important to examine all the factors that are valuable to a relationship between employees, not just the obvious ones like pay and benefits.

3. While money is an important component of offering a great place to work, it's not the single most important aspect. Here are three reasons why it is a great place to work:

- ✓ **Unique work opportunities**: attracts the most interesting, diverse, and difficult set of design challenges in the world, in both the private and public sectors. One should offer opportunities to work across a variety of products, services, industries, clients, technologies, and experiences. The organization should give teams the power to build relationships with influential clients and organizations and should provide a high degree of autonomy to guide the work and generate excellent, appropriate, and delightful design solutions.

- ✓ **Talented and diverse people**: the organization's should hire talented design thinkers who represent many perspectives, disciplines, nationalities, and points of view. They should believe a civilized workplace is a more rigorous and sustainable place to work, so one don't hire jerks, but provide ways to share knowledge and projects among people, believing that all work better and learn more when they freely interact and collaborate with other talented people.
- ✓ **Supportive and inspiring spaces**: People thrive when they work in stimulating, comfortable, and well-located places. One should try to be in cities where people like to be and that offer facilities and workspaces that promote collaboration and inspire great design. it should provide resources and leaders who craft community as a primary element of their jobs. They should also believe this is far better than working out of the basement or in a corporate cubicle

Findings:

1 One victim after another shouldn't be hired,

2 And if people turn mean on the job and won't change, they ought to be fired.

3 It, is "a constant reminder of how terribly toxic, costly and counterproductive bad behavior in the workplace can be."

4 It creates bullying, interpersonal aggression, emotional abuse, abusive supervision, petty tyranny and incivility in the workplace.

5 The behavior affects the bottom line of a business through impaired individual performance and collectively impaired organizational performance, including increased turnover, absenteeism, decreased commitment to work.

Conclusion: Companies that do so not only have more difficulty recruiting and retaining the best and brightest talent, but are also prone to higher client churn, damaged reputations and diminished investor confidence. Innovation and creativity may suffer, and cooperation could be impaired, both within and outside the organization — no small matter in an increasingly networked world.

As per Sutton - The following are the top eight steps to enforce the "No-Asshole Rule," taken from the business bestseller's insights:

1. Say the rule, write it down, and act on it.
2. Assholes will hire other assholes.
3. Get rid of assholes fast.
4. Treat certified assholes as incompetent employees.
5. Power breeds nastiness.
6. Embrace the power-performance paradox.
7. Manage moments — not just practices, policies and systems.
8. Model and teach constructive confrontation.

From the above study the researcher concludes that one needs to Make the rule public by what you say and, especially, do, Weave the rule into hiring and firing policies, and Teach people how to engage in "constructive confrontation." , moreover Apply the rule to customers and clients, too.

What you might need to do, in your own leadership sphere, to increase the level of civilization in your bit of the workplace.

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EMPLOYEE ATTRITION & RETENTION

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EMPLOYEE ATTRITION & RETENTION

Definition of Attrition: A reduction in number of employees through retirement, resignation or death

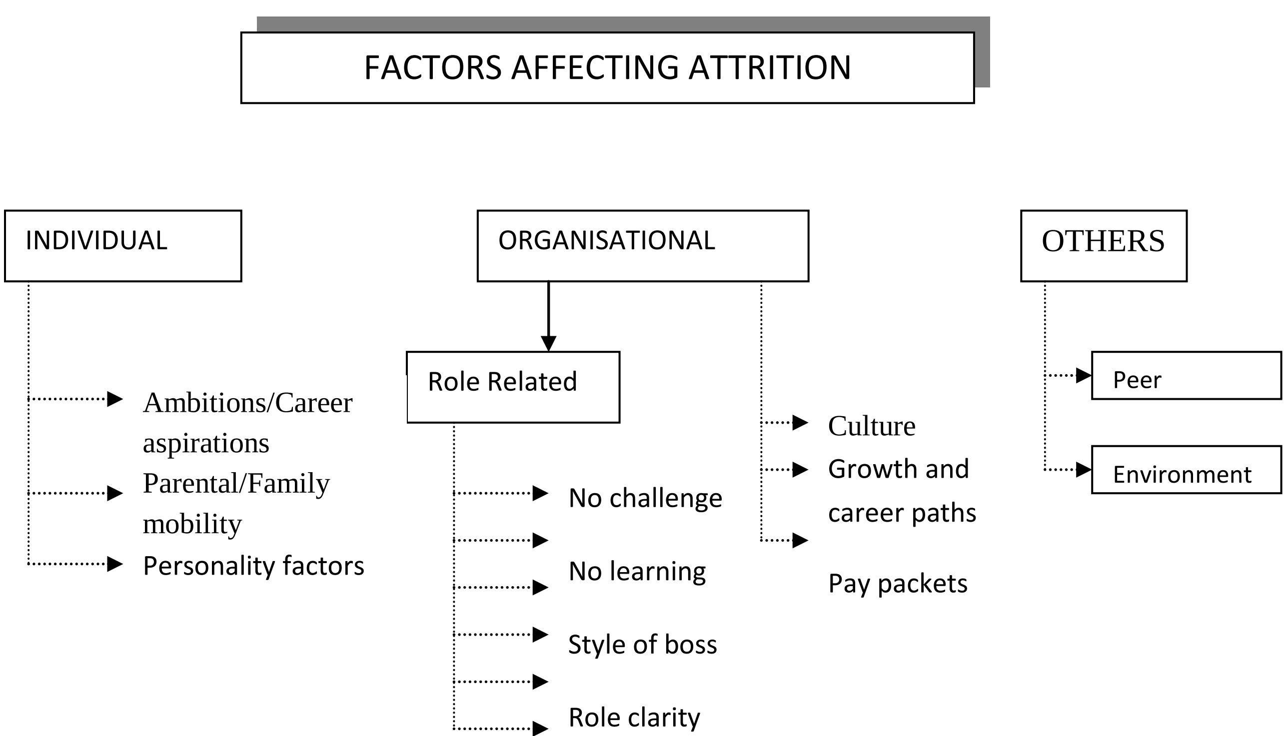
Definition Attrition Rate: The rate of shrinkage in size or number of employees in the organization

Attrition Rate Calculation: Total No. of Resigns/ Total No. of Employees in the beginning+ new joinees*100

Factors affecting the attrition

There are various reasons why people leave their current job. These reasons may vary from individual to individual and when data are collected from a large number of individuals leaving or who have left an organization, some consistencies may be observed-providing more insights as to why people leave in large numbers. The organization should prepare itself for managing attrition.

Managing attrition does not mean reducing attrition only. It could also mean bringing down the negative affects of attrition and increasing the positive affects of attrition. To increase the positive effects of attrition and reduce the negative affects, appropriate retention and capacity utilization or talent utilization tactics should be used.



Employee Retention: is the processing which the employees are encouraged to remain with organization for a maximum period of time or until the completion of the project.

First we need to understand the factors in organization that lead to attrition and develop the retention strategy. It is more difficult to retaining good employees. The talent management is the key area in every organisation worth its HR department and CEOs are more worried about intellectual capital than working capital. The following are some retention strategies:

- Corporate Image
- Growth Opportunities
- Attractive packages
- Personal Training
- Recreation
- Grievances
- Good Relationships
- Continuous Development

Corporate Image: Maintaining corporate image is an effective way to attract the talented. The organisation has to ensure that it is sought after for employment by cashing on its good will and reputation

Growth Opportunities: Growth is everyone's prime objective. Therefore it is implicit to offer growth opportunities.

Attractive Packages: Remuneration package is the driving force of any employment.

Handsome package as a platform for people to take new initiatives. Besides basic package, there can also be performance-based incentives-relating to targets achieved, accuracy and productivity.

Personal Training: An organisation should also take due care of the training and development needs of its employees. Besides helping them improve their skills and enhance their performance, it should also foster a faster growth rate in their career path.

Recreation: Recreation is an important as any other tool. It helps in creating a good environment – making fun for everyone. Thus, it is necessary to introduce consistent recreation initiatives like Sports, Activities, family get together and unwinding zones at the workplaces. Besides this; cultural programmes and Birthday celebrations break the monotony of everyday work pressure

Grievances: In order to create a supportive work atmosphere, ensure a prompt atmosphere; ensure a prompt redressal of grievances. This reinforces an employee's belief in the management and in the fact, that no stone will be left unturned to identify and solve their grievances and quickly as possible

Creative retention strategies therefore have to be emphasized. This is the responsibility of management and every employee of the organisation has to view it as a calculated organizational challenge

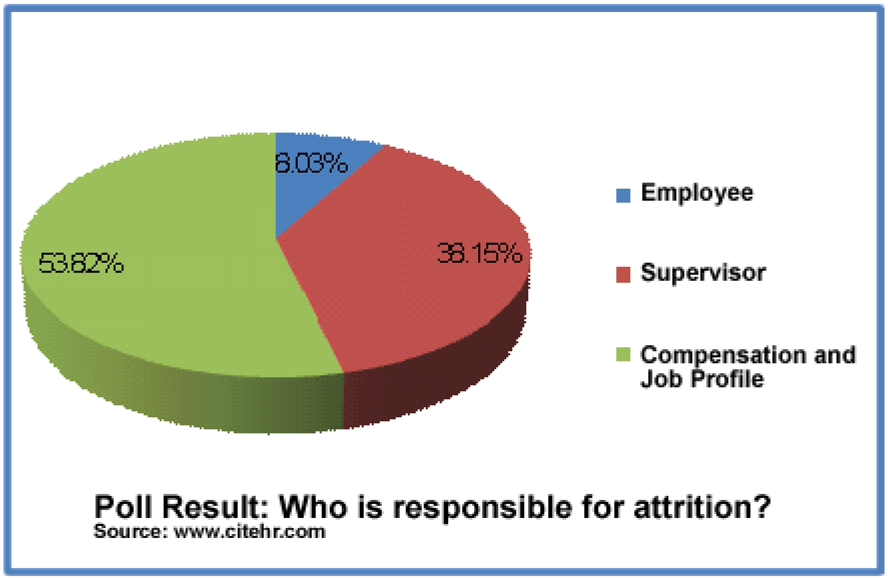
HR Heads are worried about employees leaving their organizations. Not only is it costly to lose trained employees but their replacements are not easy to come by. Hence the HR strives hard to keep attrition at the minimum.

I came across a public poll that was conducted at Cite HR (a popular meeting point for HR professionals) to find the opinion of the HR community on the reasons for attrition. The poll was titled '**Who will held responsible for attrition?**' and participants have to chose an option responsible for attrition. The options were:

1. Employee
2. Supervisor or Line Manager
3. Compensation & Job Profile

The Poll Results: The HR community welcomed the poll and a large number of them participated. The results of the poll on a specific date were as follows (The poll still continues and numbers of voters have increased, however, the result remains more or less same).

Reason for exit	% of respondents
Employee	08.03%
Supervisor or line manager	38.15%
Compensation & Job Profile	53.82%



Employee as a reason for attrition

Only 8% HR professionals felt that employees leave organizations on their own. Except in a few cases such as personal reasons, family issues, location preference, company brand and peer relationships, employees are not self-motivated to leave the company they are working in.

Nevertheless it is important to find out common causes for employee initiated exits where supervisors and/or Job Profile / compensation are not the cause.

Employee Satisfaction surveys are the ways to identify such areas of dissatisfaction, one of which may be HR policy guidelines of the company. If you conduct these surveys on a regular basis and map their results to exit interviews; new findings may identify critical gaps in how the employees perceive your policies. Very important trends can be identified by regular surveys conducted over the period of 1 - 2 years. These can also help define future HR guidelines with minimal disruption and dissatisfaction.

Supervisor or Line Manager as a cause of attrition

A large majority of HR professionals polled that immediate managers are a bigger reason for attrition. It confirms Wayne Hochwarter [an associate professor of management in the College of Business at Florida State University] theory that "Employees don't leave their job or company, they leave their manager".

Meeting employees' expectations is a difficult task, and most managers cannot do it effectively and consistently. 'Satisfying employee needs' often gets lower priority in a manager's quadrant of activities. Further managers do not have appropriate tools to manage employee related tasks and this leads to further dissatisfaction.

HR should continually train managers in handling employee expectations and provide them with tools to manage tasks related to their teams. An online Manager Services solution allows a manager to constantly counsel employees, manage their career growth and aspirations and track their achievements.

HR should also be able to track changes in employee performance rating, gaps between employee and manager performance, sudden increase in paid-time-off and should be prepared to act quickly if any visible trends are evident.

Compensation and Job Profile

HR Managers voted unanimously that 'Compensation and Job Profile' are the primary cause of attrition.

With a war for talent, disparity in the compensation packages is bound to occur and a mis-matched job profile increases the likelihood of an exit.

The responsibility for compensation policy and enriching the job profile lies on the senior management. However, balancing P&L and employee compensation shall always be a nightmare for them given the high cost of talented employees.

Every company wants to become the 'best paying employer', but market forces, tough competition and a slow economy dictate otherwise. A fair and transparent compensation policy can still be adopted where each employee gets his/ her dues based on company, team & individual performance.

If your employees are convinced that they are compensated in direct proportion to their productivity, you have won half the battle. The other half is won when each individual is assigned SMART (Specific, Measurable, Achievable, Reviewable and Time Based) goals and you can cascade these from organization objectives.

When all employees work on goals that are aligned to the company objectives and there is a fair and transparent system to capture employee performance, the likelihood of a satisfied and motivated workforce increases and Compensation or Job Profile become manageable causes.

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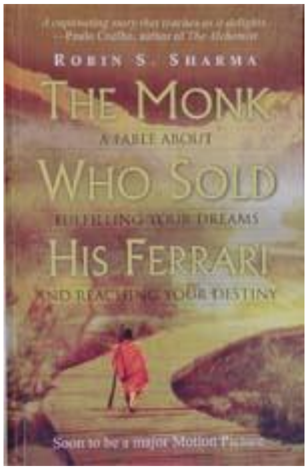

The Monk Who Sold His Ferrari

by Robin Sharma

Jaico.

Pages 198. Rs 175.

“The monk who sold his Ferrari” is a tale which tells us to live life with great enthusiasm. It encourages us to take new challenges and explore ourselves to the new channels of the life. It helps to do things which can make us happy in our life and which we usually don’t do

Robin S Sharma has depicted the tale of Julian Mantle, a lawyer who is fighting with the inner soul. Julian is shown becoming dull and enthusiasm less in his life. But then he undertakes journey to India where is life changes and learns the culture of the ancient India and he start valuing time and nurturing relationships.

It contains eleven chapters which are very well written from one to the next. Julian Mantle, a very successful lawyer is at the apex of his career. He has all the luxury of the life. With an income more than six figures. He lives in a grand mansion with celebrities as his neighbour, , a summer home on a tropical island, private jet and his shiny red Ferrari parked in the center of his driveway. But then life takes a u turn and he has to suffer ill effects of his bad life style.

This story is narrating dby john who is a friend of the julian. He says that julian is a very rich and flamboyant guy. He loves visiting new places and experimenting new restaurants with young ladies. He loves partying and going to clubs. But such a life style takes a toll on him and he suffers from an heart attack which make shim dull from inside. He looses all the enthusiasm in the life also his professional career goes down..Thus he decides to quit law and trips to India for internal peace. For this he sells his property and also the Ferrari.

Julian returns after three years and he is a changed man. He looks much healthier and fit. John was shocked to see him. In India he visits sivana a village in Himalayas where he meets many sages. Sivana is a beautiful place with greenery all around. There he met the yogi who transformed his life .he names him as yogi raman. There he realizes that happiness lies within us and always look it outside in the materialistic world which is wrong and root cause of the problems.

Julian tells different techniques that he learned from Yogi Raman on how to master our minds with simple techniques like “the heart of rose technique” and “the secret of lake technique”. . He teaches how to focus on the priorities and thereby maintain a balance and simplify life. Julian learns many leadership qualities from the sage which he will help in achieving goals in life. Julian teaches John the virtue of selflessness in serving others. He asks John to embrace the present and live in the present - . At the end he asks John to spread these secrets for the benefit of other people.

The seven virtues which changed the life of the julian are :-

1.live with discipline

2.respect your time

3.selflessly serve others

4.embrace the present

5.master your mind

6.follow your purpose

7.practice kaizen

Book is very well written giving step by step details. it is gem of the books..We recommend this book for readers who are undergoing spiritual fight and wants to achieve success in life or those who have already achieved success.

One who interested in inculcating all the above habits to realize their dreams should buy it and read it.

Book review by :-

Mr Ashish Sharma, Mr Ashish Wadhwani and Mr Piyush Singhvi.

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