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Management, Technology & Innovation in the VUCA World: "Role in Value Creation"

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New Horizon College of Engineering

Presents

**Proceedings of National Conference
2019**

On the theme

***“Management, Technology &
Innovation in the VUCA World:
Role in Value Creation”***

National Conference 2019

“Management, Technology & Innovation in the VUCA World “Role in value creation”

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PREFACE

National Conference on Management, Technology & Innovation in the VUCA World “Role in Value Creation” was held on 23rd March 2019 by the Department of Management studies, New Horizon College of Engineering in association with Association of Indian Management Schools and MTC Global.

The key note speeches were delivered by noted business exponents who have rich knowledge and experience in their field of expertise. The crux of the event revolved around the concept of management and technology, adaptability to changing business environment and openness to embrace the dynamic business environment that incorporates new technology in its business practices. The conference also emphasized on VUCA (Volatility, Uncertainty, Complexity and Ambiguity) which is a challenge today ahead of all the corporate.

One of the primary objective of the conference was based on VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) conflates four distinct types of challenges that demand four distinct types of responses. It also highlighted the need to be independent, adopt to change, the evolution on creativity and innovation over successive years, the necessity of VUCA had to be given utmost importance in the present business scenario.

The two day National Conference had about 100 participants from 30 colleges and 61 research papers spanning over 6 states. The current proceedings comprise written contributions of the presentations during the conference and was reviewed using double blind peer review process. We would like to thank all participants for their contributions to the Conference program and for their contributions to these Proceedings. We are looking forward to the International Conference on Innovative Research in Engineering, Management and Sciences that will be held in Dec 2019.

Acknowledgement

We are grateful to our Management for their unwavering support and guidance in all our academic accomplishments including this National Conference 2019 on *“Management, Technology & Innovation in the VUCA World “Role in value creation”*

We feel great pleasure in expressing our deep gratitude to our Honorable Chairman, New Horizon Educational Institutions, Dr. Mohan Manghnani, for his constant support and guidance.

We are thankful to our Principal, NHCE, Dr. Manjunatha for his continuous support and encouragement. We would also like to thank Mr. H N Suryaprakash, Registrar (administration) for their valuable support.

We would also thank and acknowledge all the scholarly authors for contributing research papers on the theme of the National Conference 2019.

We would like to thank all the teaching, non teaching staff and students of Department of Management Studies, New Horizon College of Engineering for their kind cooperation at each step.

We extend our sincere thanks to the HOD-Marketing & Branding & her team for publishing this book.

Chairman's Message



I am very happy that Management Department envisioned having a National conference in the theme: “**Management, Technology & Innovation in the VUCA World: Role in value creation**” and are coming out with the proceedings of the book for the same.

The Conference emphasized on how VUCA is offering opportunities and challenges to the corporates and how the businesses can be sustained with the continuous innovations in the management approaches and technology. I wish the Department of Management Studies all the best for publication of the Proceedings of National Conference-2019 and in all their future endeavors.

Dr. Mohan Manghnani
Chairman,
NHEI

Principal's Message



In the era of dynamic management approaches and advancing technology, future of business is becoming more unpredictable and complex. VUCA demands organizations to create their fundamental competitive advantage. Innovations act as catalyst in propelling success in faster rates of growth. Science, Engineering and management are leading to new paradigms for innovation in all the nations and its economies.

I am happy and glad to know that the Department of Management Studies, New Horizon College of Engineering challenged themselves to merge different themes and conducted a National conference - 2019 “**Management, Technology & Innovation in the VUCA World : Role in value creation**” and are coming out with Proceeding of National Conference-2019.

I am sure, that the Proceedings of the conference will throw light on how Management, Technology and Innovation will bring value for business and for the emerging economies like India in the VUCA world. I wish, the department all the best for publication of the proceedings and in all their future endeavors.

Dr. Manjunatha
Principal, NHCE

Editorial Board Message



Dr. Sheelan Misra
Professor & HOD

Department of Management Studies
New Horizon College of Engineering



Pavithra S

Assistant Professor
Department of Management Studies
New Horizon College of Engineering

Department of Management Studies organized National Conference 2019 on the theme “Management, Technology & Innovation in the VUCA World: Role in Value Creation” on 23rd March 2019. Over the past 18 years, New Horizon College of Engineering has provided a cross disciplinary platform to the management and technology researchers to present their research work.

During the conference, Key note addresses, panel discussions and presentations provide ample opportunities for discussion, debate and exchange of ideas and information among the conference participants. Proceedings of national conference are published with a goal of shedding light in the areas like Management, Technology and innovation in the VUCA world. We have raised the awareness of the challenges and opportunities presented to the business world.

We have collected a wide range of papers from different authors and we are proud to say that it is unique in its own way and is adding value to the emerging economies. In this Proceedings we are publishing selected Papers reflecting thoughts on the theme of the conference.

We place on record our sincere thanks to Dr. Mohan Manghnani, Chairman, New Horizon Education Institution for always encouraging to conduct such conferences for the exchange of ideas and information and his exemplary leadership. We are also thankful to our principal, Dr. Manjunatha for his support and valuable inputs in organizing the conference. Special thanks to everyone who contributed articles to the proceedings of National conference 2019. We hope that this book of proceedings will enable us to spread the ideas discussed in the conference to the community of thought leadership.

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EFFECTUATION APPROACH IN ENTREPRENEURSHIP

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New Horizon College of Engineering, Bangalore

Abstract

Entrepreneurship is led by the entrepreneur, a person who initiates and supervises the operations of a new business. The entrepreneur is generally independent, motivated and ambitious and is willing to take the opportunity to achieve his goals. Unlike the capitalist, a businessman who generally limits his role in the financing of business ventures, the entrepreneur is the driving force behind the creation of a new business and exercises significant control over key decisions. Using effectuation as a approach for starting an enterprise is one of a better way to start in the world which is so volatile, uncertain, complex and ambiguous (VUCA).

Successful entrepreneurs tend to be extremely competent at organizing and motivating their employees. In some cases, the entrepreneur invents or develops a new product or service, which is then the heart of his new business. In other cases, however, the entrepreneur simply discovers a new way of marketing and selling an existing product or service. The risks taken by the contractor are often considerable. Some entrepreneurs invest in their new business, with no guarantee of success. While entrepreneurial qualities have undoubtedly played an important role in business innovation since the very first days of business, the concept of entrepreneurship is comparatively new. According to economic historian Fritz Redlich (1892-1978). The paper highlights the importance of Effectuation in the VUCA world.

Introduction: Entrepreneurship

Entrepreneurship is a practice of creating a new venture or business enterprise, usually in a sector or sector of the economy with a great capacity towards growth. Entrepreneurship is generally synonymous a most resourcefulness, ingenuity and calculated risk-taking skills to bring to market a new untested of a product or service. These features are often collectively referred to as "entrepreneurship".

Entrepreneurship is led by the entrepreneur, a person who initiates and supervises the operations of a new business. The entrepreneur is generally independent, motivated and

ambitious and is willing to take the opportunity to achieve his goals. Unlike the capitalist, a businessman who generally limits his role in the financing of business ventures, the entrepreneur is the driving force behind the creation of a new business and exercises significant control over key decisions.

Successful entrepreneurs tend to be extremely competent at organizing and motivating their employees. In some cases, the entrepreneur invents or develops a new product or service, which is then the heart of his new business. In other cases, however, the entrepreneur simply discovers a new way of marketing and selling an existing product or service. The risks taken by the contractor are often considerable. Some entrepreneurs invest in their new business, with no guarantee of success.

Other times, a successful businessman wants to risk his reputation on a new idea whose failure could jeopardize his entire career. Because of the high level of risk associated with businesses, the entrepreneur generally hopes to obtain a high rate of return in the business.

According to many economists of the twentieth century, entrepreneurship is an indispensable aspect of capitalism. Capitalism is an economic system characterized by free markets: private property or ownership of the means of production and distribution of goods and services. In a capitalist economy, prosperity is driven by economic growth. Entrepreneurship helps to promote growth by bringing new ideas that ultimately lead to more efficient and profitable business models.

Review of Literature:

Conceptual Effectuation Literature Several articles have presented effectuation as a new paradigm and have addressed the core definitional research questions of effectuation. Some articles have posited relationships between effectuation and other constructs including the tendency to over-trust (Goel; Karri, 2006; Karri, Goel, 2008; Sarasvathy & Dew, 2008a), creative imagination (Chiles, Bluedorn, & Gupta, 2007; Chiles, Gupta, & Bluedorn, 2008; Sarasvathy & Dew, 2008b), and entrepreneurial expertise and new venture performance (Read & Sarasvathy, 2005).

Similarly, Dew, Sarasvathy, Read, and Wiltbank (2009) theoretically connected one of the effectuation sub-constructs, focusing on affordable loss, with the managerial decision-making

literature. The contributions of many of the conceptual effectuation articles have been to present and define the concept of effectuation, to contrast it to causation, and to describe when, how, and why effectuation may be used. Consistent with the research questions addressed, some of the conceptual articles have also developed testable propositions between effectuation and other concepts. The proposed relationships have linked effectuation and the tendency to over-trust (Goel & Karri, 2006; Karri Goel, 2008; Sarasvathy; Dew, 2008a), effectuation and entrepreneurial expertise (Read & Sarasvathy, 2005), and effectuation and new venture performance (Read & Sarasvathy). Dew, Sarasvathy, et al. (2009) also developed testable propositions that related the affordable loss construct to the decision to start a new venture, real options reasoning, payment coupling, mental accounting, and escalation of commitment.

Empirical Effectuation Literature in many of the early empirical effectuation articles focus on identifying how entrepreneurs and non-entrepreneurs process risks and returns (Dew, Read, Sarasvathy, & Wiltbank, 2009; Read, Dew, Sarasvathy, Song, & Wiltbank, 2009; Sarasvathy, 1998; Sarasvathy & Dew, 2005; Sarasvathy 1998). Although there are some differences in their samples and research questions, each of the experimental studies have employed similar types of procedures and analytical techniques. Specifically, in each experiment, subjects thought aloud as they encountered scenarios and solved problems related to risks, returns, and/or how to start a new venture; and the authors used verbal protocol analysis to analyze the spoken thoughts of their subjects.

Sarasvathy examined how entrepreneurs and non-entrepreneurs differ in how they process and react to risks and returns. Sarasvathy et al. examined how entrepreneurs and non-entrepreneurs perceive risk and return. Sarasvathy and Dew examined how entrepreneurs predict uncertain future preferences. Dew, Read, et al. (2008) examined whether entrepreneurs frame decisions using effectual thinking more often than novices do, and Read, Dew, et al. (2009) examined whether entrepreneurs frame marketing decisions using effectual thinking more often than novices do. Taken together, the experiments contribute to the effectuation literature by demonstrating that entrepreneurs and non-entrepreneurs generally perceive risk and reward differently, they vary in their use of effectual and causal logic when confronted with scenarios involving risk and reward, and they differ in how they attempt to predict or control uncertainty.

Effectuation:

Saras Sarasvathy's theory of Effectuation (2001) describes an approach to making decisions and performing actions in entrepreneurship processes, where you identify the next, best step by assessing the resources available in order to achieve your goals, while continuously balancing these goals with your resources and actions. Effectuation differs from the causal logic, where there is a predetermined goal and the process to achieve it is carefully planned in accordance to a set of given resources. Sarasvathy argues that the causal logic is not suited for entrepreneurship processes that are inherently characterized by uncertainties and risks.

The fundamental world view for effectuation is called the Pilot-in-the-plane, which describes the future as something you can influence by your actions, i.e. you can create your own opportunities.

The four principles of effectuation are:

Bird-in-Hand: You have to create solutions with the resources available here and now.

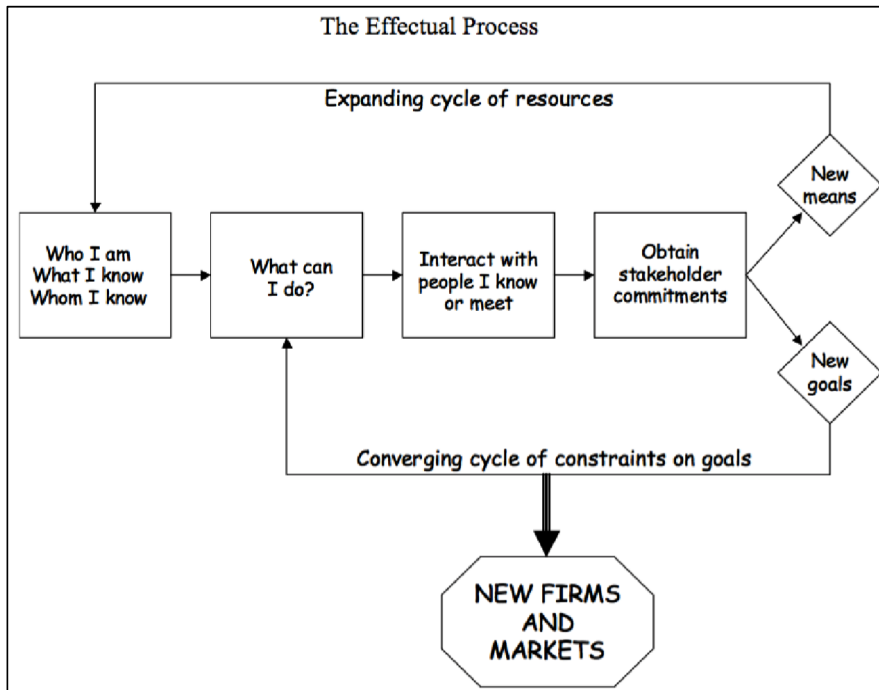
Lemonade principle: Mistakes and surprises are inevitable and can be used to look for new opportunities.

Crazy Quilt: Entering into new partnerships can bring the project new funds and new directions.

Affordable loss: You should only invest as much as you are willing to lose.

The Effectual Cycle

Effectual logic happens in mind of an individual, where it provides a way of thinking about making decisions when non-predictive control is required. The effectual cycle represents the thinking process in a form used in creating products, markets, and ventures. It's not a prescriptive "do this, do that" algorithm, but rather a set of heuristics* that uniquely and universally apply to the challenges that entrepreneurs are bound to face.



Effectuation includes decision-making principles used by experienced entrepreneurs in situations of uncertainty. Uncertain situations are situations in which the future is unpredictable, the objectives are not clearly known and there is no independent environment serving as the final selection mechanism.

Effectual reasoning in VUCA world

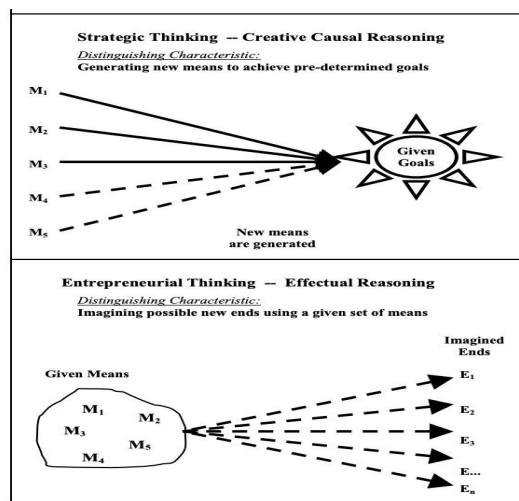
The problem the word "effective" is the opposite of "causal". In general, students in MBA programs around the world learn causal or predictive thinking - in all functional areas of the business world. Causal rationality begins with a given objective and a set of means and seeks to find the optimal solution - the fastest, the most cost-effective, the most effective, and so on. - achieve the objective set.

Whether in production or purchasing, whether you choose the market with the best marketing potential, choose a portfolio with the lowest risk in the financial sector or hire even the best person for the position of human resources management, so many examples of causal thought problems.

But effective thinking does not start with a specific goal. Instead, it begins with a range of resources and, over time, maintains goals subordinate to the different imaginations and aspirations of the founders and the people with whom they interact.

While causal thinkers resemble the great generals who seek to conquer a fertile land (Genghis Khan conquers two-thirds of the known world), effective thinkers resemble explorers who travel in unknown waters when they travel (Columbus discovers the New World). However, it is important to note that the same person may use both causal and factual reasoning at different times, depending on the circumstances.

In fact, the best entrepreneurs can use both and make good use of both modes. However, they prefer to focus on the real reasoning of causal reasoning in the early stages of a new venture, and most likely, most entrepreneurs do not move on to later stages, which require more causal reasoning.



At a gross level, effectuation theory and expert theory work to understand similar questions of how experience changes the way people think. Perhaps it is not surprising, then, that effectuation theory utilizes many of the same axes that the scholarship on expertise has focused on in determining the characteristics of expertise.

Sarasvathy [2001] provides several clues as to how we might proceed in the task of describing the strategies of expert entrepreneurs. For example, when we examine how expert entrepreneurs perceive, process, and use market research information, or information

relating to the creation of markets, we find striking parallels to the expertise literature we reviewed above. One observation is that the articulation of forward thinking employed by experts and backward thinking employed by novices (Larkin et al. [1⁸⁰]) has some similarities with effectual and causal reasoning. In forward thinking, experts use information cues to take action.

One of the most important inputs available to entrepreneurs consists in stakeholder commitments, and, as such, these and other means can substitute for information cues. In the case of effectual reasoners, these cues can provide a basis for action. Similarly, backward-reasoning novices who use information cues to validate their actions can be likened to causal thinkers basing action on goals. Yet, effectuation is different from forward thinking in that stakeholder commitments and do not take them as passive cues from the task environment. The implications of this endogeneity are particularly important in an entrepreneurial setting. Anderson [1993].

Larkin et al. 1980 and Newell and Simon 1972 highlight another important analogy); of effectuation to expertise in general, namely, the means orientation of experts and the goal orientation of novices. In contrast to the way in which stakeholders shape commitment to particular goals in the effectual example, the causal or goal-oriented novice seeks stakeholders only after first committing to a vision specified through particular goals. Further investigation into the similarities of expert entrepreneurs and experts in general brings to light several intriguing parallels between observations regarding expertise in general and effectuation as a form of entrepreneurial expertise in particular.

Conclusion

Speaking about Effectuation as an approach for Entrepreneurship. Entrepreneurs are no different from others, according to entrepreneurial researcher Saras Sarasvathy.

They simply follow a different approach to problem solving. Dr. Sarasvathy suggests entrepreneurs create their own chances of success by taking additional steps to bring them closer to their goals. Today, entrepreneurs often use the impact model instead of the causal model, which means that the impact model in entrepreneurship research is becoming increasingly important.

It is known that most of the entrepreneurs are aware of effectuation and moreover they have implemented mostly at least 3 principals towards their venture which are bird-in-hand, affordable loss and lemonade.

Effectuation principal should be known by every entrepreneur so that they can overcome their decisions problems towards their ventures. Effectuation is the key in this VUCA world where the things are so dynamic and constantly changing

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Causation and Effectuation: An Exploratory Study of New Zealand Entrepreneurs Lauren Pfeffer¹ Mohammad Saud Khan¹ ¹School of Management, Victoria Business School, Victoria University of Wellington, Wellington, New Zealand versión On-line ISSN 0718-2724 *Journal of Technology Management & Innovation* vol.13 no.1 Santiago mayo 2018

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Raising Employee Engagement using social media in the VUCA World

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Abstract:

One of the most challenging issues facing the Human Resources function in 2017 is creating an Employee Engagement Strategy across the organisation that takes into account the increasingly “fluid” world that we live in. There are many competing socio-economic levers that are making it harder to predict the future direction of a business and its customers and therefore how the workforce will be structured and optimally engaged.

In the business world of increased expectations, growing influence of social media and networking, companies find new ways to engage the workforce. Using social media business creates an environment of collaboration. VUCA is the new reality today. It is affecting everything from decision making to profits and revenues to employee engagement

Employee engagement is important for the success of any organization when transforming into the digital age. It is important to consider the level of engagement as competitive advantage and value proposition for organization. Internal social media applications provide employees with an easy way to communicate and share personal and professional information with other co-workers.

Key Words: Social Media, Employee Engagement, VUCA

Introduction:

What is Employee Engagement?

If somebody reads a lot of literature on employee engagement, that person is likely to be confused about the very basic question, i.e., the definition of employee engagement. There are many definitions of employee engagement. Every organization, be it private or public or a consultancy, has its own version of the concept (Robertson-smith & Markwick, 2009).

A similarity exists in all definitions of engagement, notwithstanding of the source, which essentially describes employee engagement as a „desirable condition“ that has a purpose for the organization and , connotes involvement, commitment, passion, enthusiasm, focused effort and energy, so it has both attitudinal and behavioural components“. (Macey & Schneider, 2008)

Why is Employee Engagement important?

A positive relationship has been found between organizational performance and employee engagement: productivity, employee retention, customer loyalty, profitability and safety. Research also points out that the more involved employees are, the more probable their employer is to surpass the industry average in its revenue growth. Conversely, double-digit growth companies have higher employee engagement. Research also shows that engagement is positively related to customer satisfaction (Markos & Sridevi, 2010). Engaged employee constantly exhibits three general behaviours that increase organizational performance: the employee promotes the organization to co-workers and other in his/ her circle, the employee has a strong desire to be an organizational member despite opportunities to work in other organizations, the employee puts extra effort, time and initiative to make a contribution to the success of the organization (Baumruk and Gorman, 2006) Another area of benefit is reputation and organisational brand. Engaged employees are better advocates of their companies and defend the employer from risks to reputation associated with poor service levels or product quality (Lynn Walters, n.d.).

What happens to an organization if it has disengaged employees?

Employees who are not engaged are most likely to be wasting their time, talent and effort on tasks that may not be useful. They generally do not display full commitment; do not stick around for situation to change in the organization, have a lot of doubts about their organization in terms of performance measures such as growth and appraisals (Blessing White, 2006). Research has frequently suggested about a relationship between how people“s attitudes and behaviour, how they are managed and business performance (Markos & Sridevi, 2010).

Conversely, having a disengaged staff brings huge risks. Organisations may lose their best people, suffer productivity loss and face enormous difficulties during organisational change etc. Disengagement threatens innovation, effective collaboration and human capital management because employees are not inclined to use their skills and tacit knowledge for betterment of the organisation.

What is VUCA?

The term "VUCA" was devised in the United States Military Academy at West Point. It originated as a crisp way of defining the „new“ situation that the US military found itself after the end of Cold War. This transformed landscape would bring with it a lack of certainty, stability and simplicity, and increase ambiguity. It is now everyone’s imperative to recognize VUCA, because it touches everyone. (Full, Decision, Can, Your, Reach & Harm, n.d.)

Volatility: The speed and rate of change we are facing in our business environment demands quicker decision making. The test for leaders is to transfer from knee –jerk to proactive yet fast response to the fluctuating environment. (“The implications of a VUCA World and APA,” n.d.)

Uncertainty: Uncertainty is all around us and is growing. In these times it is extremely difficult to have clarity on the present and precisely foretell future outcomes. Organization’s capability to be at ease with it and form behaviours that allow it to navigate through uncertainty is fundamental. (“The implications of a VUCA World and APA,” n.d.)

Complexity: With uncertain and changing times comes more complexity. Companies have to consider multiple and interconnected factors in their decision making. Organizations need to let go of seeking the one perfect solution and seek out collaboration and connect the dots of opportunity. (“The implications of a VUCA World and APA,” n.d.)

Ambiguity: The effect of complex and ever changing environment leads to a good amount of ambiguity making it hard to understand the meaning and impact of events. Leaders should be able to think across different platforms, communicate effectively across organisations and be quick and responsive in decision making. (“The implications of a VUCA World and APA,” n.d.)

Why is Employee Engagement important during VUCA times?

The VUCA world is facing an employee engagement crisis, with grave and lasting repercussions on world economy. According to Gallup Daily tracking The era of social media started in 1997 on its first popular site called SixDegree.com allowing users to create personal profiles and a friends list online (Boyd & Ellison, 2007) followed by blogging platforms like Blogger and Live Journal in 1999 and the rest such as Wikipedia in 2001, Myspace in 2003, etc . Technologies widely grew, social media has moved quickly from the tech-savvy domain to the mainstream (Shirky, 2008) penetrating into organizations at a rapid pace. A survey done by McKinsey reported that 65% of organizations use social media based technologies to motivate and enhance performance (Bughin & Chui, 2010).

Employee engagement is a key business driver for organizational success. It helps to differentiate the organizations, and with high level of employee engagement, firms can promote retention of talent, foster customer loyalty and improve organizational performance and stakeholder value. Employee engagement is influenced by many factors-from workplace culture, organizational communication and managerial styles to trust and respect, leadership and company reputation.

Research Methodology:

This paper is mainly descriptive in nature and the data is gathered from secondary sources. Data is gathered from many sources like Newspaper (Both Local & National), Magazines, Research data.

Objectives of the study:

1. To Understand how social media is used for employee engagement in the VUCA World
2. To understand the role of social media in organizations in the VUCA World

Literature Review:**Social Media**

According to Kaplan & Heinen (2010), as cited in Majchrzak, Faraj, Kane, & Azad (2013), social media is “a group of Internet-based technologies that allows users to easily create, edit, evaluate, and/or link to content or to other creators of content” (p. 38). Li and Bernoff (2011) say the groundswell created by social media has changed the balance of power by creating a

scenario where individuals have the power to undermine the communication efforts of organizations (p. 13). Kaplan and Haenlein, (2010) state that the platforms of this large group of applications can be categorized on the basis of two aspects – ‘Media richness’ and ‘Social presence’. Social media is a means for social interaction, as a superset beyond the natural social communication. As enabled by the existing and expanding communication techniques, social media have changed substantially communication between both organizations and individuals Kietzman et al, (2011); Henricks, 2009).

Social media started as a way for people with similar interests to get to know one another and interact. One of the earliest sites that could be considered social media was MUD or Multi-User Dungeon (the “D” could also stand for Dimension or Domain) and it was a place for those interested in role-playing games to interact with each other and chat Edosomwan, Prakasan, Kouame, Watson, & Seymour, (2011).

Leonardi, Huysman, & Steinfield (2013) define enterprise social media as a “web-based platform that allows workers to communicate messages with specific co-workers or broadcast messages to everyone in the organizations; explicitly indicate or implicitly reveal particular co-workers as communication partners; post, edit, and sort text and files linked to themselves or others; and view the messages, connections, text, and files communicated, posted, edited, and sorted by anyone else in the organization at any time of their choosing” (p. 2).

Employee Engagement

Kahn (1990) was the first to suggest that employee engagement would positively impact on the Organisation’s outcome. The reasoning behind his contention was that because employees want to work for reasons other than “they get paid to do it”, they will work to pursue success for their organisation. Research by Gallup has found low to moderate correlations between employee engagement and a range of outcome measures, including customer satisfaction, profit, productivity, turnover and safety Harter et al, (2002). Research consistently shows that low levels of employee engagement are detrimental to performance. In fact, it has been found that employees that are highly engaged are twice as likely to be top performers Taleo Research, (2009).

A workplace approach designed to ensure that employees are committed to their organisation’s goals and values, motivated to contribute to organisational success, and are able at the same time to enhance their own sense of well-being.” MacLeod and Clarke, (2009 pg. 9). Findings from the 2011 WERS were released in 2013 Van Wanrooy et al (2013), a

survey was conducted and found out that engagement is enabled by factors such as discretionary effort, loyalty, and job satisfaction

In 2009, Harter et al. conducted a meta-analysis encompassing 199 research studies across 152 organisations in 44 industries and 26 countries. They statistically calculated the available data on business/work unit level relationship between employee engagement and performance outcomes within in each study. The studies covered 32,394 business/work units and 955,905 employees Harter et al. (2009). Their findings quantified significant differences between business units ranking in the top and bottom 25% on engagement. They found an 18% drop in productivity between the top and bottom performers. Additionally, there was a 60% drop in quality (measured by defects in products). In a similar study into Fortune 100 companies, it was found that there was a dramatic 1,000 percent increase in errors among disengaged versus engaged employee populations Gonring, (2008).

Social Media and Employee Engagement

Social Media can also be thought of as the “media which is primarily used to transmit or share information with a broad audience. Social networking is an act of engagement as people with common interests associate together and build relationships through a community” Cohen, 2009; Hartshorn, (2010); Edosomwan et.al. (2011, p. 83).

Social media has the potential to achieve employee engagement, enhance productivity and increase collaboration, C. J., Davison, R. M., Zhong, X., & Liang, Y.,(2010). APCO Worldwide and Gagen MacDonald jointly sponsored an online survey on employee engagement and found out that 63% used Internal social Media (ISM) in workplace such as wikis, blogs or internal community sites and it helped demonstrating innovation, stay connected with others and likely uphold company’s brand and reputation.

Gigi G. S. and Dr. P. Umarani (2013) stated that employees’ voices can be a very powerful medium across the various social platforms. Empowering and engaging them to speak on behalf of an organization can be a fruitful endeavour for both the company synergy efforts as well as its social strategy. Social media can be utilized as an internal communication tool to engage with both existing and potential employees, [Parry and Solidoro \(2013\)](#).

Shilpa Roy P (2013) states that Social Media Usage helps leaders share experience, provides opportunity to generate new ideas, people feel more connected and increases employee engagement. Bob Kelleher (2013) Social media is a huge engagement, staffing, retention, and

increasingly, branding tool, companies use social media to link both product and employment brand, and to get their customers to sing their praises or live their brand. Erin Dick, Manager (2011), of Health & Wellness discussed in Employee Engagement conference; that using social media and other leading-edge engagement strategies can drive performance, productivity and bottom line results linking social media and wellness programs to improve employee engagement.

Private (enterprise) social networking sites are IBM's Beehive and HP's Watercooler system Leonardi, Huysman, & Steinfield, (2013). IBM's Beehive is an enterprise social media for the use IBM employees. The site allows for employees to develop profiles, search for other people, interact with other employees by commenting on content, share content such as photos, and even RSVP to events organized through the site Lee & Xue, (2013).

The work of Michael Brzozowski in the year (2009), describes Water Cooler, a tool that aggregates shared internal social media and cross-references it with an organization's directory. They also deployed the WaterCooler in a large global enterprise and present the results of a preliminary user study which reveal that - WaterCooler changed users' perceptions of their workplace, made them feel more connected to each other and the company, and redistributed users' attention outside their own business groups.

APCO Worldwide and Gagen MacDonald jointly sponsored an online survey and found out that 63% used Internal Social Media (ISM) in workplace such as wikis, blogs or internal community sites and it helped demonstrating innovation, stay connected with others and likely uphold company's brand and reputation.

Social Media can also be thought of as the "media which is primarily used to transmit or share information with a broad audience, which social networking is an act of engagement as people with common interests associate together and build relationships through a community" Cohen, (2009); Hartshorn, (2010); Edosomwan, Prakasan, Kouame, Watson, & Seymour, (2011, p. 83). Social media is the system versus social networking which is the process of communicating Edosomwan, Prakasan, Kouame, Watson, & Seymour, (2011).

Conclusion:

In VUCA World which is fact paced where multimedia is much used in the workplace, engaging employees in transformation programs through traditional methods will no longer

suffice. Working population is more engaged with social media, companies must keep pace or lose a valuable opportunity to gain insight, innovation and feedback. Research and case studies have shown, the use of social media in change programs can play a vital role, not only in realizing the promise of major change initiatives, but also in creating a more engaged and productive workforce

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The comparative analysis of Textual vs. Visual electronic word of mouth effectiveness on purchase intention: An empirical evidence of Cosmetic products from India.

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MSRIT, Bangalore, India **Abstract:**

WOM refers to the process through which individuals, discuss their views about a particular product or thing which may be either positive or negative, depending on the experience the customer has about the product. WOM has major impact on the purchase decision made by the customer. Customers would prefer and trust WOM rather than, traditional or direct marketing. In the same way e-WOM refers to the process of conveying reviews by an individual through online platforms and they are regarded as most trustworthy sources of information. This research tells us how online reviews impact on the purchase decision of the prospect. It was also done to know if textual online review impacts more or visual online review. It was found that prospects trust online reviews and would make purchase decisions based upon the reviews.

Keywords: e-WOM (electronic- Word Of Mouth), online review, text only online review, visual online review, purchase decision,

1. Introduction

Various factors influence consumers at each stage of buying process. Marketers use their resources and communication tools to influence and persuade the consumer opinion regarding products and brands, but none of them is as influential as word of mouth communication from friends, family and existing users of product(e.g. Engel, Blackwell, and Kegerreis 1969; Katz and Lazarsfeld 1955). Scholars have commonly come to the conclusion that Word of Mouth has an impact on consumer behaviour, which has been shown in the areas of food service (Arndt, 1967), entertainment (Brown & Reingen, 1987), banking (Keaveney, 1995), clothing (Richins, 1983) and electronic products (Herr, Kardes & Kim, 1991). Word of mouth (WOM) refers to the process through which individuals, discuss their views about a particular product Earlier the influence of WOM was limited to close network and limited geographic area. But the extensive development in IT and Internet has enabled people to easily share their purchasing experiences with others as ecommerce websites & social network services are readily available for consumers in the online context (So-Hyun Lee et. al. 2013).

The internet has changed the balance of power between buyers and sellers in favour of buyer (Baye, Kattuman and Morgan, 2007). Until two decades ago, sellers had absolute power and they were controlling the market and usually had more information about the consumers

compared to the information consumers had about them (prices, locations, promotions and others). Various platforms on Internet have the important implication in marketing communication that information can spread quickly and widely throughout the network (Rodrigues, Benevenuto, Cha, Gummadi, & Almeida, 2011). One of the most important capabilities of the Internet in comparison with previous mass communication technologies is its bi-directionality (Dellarocas 2003). The word of mouth on Internet is typically known as electronic word of mouth (eWOM). The eWOM which occurs online is Viral in nature and also has impact on consumer behaviour. Marketers understand its significance but a deeper examination on how it effect purchase decision is desirable. The present study aims to understand the influence of eWOM on purchase intention in context of functional attitude displayed in the review. eWOM is becoming more popular and is gaining more trust as customers usually because of the believe that words of other consumers are more trustworthy, than companies, marketing and advertising. (Little, 2015).eWOM involves two kinds of reviews, first can be termed as ‘Text review’ (TR) and second is ‘Text with Visual’ (TWR) about product. TR refers to the review which contains only text, messages or words description which are expressed by the customers for a particular product, brand and company over internet. This kind of reviews does not contain any visual contents regarding the product and its appearance. But they only contain product description about its characteristics and information in the form of text. Where-as, TWR, contains visual contents (i.e., images, photos and videos etc) about the product along with text, its characteristics and description. This kind of reviews helps people get to know the quality of the product in better manner. The other aim of this research study is to understand are there any difference in influence of TR and TWR on purchase intention, in context of functional attitude displayed in review.

2. Literature Review:

This review helps us to know which kind of feedback impacts more on the customers (i.e., text-only online review or text-with-visual online review) and the response the company gets from this kind of feedbacks. It also helps to know if the review with only text has more impact or the review with visual content impact more, or if both kind of reviews, has the same impact. Not only this but this review lets us know which kind of consumers are supposed to be targeted (i.e., depending upon the response from different age groups, income etc).

2.1 Electronic word of mouth:

Electronic word-of-mouth (i.e., e-WOM) refers to the process of being available to many people at once via, internet. The reviews can be positive or negative about the product, depending on the customers experience with that particular product. This method of response given by the customers will reaches millions of people with in fraction of seconds. People from all over the world can review about the product features, uses and characteristics. Thus, it helps people by providing a clear picture and complete description about that product.

Where as in traditional word-of-mouth is the review is complete or is gone once the message is conveyed. It is not that effective as much as online word-of-mouth. Large number of

people cannot be reached at once. The review is usually given by the close circle people who include family and friends. The reviews available are limited. (Koponen, 2017)

Table 1: Difference between WOM and e-WOM:

Word-Of Mouth (WOM)	Electronic-Word-Of Mouth (e-WOM)
WOM refers to the process through which individuals, discuss their views about a particular product or thing.	e-WOM refers to the process of conveying reviews by an individual through online networking sites, social media etc.
This kind of communication and sharing information happens directly between individuals.	e-WOM happens online, when people tend to share their information about a particular product, brand or company.
Word-of mouth, happens with in the close circles i.e., between family and friends.	This kind of information or review sharing, happens between people from all over the world through online sites.
The information or reviews available are limited to an extent.	The information available is numerous and is not limited.
The time consumed by traditional WOM is more when compared to online WOM.	The time consumption is less in e-WOM as it reaches millions of people with in fraction of seconds.
In traditional WOM, marketer cannot know the consumers thought, regarding their product.	Where as in e-WOM marketer can keep a track of the reviews about his product and consumers response towards his product.

2.2 Text and Visual online review:

Text-only online review refers to the review which contains only text, messages or words which are expressed by the customers of that product regarding a particular product, brand and company. This kind of reviews does not contain any visual contents regarding the product its appearance or anything as such.

But they only contain product description its characteristics and information in the form of text. This kind of reviews impact on the customers buying decision process may be either positive or negative.

Where-as, text-with-visual online review, contains visual contents (i.e., images, photos and videos etc) about the product along with text, characteristics and description, given by the customer. Through this kind of reviews, people get to know the exact quality of the product

and would also get to know if the product is suitable for them or not. (Koponen Johanna, 2017)

2.3 Theoretical background -functional attitudes:

Utilitarian function:

This function aims at maximizing the rewards and minimizing the sanctions in the process of formation of people, and develops attitude towards a product, which either provides satisfaction or dissatisfaction.

Ex: If the utilitarian function has to be satisfied, the prospect has to read favourable product review which provides insight about the products characteristics and functions. Thus, a textual review provides more insight, about the functionalities of the product in detail, based on utilitarian function. Therefore, in utilitarian function textual review has a stronger impact on the purchase intention of the prospect, when compared to visual review.

Below is an example based on this review?

“I really enjoy wearing this product, as it makes my lashes look darker without making my lashes feel heavy, as well as keeps the lashes hydrated through-out the day and provides a complete smudge free experience.”

Therefore, the product will have a greater impact on the purchase intentions of the prospects in the cosmetic industry, when the reviews are text-based reviews, when compared to visual reviews.

Ego-Defensive function:

In this function, the prospect tends to protect their self-esteem and justify the actions that would make them feel embarrassed or prove them wrong. Thus, the prospect would not consider few truths about themselves and the environment around them. Further, this attitude helps the prospect to join the social groups in which people share the same kind of characteristics or behaviour.

Ex-: if customer satisfaction by the product review which touch their incentives or perceived flaws in same way the mascara products satisfy while purchase or make them believe they will feel better about themselves with the product.

Value expressive function:

This function is also called as, ego expressive-function which demonstrates the attitude, that enables the prospects to project who they are and hence provides satisfaction, for showcasing their identity and values with the external environment. When compared to other functions, value expressive function does not stop the prospects from projecting their true characteristics but helps them in expressing their positively inherited self image. The above statement makes it clear that, attitude plays a very important role, in representing once identity.

Ex: This mascara contains 90% of the ingredients which are organic and environment friendly. This mascara is also not tested on animals or humans which protect their rights which is very important. This is the best mascara I have ever tried.

Knowledge function:

This is the stage or function in which the prospect finds a meaning for his life through attitude. At this stage the prospect would be able to forecast his future actions i.e., what exactly is going to happen and thus, would be able to have control over, our lives. This process also gives a cut and clear picture about the product its uses and characteristics and thus helps in making decisions regarding the product. Therefore, due to all these above-mentioned reasons, knowledge function is said to be most functions out of all other functions.

Ex; this mascara makes my lashes look long, curly with a darker appearance making my eyes look beautiful at the parties and even after that. It lasts longer as the brush reaches the nook and corner of my lashes. I think this product gives a complete value for money. [Bachelor-Koponen-Johanna 2017].

And this paper tends to check which function is more effective and provides the best possible result regarding the online reviews.

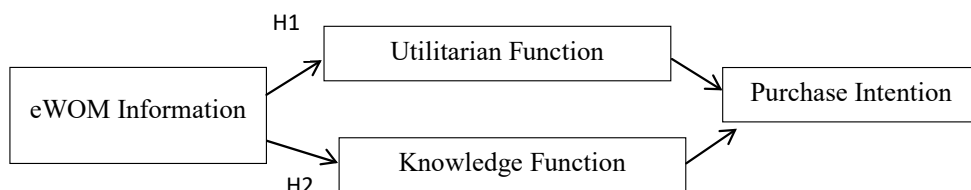
2.4 Overview of Cosmetic market in India:

Cosmetics industry is one of the oldest industries and in the recent era the growth in this industry is very rapid. And it is expected that in few years Indian economy would be the largest prospect in the cosmetic industry. As the demand for cosmetics industry is increasing year after year, there are many manufacturers, who are expanding their range of cosmetic products, as well as new entrants emerging in this field. There are many reasons behind this rapid growth of industry it includes, increase in the standard of living of people, increase in the purchasing power in the economy, improved fashion sense of the prospects etc.

The major support system for cosmetics industry is the media which includes mass media, print media, social media etc and is also playing an important role in providing information as well as creating awareness about the product as well as increasing fashion sense among Indian prospects. Not only this, but due to the development in technology and increased use of internet, it has become easy for the customers to be updated about the trending products in the market.

Not only this, but due to the improved cosmetic market in India, manufacturers are receiving orders from all over the globe, and the herbal cosmetics has a very huge demand in the foreign market. This shows us that the Indian cosmetic would be leading in another couple of years. [www.indianmirror.com].

Figure 1: Conceptual Model



3. Research Methodology:

The methodology used in this research, stand for the scientific process carried out during study. It defines the field in which the research is supposed to be conducted. The first step has been taken by doing a detail literature review. The author looked forward to understand whether there are necessary information and data available regarding the topic and further for analysis. The primary data collection of required information has been carried from various sources through structured questionnaire. The research instrument used in this study have been taken form Koponen Johanna, 2017, research work.

This research is descriptive study which aims to know the perceptions of eWOM readers about cosmetic product, thus it is targeted on female customers and finding their opinion about the same. Collection of primary data required proper sampling technique. The respondents are female consumer who buys cosmetic product online or offline after reading online review. Primary data refers to the data collected for the first time; it might be through any form, i.e., online survey, traditional survey or direct survey etc. But the method used in this research in online survey, with the use of google forms. The preparation of questionnaire and filling the data has been done through Google forms. Finally, analysis of the data gathered has been done. The link of the questionnaire was distributed through one of the social networking websites by convenience sampling technique. The questionnaire was designed with a 5 point Likert scale (viz, strongly agree to strongly disagree) in such a way that it conducted both text-only online review and text-with-visual online review and know which review impacts more on the customers decision making process. Further the data was analysed using Microsoft excel and the hypothesis testing was done with help of SPSS.

4. Findings and Discussion:

The study taken up to understand weather two-type of eWOM, that is, text review and visual review has similar influence on consumer or not. To present the finding firstly, respondent profile has been present in table below. Then data reliability results are presented by cornbach's alpha test results and findings are discussed thereafter with regression analysis.

Table 1: Demographic profile of the respondents:

Characteristics		Numbers (n=310)	Percentage
Age	15-20	23	7.419355
	20-25	153	49.35484
	25-30	91	29.35484
	30-40	43	13.87097
Education	Secondary education	13	4.193548
	Under graduate	99	31.93548
	Post graduate	171	55.16129
	PhD	27	8.709677
Income	Less than 4L	69	22.25806
	4L-8L	93	30
	8L-12L	114	36.77419
	12L and above	34	10.96774
Are you interested in cosmetic products?	Yes	173	55.80645
	No	66	21.29032
	Sometimes	71	22.90323
How frequently do you check online reviews of the product before making a purchase decision?	Daily	101	32.58065
	Weekly	119	38.3871
	Monthly	90	29.03226

Then data reliability results are presented by cornbach’s alpha test results and findings are discussed thereafter with regression analysis.

Table 2: Data Validity & Reliability Test

ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Rows	2661.862	309	8.61444	15.0037	0	1.140122
Columns	57.03935	19	3.002071	5.228683	9.37E-13	1.588277
Error	3370.861	5871	0.974154			
Total	6089.762	6199				
Cornbach's Alpha			0.886916			

In order to understand the impact of text and visual online reviews on purchase intention, an independent-sample t test has been carried. The data collected underwent the Cornbach's Alpha test and the result is 0.886 which is more than 0.7. This value satisfies the necessary requirement to conduct the hypothesis testing. The results are represented in table 3.

		Levene's test for Equality of Variance				
How likely		F	Sig	t	df	(2-tailed)
would you be to purchase the product after reading review	If, Equal variance	1.008	0.316	1.283	254 153.37	0.198 0.202
	If, not equal variance					

The above test intended that the form of eWOM has no significant influence on purchase decision. However, the results are significant at the alpha value of 0.10.

The data analysed the effect of visual and text based eWOM and the findings are presented as follow. The below mentions table represent that utilitarian function had a significant impact on purchase intention in the case of visual based reviews ($\beta=0,809$; $t\text{-value}=5,153$). In the case of text-based review, the relationship was not significant. Thus, the influence of utilitarian function was greater in the case of visual-based review.

Table 4: Coefficient, Utilitarian function

Coefficients^a

text vs. visual	Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
			B	Std. Error	Beta			Tolerance	VIF
text	1	(Constant)	3,448	1,419		2,430	,029	1,000	1,000
		UTIALL	-,034	,375	-,024	-,091	,929		
visual	1	(Constant)	-,245	,671		-,365	,721	1,000	1,000
		UTIALL	1,109	,215	,809	5,153	,000		

a. Dependent Variable: How likely would you purchase the product after reading the review?

The below mentioned table, presents the model summary table that the knowledge function has a significant impact on purchase intention in both text-based and visual-based reviews (Sig. F change < 0,05 in both cases). However, by comparing the two values, it is clear that in the case of visual-based reviews, the significance is greater.

Table 5: Coefficient, Knowledge function

Model Summary^b

text vs. visual	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
text	1	,521 ^a	,271	,219	,8908	,271	5,202	1	14	,039
visual	1	,796 ^a	,633	,607	,7123	,633	24,138	1	14	,000

a. Predictors: (Constant), KNOALL

b. Dependent Variable: How likely would you purchase the product after reading the review?

In the utilitarian function the hypothesis testing gives reversed results. In this the text-based review are non-significant where as visual based reviews were related to the purchase decisions. But in the knowledge function both the text-based and visual-based reviews significant. In both the functions the visual-based reviews had slightly more impact on purchase decisions made by the prospects. Finally, we can conclude.

Table 6: Summary of Research findings

Function or Form	Text-based	Visual-based
Utilitarian	Non-Significant	Significant
Knowledge	Significant	Significant

This review shows that the prospect trusts the online reviews given by others and would depend on them to make their purchase decisions as well as would influence their peers to buy the product. We have found in this study that the two type of eWOM has a significant impact on purchase intention in creating Utilitarian function and Knowledge function.

5. Conclusion

To conclude this paper, the current sections will incorporate the inference about the results and study. The principle discoveries of this examination have been presented that, visual e-WOM in online is significantly affecting buyer goal of purchase intention. Besides, there are contrasts between the useful characters like 'Visual and Text' showed in e-WOM for utilitarian function but not for knowledge function. The research contribute that the most important attitude is knowledge function which has influence from both text and visual based eWOM. Therefore, a conclusion can be drawn that consumers are mostly interested in getting information through eWOM.

The investigation also established that there is a need to understand other functions of eWOM as well which can be taken in future. Researchers can justify the findings of this research by studying it in different cultural context and different product category. Marketers can learn that they can enhance their eWOM marketing by further allowing customers to accompany real-life pictures with the text review about their product.

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Social Entrepreneurship as a catalyst & a Boon for the revival of Rural India

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Abstract

Villages comprise the core of Indian society and also represent the real India . it is for these villagers that we need to make sure we build a system that delivers basic social infrastructure in an effective manner. In order to ensure that the fruits of India's progress are shared by all sections of the society, the government has identified several elements of social and economic infrastructure, critical to the quality of life in rural areas. India now boasts GDP growth rates that far exceed those of other developing nations and are the envy of the entire world. Its rising middle class demands more than just bread. Food and agricultural operators based in India and abroad are responding to the country's demands with an array of high-quality food products that contribute to India's increasing nutritional requirements and add value to India's agricultural supply chain. However even today there are disparities of development between the rural and the urban sector. In spite of planning, however, the regional disparity remained a serious problem in India. The convergence postulates that when the growth rate of an economy accelerates, initially some regions with better resources would grow faster than others. But after sometime, when the law of diminishing marginal returns set in, first growth rates would converge, due to differential marginal productivity of capital (higher in poorer regions and lower in richer regions), and this in turn would bridge the gaps in the levels of income across regions. In order to overcome this problem of disparity Social Entrepreneurship is one of solution to this, This study focuses on the importance of rural sector to the GDP of Indian Economy, presence of Regional Disparity and how social entrepreneurship can become a means to overcome this problem.

Keywords: Rural Sector& its revival, Regional Disparity, Social Entrepreneurship

It is an accepted fact that rural sector forms one of the pillars to the overall economic development of India through agricultural and no-agricultural sub-sectors. However this sector has suffered adversely. Although it is known fact that the success story of Indian economy is spreading its wings towards India's districts and rural areas which accounts for over 65% of the nation's total populace. Currently, the rural sector of India is not only observing a massive increase in its per capita income but also in its expenditure and production.

Regional Disparity a major problem even today

The regional disparity in India is now a matter of serious concern. It is well known that in a large economy, different regions with different resource bases and endowments would have a dissimilar growth path over time. One of the reasons why centralized planning was advocated earlier was that it could restrain the regional disparity. In spite of planning, however, the regional disparity remained a serious problem in India. A new controversy in this respect is whether growth rates and standard of living in different regions would eventually converge or not.

Analyzing the regional disparities in India, it is revealed that there is divergent trend of per capita income among the major Indian states and there is no sign of either conditional convergence or unconditional convergence of per capita state income during last two decades. Applying the basic equation of unconditional convergence in Indian context it has been found that the speed of divergence in per capita state income of major Indian states is 1.80 percent over the last two decades. The growth analysis has revealed out the same trend of increasing disparity across the states. The rigidity of the states in holding their ranks in terms of per capita net state domestic product is also deciphered the finding from the growth analysis. Thus, the basic assumption of *neo-classical growth theory*, i.e., diminishing returns to capital is thus becoming doubtable in countries like India where divergence of growth is catching up. The policy implications of our analysis on intra and inter regional disparity suggests that *between-effects* of spatial disparities is significantly different from *within-effects* and therefore separate policies are required for states of separate income groups to reduce regional disparity. While rural-urban disparities and disparities between regions within countries need our utmost attention, newly emerging global trends can cause new disparities.

Globalization of the economy, the information revolution and the emergence of the knowledge society will profoundly alter social and economic conditions around the world and in the Asian and Pacific region. Knowledge will become the most important factor of production and in order to compete in the global economy, countries will have to improve their educational systems. Corporations will increasingly look at the quality of education of the workforce, the availability of qualified professionals and the level of research and development, before deciding on investments in a particular location. Employers may also be looking for employees, who are not well-educated, but have the ability for continuous learning and who can apply available knowledge to new situations. Entrepreneurship, flexibility and mobility will become highly valued assets. Not everyone will be able to participate in this new economy and a new disparity will emerge. Many refer to this disparity

as the “digital divide”, but it is more than a divide between those with access to information technology and those without such access. It is a divide between those with the appropriate knowledge, skills and attitudes and those without them. Per capita convergence or divergence *within* and *between* regions is a new controversy in development economics. Theoretically, new endogenous growth theories suggest cumulative advantage and increasing regional disparities over time, while neoclassical theories suggest that diminishing returns tend to produce convergence. The question of whether there is regional convergence or divergence is simple in the theoretical abstracts, but quite complex in empirical application. From the convergence theory it postulates that when the growth rate of an economy accelerates, initially some regions with better resources would grow faster than others. But after sometime, when the law of diminishing marginal returns set in, first growth rates would converge, due to differential marginal productivity of capital (higher in poorer regions and lower in richer regions), and this in turn would bridge the gaps in the levels of income across regions.

The empirical evidence on this is however very controversial. It has also been observed that when an economy is liberated, especially after controls on investment are lifted, then regions with better infrastructure would attract more investment, especially foreign capital, through market mechanism, and this in turn would lead to regional inequity, at least in the early phase of reforms. In India, the growth rate of gross domestic product (GDP) accelerated since 1980s. The average annual GDP growth rate in the first three decades (1950s to 1980s) was only 3.6 percent. During the 1980s, the GDP growth rate accelerated to 5.6 percent, and after economic reforms in the 1990s, it has further accelerated to 6.0 percent. The reforms led to a lot of structural changes in the Indian economy, such as, deregulation of investment – both domestic and foreign – and liberalization of trade, exchange rate, interest rate, capital flows and prices. The post reform period also witnessed a sharp deceleration in public investment due to fiscal constraint. At the aggregate level, the average share of public investment in total investment has declined from 45 percent in the early-1980s to about one-third in early-2000s. Although, there is very little information on investment at the regional level, the available indicators suggest that more and more investments are now taking place in richer states. The RBI data on capital flows show that four/five developed states have cornered the major chunk of foreign direct investment in India. The poorer states with inadequate infrastructure are not able to attract foreign investment. The poorer states are also investing less because

historically they mobilized resources for public investment mainly through grants and assistance from the Centre, which are now declining due to fiscal

Societies worldwide are urgently seeking innovative approaches to addressing social problems that have not been satisfactorily addressed by government or the market place. In search of new solutions, a growing number of social entrepreneurs are developing novel strategies that often combine the strength of both the for-profit and nonprofit sectors to achieve significant social change.

Social Entrepreneurship a Boon to Rural Sector

Having understood the fact that regional disparity has been and is a major social problem faced by Indian economy the solution to overcome this problem is by encouraging social entrepreneurship.

Insight to Social Entrepreneurship

Social entrepreneurship is the recognition of a social problem and the uses of entrepreneurial principles to organize create and manage a social venture to achieve a desired social change. While a business entrepreneur typically measures performance in profit and return, a social entrepreneur also measures positive returns to society. Thus, the main aim of social entrepreneurship is to further broaden social, cultural, and environmental goals. Social entrepreneurs are commonly associated with the voluntary and not-for-profit sectors, but this need not preclude making a profit. Social entrepreneurship practiced with a world view or international context is called international social entrepreneurship.

Definition of Social Entrepreneurship

Despite the agreement that social entrepreneurship is an emerging field, there exists no agreed upon definition (Austin et al., 2006, p.1). Many attempts to define social entrepreneurship start with exploring the term's use, going back to French economist Jean-Baptiste Say in the early 19th century, who defined an entrepreneur as a person who creates value by shifting "economic resources out of an area of lower and into an area of higher productivity and greater yield" (Martin and Osberg, 2007, p.2). Most influential was Joseph Schumpeter in defining the 'Unternehmer' (entrepreneur) as an innovative force for economic progress, important in the process of 'creative destruction' and therefore as a change agent, a term which is used in many modern definitions of social entrepreneurship.

While there are many different definitions of entrepreneur, the relatively new term social entrepreneur is even less clearly defined and often varies from country to country and author to author. One of the most widely cited definitions in the academic literature is the one from a renowned scholar in the field of social entrepreneurship.

A social entrepreneur is a change agent who:

- “Adopts a mission to create and sustain social values
- Recognizes and relentlessly pursues new opportunities to serve that mission
- Engages in a process of continuous innovation, adaptation, and learning
- Acts boldly without being limited by resources currently at hand, and
- Exhibits heightened accountability to the constituencies served and the outcomes created.”

Social entrepreneurs are individuals with innovative solutions to society’s most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. Social entrepreneurship refers to the practice of combining innovation, resourcefulness and opportunity to address critical social and environmental challenges. Social entrepreneurs focus on transforming systems and practices that are the root causes of poverty, marginalization, environmental deterioration and accompanying loss of human dignity. In so doing, they may set up for-profit or not-for-profit organizations, and in either case, their primary objective is to create sustainable systems change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps. Social entrepreneurs often seem to be possessed by their ideas, committing their lives to changing the direction of their field. They are both visionaries and ultimate realists, concerned with the practical implementation of their vision above all else.

Each social entrepreneur presents ideas that are user-friendly, understandable, ethical, and engage widespread support in order to maximize the number of local people that will stand up, seize their idea, and implement with it. In other words, every leading social entrepreneur is a mass recruiter of local change makers—a role model proving that citizens who channel their passion into action can do almost anything. Social entrepreneurs are drivers of change. Together with institutions, networks, and communities, social entrepreneurs create solutions that are efficient, sustainable, transparent, and have measurable impact. There are continuing arguments over precisely who counts as a social entrepreneur. The lack of consensus on the

definition of social entrepreneurship means that other disciplines are often confused with and mistakenly associated with social entrepreneurship. Philanthropists, social activists, environmentalists, and other socially-oriented practitioners are referred to as social entrepreneurs. It is important to set the function of social entrepreneurship apart from other socially oriented activities and identify the boundaries within which social.

The importance of social entrepreneurship

1. Introduction

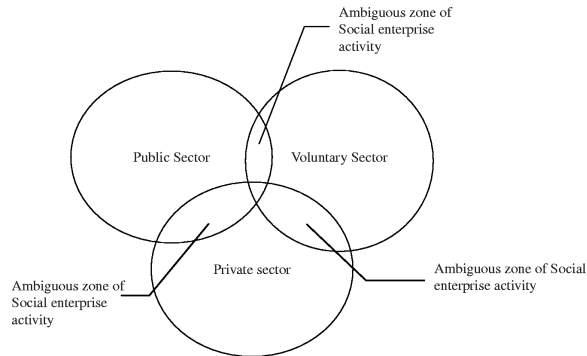
In the recent years there has been strong growth in the studies of social entrepreneurship on the level of business administration and microeconomics. This has been especially the case since Muhammad Yunus, founder of the Grameen Bank and a renowned example of a social enterprise, won the Nobel Peace Prize in 2006. However, the increase in academic interest has largely been confined to case studies or efforts to find a common definition of social entrepreneurship. What the current academic literature does not provide is a link between social entrepreneurship and economic development policies. How important are social entrepreneurs for economic development and what the policy implications.

After defining the term social entrepreneurship as dealing with organizations at the intersection of non-profit and business enterprises this essay analyses the importance of social entrepreneurship for economic development policies. It will be demonstrated in four paragraphs that the social entrepreneur sector is increasingly important for economic development policies because it creates social and economic values:

- (1) Employment development, especially significant for the disadvantaged segment of Societies;
- (2) Innovation and the creation of new goods and services, often for unmet social needs
- (3) Social capital, critical for sustainable social and economic development, and
- (4) Equity Promotion, in view of the addressing of the needs of disadvantaged people.

Noteworthy is also a shift in the focus of social entrepreneurs away from the non-profit sector, traditionally in charity and philanthropic activities, towards entrepreneurial private-sector oriented business activities. While some still see the social entrepreneur mainly in the non-profit sector, most of the studies in recent years highlight that the boundaries between

non-profit and for-profit vanish following diagram illustrates how the social-entrepreneur sector overlaps with the public, private and voluntary sectors



The more modern definition of social entrepreneurship incorporates the enterprise orientation with social objectives and social ownership, which means that the social enterprise is typically accountable to community stakeholders rather than financial investment shareholders “A social enterprise is any business venture created for a social purpose – mitigating/reducing a social problem or a market failure – and to generate social value while operating with the financial discipline, innovation and determination of a private sector business.”

Social enterprises lie at the crossroads between non-profit and business organization as shown in the following illustration of the spectrum of hybrid organizations that includes key features of different types of enterprises

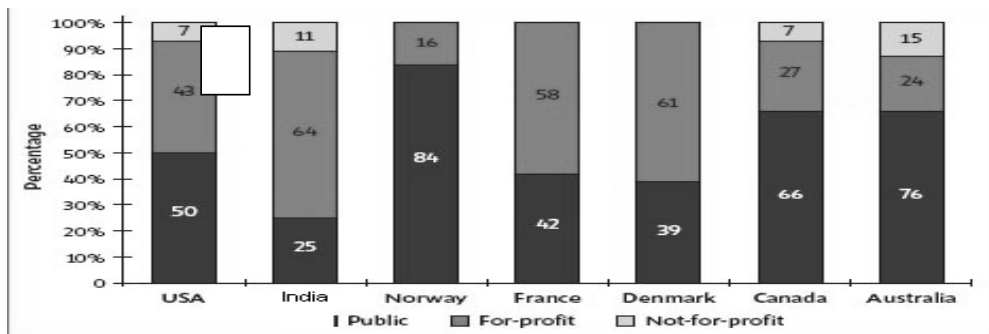


3. Creation of Social and Economic Values

The importance of entrepreneurship in general and social entrepreneurship in particular is often overlooked. This paper argues in the next four paragraphs that social entrepreneurship is important to economic development policies because it can play a vital role to the progress of societies and deliver vital value to societal and economic development.

A. Employment Development

The first major economic value that social entrepreneurship creates is the most obvious one because it is shared with entrepreneurs and businesses alike: job and employment creation. Although the academic literature does not provide recent data on how many people are employed in social enterprises in a multi-country context, a study on the percentage of people employed in the nonprofit sector in 13 countries can function as a proxy to illustrate that the number is significant. As figure 3 shows, it ranges from one to seven percent in the selected countries:



A second dimension of employment development is almost unique to social enterprises; social enterprises provide employment opportunities and job training to segments of society at an employment disadvantage, such as the long-term unemployed, the disabled, the homeless, at-risk youth and gender-discriminated women. Some social enterprises act as an “intermediate between unemployment and the open labor market”. Reintegration of disadvantaged groups into the labor market is both socially and financially beneficial for the community at large. In the case of Prof. Yunus and the Grameen Bank, the economic situations of six million disadvantaged women micro-entrepreneurs were improved.

B. Innovation / New Goods and Services

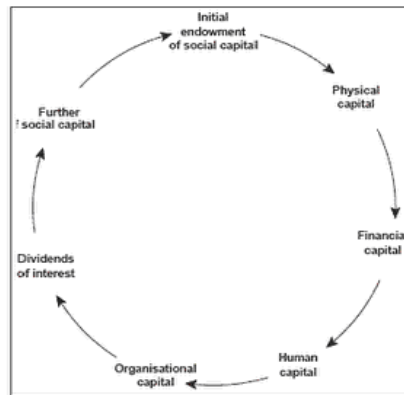
Social enterprises develop and apply innovation important to social and economic development and develop new goods and services. As the Organisation for Economic Co-Operation and Development (OECD) states, “social-purpose enterprises ... bring new responses to unmet social needs can be measured as the provision of new goods and services that are complementary to those delivered by the public and private sectors and accessible to a greater number of citizens”. Issues addressed include some of the biggest societal problems such as HIV, mental ill-health, illiteracy, crime and drug abuse which, importantly, is

confronted in innovative ways. An example showing that these new approaches in some cases are transferable to the public sector is the Brazilian social entrepreneur Veronica Khosa, who developed a home-based care model for AIDS patients which later changed government health policy. The OECD sees these new kinds of organizations as “hotbeds of ideas and experiments, and they are able to get innovative policies adopted at the central, regional or local government levels”.

C. Social Capital

Next to economic capital one of the most important values created by social entrepreneurship is social capital. Although the term social capital again is not clearly defined, it is usually understood as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition”, social capital is the most important form of capital created by social entrepreneurs because economic partnerships require shared values, trust and a culture of cooperation which is all part of social capital. As examples he mentions the success of the German and Japanese economies, which have their roots in long-term relationships and the ethics of cooperation, in both essential innovation and industrial development. The World Bank also sees social capital as critical for poverty alleviation and sustainable human and economic. It also mentions the Grameen Bank again, along with several other Asian examples, and concludes with the statement that “existent bonding social capital within groups has been reinforced by bridging/linking social capital catalyzed by social entrepreneurs”

The figure below illustrates the “virtuous circle of social capital”, starting with the initial endowment of social capital by the social entrepreneur. Building up a network of trust and cooperation and getting more partners involved enables access to physical (e.g. buildings), financial and human capital. Organizational capital is created, and, when the social enterprise is successful, more social capital such as in the form of a re-opened hospital is created:



D. Equity Promotion

Another aspect is that social entrepreneurship fosters a more equitable society which is an objective for most economic development policies. Complementing the equity promoting activities of public agencies and NGOs, social enterprises address social issues and try to achieve ongoing sustainable impact through their social mission rather than purely profit-maximization. Again Yunus's Grameen Bank and its support for disadvantaged women is an example of how social entrepreneurs support equity-promoting policies. Other examples include reintegrating disadvantaged groups into the labour market and providing affordable goods and services to the poor. For instance, the American social entrepreneur J.B. Schramm has helped thousands of low-income high-school students to get into tertiary education.

4. Economic Development Policies to foster Social Entrepreneurship

Economic development policies aimed at fostering social entrepreneurship include policies to foster entrepreneurship in general as well as policies specific to social enterprises. General policies include minimizing regulatory barriers, administrative and compliance costs and tax burdens, and ensuring functioning markets, competition, and the effectiveness of bankruptcy laws. Additionally, the three following policies that specifically consider the unique challenges of social entrepreneurship should be implemented:

- Firstly, the biggest difficulty for social enterprises is obtaining credit and sufficient funds, leading to a recommendation that special funding mechanisms should be developed.
- Secondly, best-practice exchange, the education of future leaders and continuous training should be supported by establishing centers for social entrepreneurship.
- Thirdly, regulation for social enterprises should be minimized and government incentive programs including tax incentives should promote the social-enterprise cause making the private sector more inclusive.

Characteristics of social entrepreneurs

Social entrepreneurs are often viewed as business entrepreneurs with a social mission. Peter Drucker stated, “The social entrepreneur changes the performance capacity of society”. Twentieth-century growth economist, Schumpeter characterized the entrepreneur as the source of ‘creative destruction’ necessary for major economic advances. Changing activities for the betterment of society remains at the heart of their mission. They also use their social mission to satisfy unmet problems.

The concept of leadership characteristics of social entrepreneurs is still an important area of debate. Leadership is a process whereby an individual influences a group of individuals to achieve a common goal. Some studies observed leader as a part of the group who controls the group structure and processes, others observed they are not a part of the group that is being influenced or worked with. They acted as an outsider such as Mohammad Yunus of Grameen Bank, Ella Bhatt of SEWA, Bill Drayton of Ashoka foundation, Richard Mawson and other social entrepreneurs of Asian context. This study considers all social entrepreneurs as leaders.

The study also observes similarities between the leadership of social entrepreneurs and business entrepreneurs. We can describe the leadership style of social entrepreneurs in developing countries as ‘facilitative’, with participatory development enabling villagers to take responsibility in decision-making. They work hard, sacrificing their employment, and some took a vow of celibacy, pledging to devote their entire life to the service of the rural poor. These facilitative leaders were concerned with the work and family life of their staff, their values, and culture, their growth as individuals and professionals. The villagers respected them as their ‘guru’ or master and also loved them as senior family members.

There are limited studies that highlight social entrepreneurs’ influence on social capital production.

Empowering /Reviving Rural India

The Empowering Rural India and its subsequent development are credited to a large extent upon the development of its 700-million strong rural population of India. The majority of Indian population lives in about 600,000 small villages and the main livelihood of this section of Indian population are primarily agriculture and its allied area.

The notable steps taken by the Government of India for Empowering Rural India are as follows -

- The allocation for Rural Infrastructure Development Fund to be raised to `12, 000 crore from `10, 000 crore.
- A separate window for rural roads will continue, with a corpus of `4, 000 crore.
- An additional irrigation potential of 2,400,000 hectares to be created, including 900,000 hectares under the Accelerated Irrigation Benefit Programme.
- The National Agricultural Insurance Scheme of India to continue for the 2007-08, with an allocation of Rs 500 crore.
- A weather-based crop insurance scheme will be introduced.
- To connect 66,800 habitations with population over 1000, with all modern metal roads.
- Total investment of `1, 74,000 crore envisaged under “Bharat Nirman”, investment on rural roads estimated to be at `48, 000 crore.
- `1, 800 crore has been allocated for a water recharging scheme that will offer a 100% subsidy to small Indian farmers and 50% to other farmers to encourage them to recharge water.
- A special plan is being implemented over a period of three years in 31 suicide-prone districts in four states, involving a total amount of `16, 979 crore. Of this, around `12, 400 crore will be spent on water-related schemes.
- To address the problem of poor availability and quality of certified seeds, the integrated oilseeds, oil palm, pulses and maize development program will be expanded with more focus on scaling up the production of breeder, foundation and certified seeds Government will fund the expansion of the Indian Institute of Pulses Research, Kanpur.
- Government to offer other producers to double production of certified seeds within a period of three years.
- The Indian Agriculture Technology Management Agency, now in place in 262 districts, will be extended to another 300 districts.
- The amount of fertilizer subsidy has been increased from `17, 253 crore to `22, 452 crore.
- The budget has also allotted `12, 000 to the National Rural Employment Guarantee Scheme.
- Amount of `2, 800 crore has been allocated for the Sampoorna Gramin Rozgar Yojana.
- To facilitate a corpus of `8000 crore to Rural Infrastructure Development Fund (RIDF).
- To construct additional 1, 46,000 Km of new rural roads and repair and modernize 1, 94,000 Km of existing rural roads.
- Allocation for promoting self -employment among the rural poor, has been increased from `1, 200 crore to `1, 800 crore.

- NABARD to issue government-guaranteed rural bonds to the extent of ` 5, 000 crore with suitable tax exemptions.A 31% hike in allocation towards the Bharat Nirman programme for upgrading rural infrastructure, from ` 18, 696 crore to ` 24, 603 crore, and a proposed ` 225, 000 crore for farm credit.
- A Special Purpose Tea Fund to rejuvenate tea production. Financial mechanisms for re-plantation and rejuvenation will also be implemented for coffee, rubber, spice, cashew and coconut plantations.
- To add to clean drinking water facility along adopt proper sewage mechanism.
- To engage faster electrification and telecommunication process.
- Increase number of rural health centers, with special focus on mother and child health care.

Conclusion

In summary, this essay has shown that social entrepreneurship is important to economic development and can play a vital role for societal and economic progress. After briefly outlining that social enterprises are hybrid organizations falling between the nonprofit and the business models, the fostering of four important values were discussed: (1)Employment development in the form of job creation and (re-)integration of disadvantaged people; (2) Innovative creation of new goods and services; (3) Broadly distributed social capital though socially institutionalized values such as trust and cooperation, and (4) Equity promotion by addressing the unmet needs of socially disadvantaged groups.

Therefore, social enterprises should be seen by government as a positive force, as change agents providing leading-edge innovation to unmet social needs. The recognition of Muhammad Yunus and the Grameen Bank with the Nobel Peace Prize 2006 for “their efforts to create economic and social development from below” is a first step towards recognizing social entrepreneurs. Economic development policies should foster entrepreneurship in general and especially when entrepreneurs take on social problems that the private for-profit and public sectors do not address or niches they overlook. Specific policy recommendations include the easier provision of credit as well as implementation of specific education and tax incentive programmes, along with policies that target the fostering of entrepreneurship at large, such as reducing regulatory burden and establishing working institutions and effective bankruptcy laws. Social entrepreneurship is not a panacea because it works within the overall social and economic framework, but as it starts at the grassroots level it is often overlooked and deserves much more attention from academic theorists as well as policy makers. This is

especially important in developing countries and welfare states facing increasing financial stress.

Social entrepreneurs can reproduce social capital and sustain the organisation if they follow the ‘enabling leadership’ style. The enable leaders developed the villagers’ social agency or organizational capacity or social capital so that they can sustain their organisation in the long run when these leaders withdraw. The villagers developed self-reliance under the enabling leadership. Associating with outside leaders in the villagers’ development activities is common in the Asian context and naturally the sustainability of these organisations poses a major concern to the development world. So this paper argue that the intervention of social entrepreneur could ensure organizational sustainability if they took enabling leadership style to assist the villagers.

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Change management- a case study on Nokia and Siemens Corporation

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Introduction

In November 2006, 250 executives from Nokia Networks and Siemens Communications got together in a room in Munich, tasked with hashing out the details of their impending merger. Nokia and Siemens already had a good idea of what the company would look like on paper: They would create a huge global company with strengths in both wireless and wireline telecommunications, leverage a massive international sales force and achieve economies of scale unavailable to either company so long as they remained network divisions of their parent companies. But NSN also would be the merger of two distinct corporate cultures. Bastions of engineering in their own countries, Germany and Finland, each had their own deeply ingrained identities and, yes, pride. The numbers aside, how would the new NSN function?

Attending that meeting was Bosco Novak, who would become the head of human resources for the new joint venture. The president of Nokia Networks and future CEO of NSN, Simon Beresford-Wylie, had asked Novak to take over the role in July, two days before the merger agreement was publicly announced. At the time, Novak headed Nokia's global services division and supervised a huge multinational organization – and also had an inherent cultural asset: He was a German who had worked for Nokia since 2000. But Novak had not a lick of HR experience and was puzzled by his boss' choice. But Beresford-Wylie explained that his role wouldn't be that of an ordinary HR manager. Novak would be responsible for crafting and implementing an entirely new culture at NSN. Novak accepted and five months later he and 249 other executives, managers and engineers were trying to figure out what exactly that new NSN culture would be.

The group managed to find several fundamentals that the two companies had in common: They both were Western European; they both had an ingrained engineering culture; and their employees also had a deep pride in being on technology's cutting edge and a feeling of making a difference in the world. But those cram sessions also revealed some profound differences, not just in their surface organizations but in how their employees related to one another and management and in their approach to problems. Most striking of those

differences was a sense of formality and structure in Siemens' culture, as opposed to a looser set of relationships and emphasis on flexibility at Nokia.

As this case is a brief example, there is not enough information to do a full case study analysis. However, you can do some thinking about the kinds of questions you might ask and the information you might need to answer those questions. For example, following the case, the reading poses four questions:

1. How does Novak at NSN create a new organisational culture?
2. Do differences between the cultures at NSN generate problems?
3. What might reinforce and sustain this new culture once in place?
4. How do new employees learn their organisation's culture?

For questions 1 and 2, what kind of information would help you answer these questions? Try to think of three or four ideas.

For questions 3 and 4, think about the reading you have done thus far in this course. What approaches might be useful?

Then write a short reflective note on the following questions:

- Why might this be a useful tool for analysing your own organisation? How do theories of organisational culture help you to think more clearly about your problem situation?

The NSN case illustrates how senior managers begin to promote the adoption of a new corporate culture. Managing the differences that arise, whatever their origins, can present considerable challenges for a manager. You can see that managers from these two organisations coming together from different cultures may perceive requirements for meeting their commitment to customer service, for example, in different ways. These influences can and do lead to differences in preferred methods of pursuing goals, as illustrated by NSN. National cultural influences may colour perceptions of what is important as well, as informed by the works of Hofstede and Trompenaars and Hampden-Turner.

The NSN case illustrates the distinction between organisational and corporate culture and shows how proponents of a strong culture argue for promoting a homogeneous and consistent corporate culture (which is realistic and important) rather than a homogeneous and consistent organisational culture (which they accept is unrealistic and unnecessary). So, for example, a company such as NSN can and should share a distinctive corporate culture across Europe, even though its managers will represent many different culture areas and have different

functional backgrounds. Managers and staff can behave and respond similarly in some respects, yet differ (perhaps considerably) in many other respects.

Many organisations, whether multinational or not, try to promote strongly shared guiding values such as customer service. Multinationals seek to embed such values to ensure that managers and workforce, irrespective of their diverse cultural backgrounds, pull in the same direction as they strive to achieve the same broad corporate aims and goals. Novak's task at NSN would be to arrive at new shared values and describe how these values are going to operate in the company. At the organisational level, the intention is not to suppress diversity of opinion about how best to achieve these aims and goals. It is stated that NSN has two very distinct differences, which imply a 'culture clash' and a challenge about whose culture will be adopted – which also has the potential to alienate the other group.

Stop and reflect

An organisation's culture, once established, rarely fades away – so how would Novak at NSN create a new organisational culture? Do differences between the cultures at NSN generate problems? What might reinforce and sustain this new culture once in place? How do new employees learn their organisation's culture?

The models that you have looked at thus far are useful tools for cultural analysis. Cultures may involve conflict as well as agreement, and divide just as much as they integrate. The new corporate values that managers attempt to promote through such methods may or may not become embedded in the organisation's culture in time. However, by creating behavioural expectations that accord with these values, managers help to generate the parameters within which initiative is exercised by those at lower organisational levels. They can perpetuate exclusions and inequalities just as much as a sense of belonging and identity. Attempts to force one culture on a group with very different values are fairly common, but may be counter-productive. A better understanding of why cultures differ, and of the value of such differences, may make such initiatives less likely, and remove much of the friction associated with working across cultural boundaries.

According to a Greek philosopher Heraclitus "there is nothing permanent than change". He believed that change is the core of universe. This quote describes the importance of managing change in human as well as organizational life.

A structured approach to transfer organization, its people and processes from current state to a desired future state is called change management. This process gives employees the ability to accept changes in the existing environment of the business. Change can be of different type for example, change in technology, operations or strategies etc. company needs to implement individual strategies to cope with each type of change.

Organizations need to change and adopt dynamic survival strategies to stay alive in uncertain political, social and economic environment (Hiatt and Creasy, 2003). All environmental factors present in the nature experience change on continuous basis. Human nature resists change, so managing that resistance requires well planned change management strategies.

This report is aimed at describing the importance of change management for organization its motives and objectives, change management processes, how company can involve all the stakeholders for successful implantation of change management and the strategies that an organization can adopt to implement the successful change.

Reasons for adopting change

Organizations need change for the following reasons:

- To respond to the rapidly changing environment
- To improve the overall performance of the company
- To rapidly respond to the customers' demands
- To improve the effectiveness and efficiency
- To increase the employee performance
- To create the best practices inside the organization and setting standards for the industry
- To improve profitability and return on overall investment

Change management is needed for organizational survival. So the company should adopt to change management techniques in order to maintain its worth in the industry.

Importance of change management

In a study 327 project managers had responded to the question that “if you had a chance to do it again, what would you do differently?” Most of them responded that we will implement an effective change management program planned way before starting the project. This study highlights the importance of change management in an organizational perspective. Change management moderates the risks that can cause failure (Jeff and Creasey, 2003).

The change management process

Change management is being studied by the philosophers, researchers and business experts for many years. A number of change management theories, approaches and philosophies are developed by psychologists and management professionals to implement successful change in the organization (Paton and MacCalman, 2008). There are three phases of change management i.e. preparing for change, managing change and reinforcing change. Preparation for change phase includes assessment of change capabilities and capacity and developing a strategy that fit to those capabilities. Second phase i.e. “managing change” phase includes processes like planning and implementation of strategies made in the first phase. Last phase which is the reinforcement of change includes the processes like collection and analyzing of feedback data, finding out gaps and coping with determined degree of resistance from inside and outside the organization and taking corrective actions to successfully conclude the change management process (change management learning center, 1996-2011).

According to “Lewin’s 3 step model”, change is “episodic” i.e. it can be easily planned into three stages:

1. “Unfreezing
2. Changing
3. Freezing

Managers at Coca Cola Company can motivate workforce in the “unfreezing” stage by informing them about the vitality of change being planned in context of organization benefits. Training to the staff members can make them more adept at accepting the transformational stage.

In the “changing phase” the company can initiate practical steps with regard to the strategic plan for change. It can be achieved by developing strong relationships and offering rewards.

“Refreezing” phase allows Coca Cola Corporation to make recently innovated change a part of their strategy so that workforce does not get back to the previously used operational methods of the organization (Robbins and Coulter, 2008).

Conclusion

To conclude, it may be said that communication can be a key element to successful change management. Communicate the changes to the employees; tell them why the change was inevitable and how they will benefit from the change. The management should itself adopt a

positive attitude towards the change so that employees can follow their lead and welcome the change. Nokia as a company has a heritage of embracing change rather than resist it and it should translate into their future endeavors towards change management to ensure that the organization is best poised to market under all sorts of environmental conditions.

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**“Challenges & opportunities faced by the banking industry
to sustain in the vuca world”**

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Abstract:

Throughout the past decades we find numerous terms in the popular business press and academic literature that refer to an increasing inability to grasp the world and deal with the things happening around us. Examples include uncertainty, turbulence, rapid change, dynamism, disruption, complexity, hyper-competition, high-velocity markets and flux. For a couple of years, the notion of "VUCA" is gaining popularity as a term to cover the various dimensions of this 'uncontrollable' environment. In various posts and articles, we read, about a "VUCA World" and what does being and leading in a VUCA world really mean? This paper study impact of VUCA on banking industries, the changes the banking industry is undergoing to sustain and grow in the VUCA world.

Key words: VUCA, uncontrollable environment, banking industry etc.

Introduction:

VUCA, which stands for volatility, uncertainty, complexity and ambiguity, was originally a military term coined by the US at the end of the Cold War. Today it has metamorphosed into a description of the current global

economic situation in which countries and organizations find themselves. VUCA has become a framework within which several emerging ideas of strategic leadership have surfaced. It describes the state of business, political, societal and ecological world. The world is experiencing a crazy spin of events because too many uncertainties have plagued in. Most organizations exist by adapting to complexities and by behaving flexible because they operate in multiple countries. We are seeing new trends in organizational structures seemingly evolving as fast as they can. Multinationals need to fight tough competition given by local players. Developing economies neither are behind the developed ones, nor show signs of competing with them. Emerging markets are different; they appear backward in some ways and advanced in others.

VUCA is an acronym. It stands for Volatile, Uncertain, Complex and Ambiguous.

Volatility - Volatility refers to the speed of change in an industry, market or the world in general. It is associated with fluctuations in demand, turbulence and short time to markets and it is well-documented in the literature on industry dynamism. The more volatile the world is, the more and faster things change.

Uncertainty - Uncertainty refers to the extent to which we can confidently predict the future. Part of uncertainty is perceived and associated with people's inability to understand what is going on. Uncertainty, though, is also a more objective characteristic of an environment. Truly uncertain environments are those that don't allow any prediction, also not on a statistical basis. The more uncertain the world is, the harder it is to predict.

Complexity - Complexity refers to the number of factors that we need to take into account, their variety and the relationships between them. The more factors, the greater their variety and the more they are interconnected, the more complex an environment is. Under high complexity, it is impossible to fully analyze the environment and come to rational conclusions. The more complex the world is, the harder it is to analyze.

Ambiguity - Ambiguity refers to a lack of clarity about how to interpret something. A situation is ambiguous, for example, when information is

incomplete, contradicting or too inaccurate to draw clear conclusions. More generally it refers to fuzziness and vagueness in ideas and terminology. The more ambiguous the world is, the harder it is to interpret.

In practice, the four terms are related. The more complex and volatile an industry is, for example, the harder to predict and therefore more uncertain it will be. Yet, all four represent distinct elements that make our environment - the world, a market, an industry - harder to grasp and control.

There are five current inter-related mega-trends that contribute to considerable uncertainty in policy formulation, if not implementation. These are: geopolitics, climate change, technology, unconventional monetary policy/regulation and creative destruction.

The mainstream macro-economic theory, on which orthodox economic policies are formulated, have completely ignored many of these mega-trends or at least have assumed that these remain stable. It is therefore not surprising that conventional macro-economic theory, which ignored (or at least assumed away) the rise of the financial sector through leverage, growing social inequality, climate change, demographics, dramatic shift in technology and cumulative radical uncertainty, have not been helpful in predicting the global financial crisis, let alone help provide viable solutions.

Former Fed Chairman Ben Bernanke, also a distinguished economist, showed great confidence in economics: Economics is a highly sophisticated field of thought that is superb explaining to policymakers precisely why the choices they made in the past were wrong.

The first radical uncertainty facing central bankers is geopolitics, because we have entered into a new phase of geopolitical rivalry of grave uncertainty, of which Brexit and the Turkish failed coup are events or signals that indicate that the global order as we know it for the last 50 years is changing. The underlying trend in geopolitics is the irreversible shift from a unipolar world to a multipolar world where there is almost no consensus on what to do with emerging global

challenges, such as terrorism and territorial conflicts and no single power is strong enough to impose order. Power has shifted to both new states and non-state players where borders written during the colonial era are rapidly disappearing.

Until recently, mainstream macro modeling basically ignored global warming as an important factor in projections, until ecological scientists warned that continued carbon emission is changing our climate. Advanced countries' central bankers had the hubris to claim the period of strong growth and low inflation, the Great Moderation, was due mostly to their "excellent" central bank skills. With all due respect, the low inflation was mostly due to the combination of improvements in global productivity, increased supply of consumer goods from emerging markets and moderation in food prices arising from improved harvests, following good weather with fewer natural disasters.

We do not need ecological scientists to warn us that we are already feeling the impact of global warming, as evidenced by the unpredictable scale of recent storms and droughts. The risks of climate change disturbing the delicate food security balance and sparking off inflation in emerging markets before spreading rapidly to advanced markets are not zero. Inflation is normally a monetary phenomenon, but central bankers have created the conditions whereby inflation will return not incrementally, but drastically due to a climate change event. This is a scenario that emerging market central bankers cannot ignore, even though G4 economies do not suffer any immediate inflation threat due to excess savings outside G4.

Thirdly, unconventional monetary policy has already breached the theoretical boundaries of negative interest rates, where no one, least of all the central bankers that are pushing on "a piece of string", fully appreciate how negative interest rates is destroying the business model of finance, from banks to assetmanagers. Negative real interest rates reward borrowers and impose a financial repression tax on savers, thus widening the prevailing income and wealth inequalities.

Fourthly, income and wealth inequality is certainly increasing everywhere, as the work of Thomas Piketty has vividly demonstrated. It is the sense of insecurity of

the middle and working classes that they are disengaged, marginalized and the fear that they will lose jobs to immigration and technology, become impoverished by expensive health care and inadequate retirement benefits, that makes they turn to extremist politicians and religious radicals for comfort and solutions. Polarization breeds social unrest that kills the context of stability for growth. Managing social inequalities to counter-balance the propensity for modern capitalism to concentrate economic and political power in the hands of small elite is necessary in the modern age. No country has as yet a good solution, but the alternative is revolution or collapse of the social compact.

Fifthly, technology and its spread throughout the world through the Internet, has brought wondrous opportunities and new inventions like bio-technology, artificial intelligence, virtual reality and robotics. Science and technology thrust less than 50 million people in Europe and America into the first industrial revolution in the 19th century⁸. In the 21st century, more than 1 billion people in the emerging markets, of which 250 million from Indonesia, are entering the middle-class with access to global science and technology. In my view, the next Industrial Revolution will be driven concomitantly by new inventions and discoveries in the developing countries. As Bapak Habibie has eloquently expounded, emerging markets like Indonesia can leapfrog the problems of the Middle-Income Trap through new technologies, but that requires new governance mindsets and new development models. Of course, technology is not without its risks, in areas such as loss of jobs, genetic accidents, cyber-attacks or techno-terrorism. Technology disrupts traditional industries, and those disappearing industries will lead to lost jobs, large non-performing loans and assets that will lose value. Creative destruction impacts on central banks because they need to provide liquidity to finance the transition.

There is a uniform call for fiscal stimulus, but there is also caution due to a growing debt overhang and also voices calling for fiscal austerity. Even though there is considerable pressure on cooperative efforts to increase investments in infrastructure as a way to increase global aggregate demand.

Challenges of Central Banking under VUCA

First and foremost, if you cut through the details of monetary and stability objectives, central banks basically help the market players make better-informed decisions by reducing uncertainty from the market environment. It is not the technical tools that we should be considering as a matter of priority, but the process of discovery under uncertainty, experimentation, communication and coordination of adaptation to new and challenging conditions.

Best Fit, not Best Practice

The first issue to consider in "following the leaders" is to accept that they are themselves in trouble, and their tools may be very different from ours. This is why we need to switch from "best practice" to "best fit". The complexities of Basel III fit very advanced, complex banking systems. Emerging market banking conditions fit Basel III in terms of broad principles, but the priorities of implementation of complex issues are clearly different, because the costs of imposing very complex and costly rules and processes on relatively simple banks are quite high. Moreover, quantitative easing tools are available to reserve currency economies, but not to emerging market central banks, because that would lead quite quickly either to higher inflation or pressure on the exchange rate. Emerging market economies are both price takers and rule takers, not yet price or rule makers.

Focus on the Real Economy, not just Finance

The second mistake that advanced country central banks made was to focus on their immediate targets (price stability) without paying enough attention to what the real economy was doing, especially arising from disruptive technology, concentrations from oligopolistic behaviour, social inequities etc. Indeed, following the advanced country banking model to minimize risks by only lending to large corporations and mortgages deprived lending to SMEs and also encouraged real estate bubbles and speculative activities.

Central bankers at all levels must be trained to understand that their job is not just to focus on finance, but on how the system as a whole is working or not. Finance is

only sustainable if the real economy is healthy and broadly balanced, not if finance wins at the expense of the real economy. Central bankers need to understand how the real economy works, the complex inter-relationships between supply chains of production, logistics, distribution and interaction between the retail and powerful oligopolistic producers. Because central bankers understand finance better, they can examine these relationships more objectively and can give valuable input to fellow regulators, ministry of finance, national planners and even local governments.

No country can be an island – globalization will continue because it benefits everyone. But we need to manage the downsides of globalization better. What this means is that the modern central banker needs to move away from specialist “silos” to become more system-wide thinkers and doers. This implies that we have to go back to basics and will have to work with many different players in the economy to understand how the system works. In this complex, inter-connected and inter-dependent world, the central bank is a team player and partner in development. Central banks cannot be a silo that is independent from the others.

Communicate before Cooperation/Empowerment

By being system-thinkers and player, the central bank needs to build trust and partnership with its stakeholders. If there was one thing that central bankers learnt from taking center stage and the onerous burden of independence, it was about communications. As Ben Bernanke and other G4 central bankers realized, central bank powers are delegated and can easily be taken away or compromised politically. Hence, central bank autonomy rests on credibility, professionalism and integrity, all of which require very delicate communications with the stakeholders, namely, the public, the legislature, media and the government.

When the central bank was accountable to the minister of finance, the minister answered to the legislature for all policy decisions. But when independence was given to the central bank to undertake the narrow area of monetary policy, the central bank became answerable in many ways to the legislature, which make the burden of transparency even more complicated than ever.

As G4 central bankers discovered, explaining technical subjects like monetary policy to experts and professionals is difficult enough, explaining this to politicians and the public in terms that they can understand is even more difficult. Former Fed Chairman Ben Bernanke put it as follows in his new book: “Rapidly changing communications technologies – first, twenty-four-hour cable television, then blogs and Twitter- seemed not only to have intensified the scrutiny but also to have favored the strident and uninformed over the calm and reasonable, the personal attack over the thoughtful analysis.”

Furthermore, increasingly, the top central bank leaders will have to engage the public through more speeches and town-hall type engagements to provide two-way feedback – an explanation of what central banks do for the public and to listen to their views on what is happening at the grass-root level. Such 2-way communication is important to dispel misperceptions that the central bank operates in an ivory tower. It will also minimise the risk of central bank policies generating unintended consequences while also building better public buy-in of its policies.

Conclusion

Man created institutions to deal with uncertainties; and the central bank is exactly such an institution. There are no fixed formulae for fighting crises or sudden shifts in the environment, but there are processes which can be put in place with the people who are trained and have shared values and outlooks.

But just having an effective central bank is not enough. In this complex environment of systemic shocks, working with different stakeholders is a precondition of policy effectiveness. Emerging market central bankers should learn the common lesson from advanced market unconventional monetary policies – it is easier to become the “only game in town” than to exit such liquidity traps. Furthermore, any mistakes can easily lead central bankers to become the “only scapegoat in town.” Systemic problems need systemic solutions – no silver bullets, simply hard work cooperating together.

At the geo-political level, given the huge uncertainties from geo-political tensions, especially in the Middle East, it is important to forge closer cooperation within the East, South and South-east Asian economies – still the fastest growing region in the world – to enable our own growth to develop, in an environment of peace. Without growth, there are no resources to deal with income and social inequities at the sector and geographical levels. And growth cannot be achieved in a state of constant social unrest from global warming or man-made conflicts.

In sum, central bankers as the constant gardener or steward of monetary and financial stability, with old tools and new high-tech tools. But the objective of managing an environment of price, monetary and financial stability and working continually to get rid of weeds, provide liquidity and growing talent, whilst strengthening the conditions for development, needs stamina, professionalism and will power.



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