



IIM Shillong

Print ISSN: 0976-030X

Online ISSN: 0976-173X

IIMS
JOURNAL OF MANAGEMENT SCIENCE

Vol. 1, No. 1, January-June 2010

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Constructing Consistent Financial Planning Models for Valuation

Ignacio Velez-Pareja

ABSTRACT

In this work we show a simplified financial planning model. In reality, financial planning models are huge and cumbersome. This is a very simplified model compared with what is found in practice. We present some basic principles for constructing the financial statements needed for valuation. We show in detail all the items of the financial model and show the formulae to be used for constructing the financial planning model. The relevant financial statements are: the Balance Sheet (BS), the Income statement (IS) and the Cash Budget (CB). The construction of the financial statements starts from input data and policies and/or targets (i.e. accounts receivable policy or target). With these targets or policies we can construct the financial statements. The contribution of this work is twofold: one is to show that we can construct financial statements without the use of plugs and circularity and the second is that we can use a very simple approach to construct cash flows and to value them. Keeping track of value creation is a major duty of management and this can be done with the proposed model. The model exhibits two parts. One is the proper financial statements forecast. The second one is a simple cash flow calculation and valuation exercise using the Capital Cash Flow and assuming the risk of the tax savings equal to K_u , the cost of unlevered equity.

KEYWORDS: Accounting, Forecasting Financial Statements, Decision Making, plugs, Planning and control, double entry principle, unbalancing problem, cash flows, firm valuation, cost of unlevered equity.

JEL CLASSIFICATION: D6, E47, G31, H43

BIOGRAPGICAL NOTE : Ignacio Vélez-pareja is currently Finance professor at Universidad Tecnológica de Bolívar in Cartagena, Colombia. He has published research papers in several international journals including Latin American Business Review, Academia, Management Research News and Quarterly Review of Economics and Finance. He has been teaching and working for private firms for more than 40 years. He can be reached at ivelez@unitecnologica.edu.co and nachovelez@gmail.com

Effects of Environmental Management Standards on Business Performance in India

Satyendra Singh

ABSTRACT

Purpose of this study was to test the effects of perceived importance of environmental management on business performance while controlling for firm size and cost of implementation of the environmental management standards. The term environmental management refers to a business process that ensures an environmentally friendly manufacturing process; i.e., one that complies with the Environmental Management Standards (ISO 14001), whereas business performance relates to firm's profitability, international trade, "green" (environmentally friendly) image and competitive advantage. Using survey method and multiple regression analysis, results of this study indicated that (1) environmental management was significantly positively related to profitability and international trade; (2) firm size was significantly positively related to competitive advantage and (3) cost was significantly negatively related to competitive advantage. The implication for managers is that they can use the findings to formulate strategies to differentiate and position their firms as green, and thus can target green consumers and attract potential investors interested in investing in green firms. This study contributes to literature by operationalizing the environmental management scale, testing it for its reliability and validity and applying it in the emerging market of India whose managers' attitudes toward environment are somewhat different from developed countries.

KEYWORDS: Business Performance, Competitive Advantage, Environmental Management, Green Image, International Trade, ISO 14001.

JEL CLASSIFICATION: D6, E47, G31, H43

BIOGRAPHICAL NOTE : Dr. Satyendra Singh is Director of Centre for Emerging Markets, and Associate Professor of Marketing and International Business in the Faculty of Business and Economics at the University of Winnipeg, Canada. He has authored Market Orientation, Corporate Culture and Business Performance (Ashgate, UK, 2004), and Business Practices in Emerging and Re-emerging Markets (Palgrave, USA, 2008), and edited Handbook of Business Practices and Growth in Emerging Markets (World Scientific, Singapore, 2010). He is also the Editor-in-Chief of International Journal of Business and Emerging Markets. Dr. Singh can be contacted at s.singh@uwinnipeg.ca

Customer Complaint Behavior and Triggers : A Qualitative Study.

Rajeev Kumra

ABSTRACT

This research investigates the relationship between the types of complaint and triggers. We examine the fundamental question of do customers complain and if they, then under which type of trigger they complain more. Specifically, we examine mobile service provider, as services present a unique challenge for marketers. The human element of service delivery creates many opportunities for failure. In this research various sub-stages of the purchase stage of mobile buying process were identified and complaint responses at each sub-stage were studied. Qualitatively it was investigated that customer complaints were caused by which trigger at each sub-stage. Research results reveal complaint is caused mainly due to reactional trigger irrespective of buying sub-stage of purchase and situational trigger has least impact.

KEYWORDS: Customer switching, mobile services, triggers

JEL CLASSIFICATION: M31

BIOGRAPHICAL NOTE : Prof. Rajeev Kumra is currently working at IIM-Lucknow as Associate Professor in Marketing Area. His research interest is on customer switching behaviour, CRM strategies, and sales force evaluation. He can be reached at rajeev@iimlnc.ac.in

Entrepreneurship Development: Programme or Process

Nimit Chowdhary and Monika Prakash

ABSTRACT

This paper investigates the less than acceptable performance of rural entrepreneurship development programmes in the state of Rajasthan (India). A case study method of research was deployed seeking feedback of participants of three entrepreneurship development programmes. Feedback was obtained from two audiences- those who completed the programme and those who either did not attend the programme or dropped out at some stage. Investigation resulted into identification of several areas of inadequate performance- choice and deployment of faculty, course material, expectations of the participants, timing, delivery and focus of the programme. Authors recommend a major shift in delivery of these programmes. In place of a fixed duration one-off programme, authors suggest institutionalizing an entrepreneurship development process. The study departs from earlier studies those suggest some disparate improvements against the immediate problems identified. The paper strongly argues a radical rethink in delivery of the contents as part of continuous ongoing hierarchical process.

KEYWORDS: Entrepreneurship development, rural entrepreneurship, EDP, entrepreneurship development process, Rajasthan

JEL CLASSIFICATION: M31

BIOGRAPGICAL NOTE : Dr. Nimit Chowdhary is currently Professor at Indian Institute of Tourism and Travel Management, Gwalior. His research interest is on Management of Services, Entrepreneurship and Small Business Management, Destination Marketing,etc. He can be reached at nimitchowdhary@gmail.com .Dr. Monika Prakash is Reader with Indian Institute of Tourism and Travel Management, Gwalior. Her research interest is on Strategy, Behavioural issues and General Management.

Effectiveness of Economic Value Added (EVA) and Conventional Performance Measures – Evidences from India

Anil K. Sharma and Satish Kumar

ABSTRACT

In this paper we have tried to find out the effectiveness of EVA in selected Indian companies. During last decade, value added measures like EVA has gained popularity and companies around the world have started disclosing EVA figures in their financial statements, as a part of corporate social responsibility agenda. This is because of shifting corporate objective from profit maximization to value or wealth maximization. The paper examines whether selected companies are able to create value for their shareholders or not. For this, performance of selected companies has been analyzed using traditional performance measures such as ROCE, ROE and EPS alongwith value added measures called EVA. With the help of various statistical techniques like Regression, Trend analysis, Chi square and ANOVA, the present study tests the various hypotheses and reveals that except for few, majorities of the sample companies are able to continuously create value for their shareholders during the study period. Study provide that EVA is gaining popularity in India as important measures of firm performance and more companies should disclose EVA figures in their financial report so as to reveal correct financial position to the various stakeholders.

KEYWORDS: EVA, Return on Capital Employed (ROCE), Earning Per Share (EPS), Value Added Measures, Economic Capital.

JEL CLASSIFICATION: G30, M41

BIOGRAPHICAL NOTE : Dr. Anil K. Sharma is Associate Professor in the Department of Management Studies, Indian Institute of Technology Roorkee, Roorkee. He has published several research papers in national and international journals of repute like International Journal of Economics and Finance, The Asian Economic Review, The Electricity Journal of Elsevier, Journal of Engineering, Construction and Architectural Management, Journal of Measuring Business Excellence, Journal of Financial Regulations and Compliance and Journal of Risk Finance of Emerald Publishing. He is a registered consultant to Asian Development Bank, Manila. He can be contacted at atanilfdm@iitr.ernet.in Satish Kumar is a Research Scholar in the Department of Management Studies, Indian Institute of Technology Roorkee, Roorkee. He can be contacted at satisddm@iitr.ernet.in

Enterprises' Knowledge Creation within a Brazilian's Industrial Cluster

Marcos Ferasso, Lilia Maria Vargas and Corinne Grenier

ABSTRACT

This research deals with knowledge creation at the level of enterprises located within a cluster. This paper is based on a case study, which is the industrial cluster dedicated to elastomers technologies, located in the Sinos Valley, Rio Grande do Sul. The data were collected from interviews with the strategically level of the cluster coordination, completed with secondary data. The results show that the research centre centralizes the technical knowledge on companies' products development and the companies send their technicians to exchange knowledge with this research centre. The knowledge developed in this center is replicated into companies when they develop new products. The managerial knowledge is centralized on the syndicate which helps enterprises to improve their competitiveness and managerial skills. Individual actors meet together in communities of practices to exchange information and perspectives on strategy, policy and technological matters. We suggest that the cluster should encourage and support an additional level of interactions to maintain knowledge creation and interest of the cluster: this level is concerned with inter-enterprises interactions (i.e., alliances). We also point the critical role of the cluster governance for supporting three main dimensions of knowledge: technology based managerial based and commercial based knowledge. This research considers the process of knowledge creation that occurs within the cluster's actors, through four dimensions (actors, economic and strategy, social and political, management) that makes the process occurring on two levels (intra-company and the cluster) dynamic.

KEYWORDS: Knowledge creation, industrial cluster, clustered enterprises, elastomers sector.

JEL CLASSIFICATION: M1, M15, D8, D83

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