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OD Interventions for Voluntary Organizations: A Strategic Framework

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Abstract

Organizational development (OD) has been used successfully by professionally managed corporate houses to induce change. However OD as a strategy for NGOs and voluntary non-profit organizations has yet to be established. The paper proposes a simple model for designing OD interventions in voluntary non-profit organization. The paper also defines an innovative concept of OD Interface which is the epicenter of any OD intervention in case of non-profit organization.

Keywords: Organization Development, Voluntary Organization, NGOs

Introduction

The past decade has seen a rapid growth of interest among policy makers and researchers in what have been variously termed 'NGOs', 'non-profit' and 'voluntary' organizations in both the developed and the under-developed countries (Smillie, 1995). Of late, with the increase in the diversified areas in which the voluntary organizations operate, there has been considerable interest in the application of traditional management techniques to manage changes in these organizations. Developmental NGOs, political parties, trade unions, self-help groups and the likes are various types of not-for-profit voluntary organizations. The number and prominence of such organizations are growing quite rapidly.

In order to enhance the effectiveness of the organization and wellbeing of people, some changes are required to be injected in the organizational system in non-profit sector. Organization development (OD) (French, 1969) is a behavioral science approach for the same. Organizational development (OD) refers to systematic, planned change. It is not an easily

definable single concept. Rather, OD is a term used to encompass a series of changes in structure and systems of the organization by way of psychotherapeutic counseling sessions with groups and individuals, undertaken in response to changes in the external environment that seeks to improve organizational effectiveness (Beer and Walton 1987). All types of organizations need changes that include not-for-profit voluntary organizations as well. Not-for-profit organizations differ from for-profit organizations in many ways. It creates different types of challenges as the organizational members are non-paid for their services rendered to the organizations (Brown and Covey, 1987). Voluntary organizations are supposed to work for the benefits of others or to serve some cause or ideologies and not just for the organization itself.

Theoretical Background

OD is a top-down program aimed at improving an organization's ability to solve problems and renew itself. As the technique percolates down from the top, humanistic & behavioral factors become the core of the subject (French, 1969). OD interventions are typically carried out with the consultation of an external expert. An OD consultant's role includes assessment, feedback, and action planning (Ramos, 2007) followed by actual intervention and evaluation. The consultant suggests OD interventions after assessing processes and structures in the organization (decision, behavioral and communication) and giving feedback on the status quo. OD intervention strategies commonly involve human process based, techno-structural, socio-technical and organizational transformation strategies (Mullili & Wong 2011). It is similar to performing an action research as intervention (Srivastav A. K., 2011). Action research (Frohman et al., 1976) involves action followed by a research. It makes action research as the core of OD.

The intervention techniques do not always show positive results. Three reasons have been attributed to this. First, OD values do not fit into all organizational cultures. Second, many OD endeavors fail because the change agents do not understand the politics of change. And third, OD has ethical implications (Robbins, 1991). On the basis of the arguments stated above, a clear understanding of a voluntary organization is needed as any OD technique without understanding the uniqueness of such an organization would be futile (Brown & Covey, 1987). Lord Beveridge's (1948) definition states that "a voluntary organization, properly speaking, is an organization which, whether its workers are paid or unpaid, is initiated and governed by its own members without external control".

From the above stated definition of Lord Beveridge, a voluntary organization is characterized by the lack of control from external agencies such as the government, auditors, administration etc. Control here does not mean that these organizations are above law. It simply implies that they are not subjected to such scrutiny or regularization as is done to usual companies. A study group on voluntary organizations set up by the British Institute of Management defined voluntary organization as institution whose primary purpose is not to make a profit for distribution to their stakeholders but to fund the achievement of some more idealistic objective (Robinson, 1994).

Generally, voluntary agencies and non-official organizations are treated as one and the same. This may not be so. All non-official organizations are not necessarily voluntary. Voluntary

agencies are spontaneous in their origin, whereas non-official organizations may be government sponsored. A unique feature of voluntary organization is that it stimulates voluntary action among the served community and progressively involves enlightened individuals belonging to the served community in the higher echelons of its decision making (Sundram, 1986). Voluntary organizations are normally seen as the third sector. Whereas governmental organizations are regarded as first sector and private business organizations are regarded as the second sector. Research on third sector organizations can be classified into three categories; namely 'civil society', 'social movement' and 'non-profit sector'.

According to planning commission, government of India, a voluntary organizations (VOs) /Non-Governmental Organizations (NGOs) include organizations engaged in public service, based on ethical, cultural, social, economic, political, religious, spiritual, philanthropic or scientific & technological considerations. VOs include formal as well as informal groups, such as: community-based organizations (CBOs); non-governmental development organizations (NGDOs); charitable organizations; support organizations; networks or federations of such organizations; as well as professional membership associations (www.ngo.india.gov.in).

Further it says that VOs / NGOs should broadly have the following characteristics:

- They are private, i. e. separate from Government;
- They do not return profits generated to their owners or directors;
- They are self-governing, i. e., not controlled by government;
- They are registered organizations or informal groups, with defined aims and objectives.

In India a Voluntary Organization / Non-Governmental Organization can be registered as Trusts, Societies, or a non-profit company, under section-25 Company of the Indian Companies Act, 1956.

Depending on the approaches they adopt and the priority they give, voluntary agencies have been classified into following seven categories by Singh (1984):

- a. **Charity:** giving food, clothing, medicine, alms in cash and kind, land, buildings etc.
- b. **Welfare:** providing facilities for education, health, drinking water, roads, communication, etc.
- c. **Relief:** responding to natural calamities and disasters such as floods, earthquakes, drought relief, as well as man-made calamities such as gas leakage, refugee influx of wars etc.
- d. **Rehabilitation:** continuing and follow of the work in areas struck by calamities and starting activities durable in nature.
- e. **Services:** building up of infrastructure in depressed and backward areas. Tractor hiring services, providing or facilitating credit, supply of seeds, fertilizers, technical know how, etc.
- f. **Development of socio-economic environment around human beings:** socio-economic transformation on area basis covering all people in a given area or concentrating only on a particular group of people normally neglected and in need of help.

- g. Development of human beings:** conscious raising, awakening, raising conscience, organizing, recording of priorities to suit social justice, redeeming the past and opening doors to opportunities to the oppressed and exploited.

Approaches (a) to (f) are related to delivery system and (g) is related to receiving mechanism. Often, a voluntary organization provides its service in more than one area mentioned. In light of the above mentioned, it is important to distinguish voluntary organizations with regards to its functioning, environmental, socio-cultural effects and also the areas of operation and study them in terms of their implications in designing of an OD intervention which suits the organizational anomalies.

Some of the important issues that are related to designing of an effective OD technique for voluntary organizations are being stated bellow.

Direct and continuous contact with the public administration machinery

In India most of the major voluntary organizations are either working as a part of a large government project or are being coordinated with the help of government machinery. Various ministries/departments/government bodies provide and sanction grants to VOs/NGOs under different schemes listed in the NGO-PS (www.ngo.india.gov.in). This is a major issue in designing OD techniques, as any change on the part of the voluntary agency will affect the dyadic relationship between the public administration system and the organization. Moreover, any attempt of organizational change, without taking into consideration the effect it will have on the level of public administration most closely associated, is bound to fail. For e.g., if a voluntary organization engaged in afforestation program introduces job enlargement of a worker without making the officials aware of the changes and also without imparting required training to the officials involved. There exists confusion that in the long run, can hamper the objectives of the organization. On the contrary, the involvement of government officials is neither direct, nor so important in case of conventional organizations. In most of these organizations, there is a little impact on the external environment when the changes are at the organizational level.

Non-Profit Motive

Voluntary organizations usually have social motives behind their objectives and they run as 'non-profit making' organizations. And even if they make profit, it is reinvested for the furtherance of the cause of development. However, conventional organizations or second sector organizations have distinct profit motives. This helps in assessing the cost and related benefits to any OD that takes place. In case of voluntary organizations especially involved in the delivery system type of activity, it is important that the outcomes are more attune to the objectives that the organization is striving for, rather than purely being it on cost criteria. So it can be argued that non-profit and social motive affects the approach towards outcome evaluation of any OD intervention in the volunteer organizations.

Social effect

All organizations operate in a social setup and have to function inside the social parameters. However, in case of voluntary organizations the social effect on its functioning is most pronounced. If we try and look at the functions of the voluntary organizations in a broader perspective, then they are agents who are trying to bring 'change' in the larger social setup. In other words, they are trying to market social benefits to the people who, in this case, would be their consumer/client group. And in designing of any OD intervention or technique the socio-cultural implications and the effect it will have on the target group has to be understood. In case of conventional organizations also the above holds true to a large extent. However, the parameters in which they have to operate are more defined and are not subject to interpretations as in the case of voluntary organizations. The geographical areas in which these operate usually have closed social setup, i.e.; they have their own traditions, culture and even laws. Hence, all these social factors are to be considered.

Organizational Structure

Organizational structure plays a very important role in designing of OD interventions. Conventional organizations have better defined hierarchies and power structures vis-à-vis voluntary organizations. Voluntary organizations generally have a more fluid organizational structure. Developmental organizations need local discretion and flexibility to function; they tend to be more loosely organized than the commercial organizations (Joseph, 2000; Lewis, 2003). This gives rise to a flatter structure. For OD intervention, flatter structures are more favorable than vertical for at least three reasons (Robbins 1991). First, it provides economic benefits by widening spans of control and cutting the number of vertical levels.

The organization reduces overhead costs because of fewer managers. Second, fewer vertical levels improve communication. Third, wide span of control typically results in employees having greater autonomy, since managers cannot directly oversee their subordinates as closely. From the arguments stated above, structural interventions are favorable for voluntary organizations. However, in a highly decentralized structure accountability and responsibility always pose a problem. Flexibility in the structure of voluntary organizations is accompanied with other challenges like high role ambiguity and lack of clarity about roles and procedures (Goldman and Kahnweiler, 2000; McDonald, 1999) and poor communication across different sections and programs (Ramos 2007).

Clients directly involved in functioning of the organization

A unique feature of voluntary organization is that it stimulates voluntary action among the served community and progressively involves enlightened individuals belonging to the served community in the higher echelons of its decision making (Sundaram 1991). This makes it very important that the change forces which are involved also have positive influence on the served community, as eventually, the individuals who are involved in the decision making are also coming from the served community. In other words, we may say that all OD intervention techniques should actively take into considerations the social, demographic and cultural forces that are operating inside the client community. In case of conventional organizations the clients do not have direct involvement in functioning of the organization. Hence, the focus of all OD

interventions tend to be inside the organization and the output is measured quantitatively in terms of organizational effectiveness.

Lesser control over the employees

Generally in the case of voluntary organizations employees/volunteers depend on their personal source of income for survival and they invest their own time (Shin, S. & Kleiner, B. H., 2003). They want that their time should be used properly. They seek greater autonomy and less organizational control in their work (Mirvis & Hackett, 1983; Nair & Vohra, 2011). Under such circumstances organizational ideology and leadership play an important role for the OD intervention in voluntary organizations (Nair & Vohra, 2011).

Further, volunteers' satisfaction, commitment and motivation play a crucial role in getting things done from the volunteers. It highlights the role of communication and leadership in the successful implementation of the OD intervention program in the organization as communication (Ramos 2007) tends to be a lax area for volunteer organizations. Monitoring system to get the feedback of volunteers' performance needs to incorporate such considerations in their designing.

Review of Literature

Very little literature is available on OD practices in voluntary organizations although the same is widely used in context of other organizations of profit motive (Kellock et. al. 2001; Bargal & Schmid, 1992). Since voluntary organizations are not compelled by the need to make profits or be answerable to external market forces in the form of shareholders. Voluntary organizations therefore inherently have a degree of organizational freedom and are possibly more inclined to pursue soft HRM practices rather than the hard policies that are more consistent with 'bottom line' objectives (Cunningham 1999).

Voluntary organizations play roles of supporter, advocate, champion (often for individuals), groups or species that cannot adequately represent themselves. In short, they are caring organizations. The corollary of this is that the organization's values should underpin the relationship with their employees. This will place an emphasis on employee communication and involvement and restrain managerial actions that are seen as purely calculative or authoritarian (Batseeler, 1995).

In community development theory, reference is often made to Rothman and Tropman's (1987) work, which presents three "pure" types of community practice (although none exist) and shows what various organizers often assume as they plan and go about their work. Amongst other insights, it demonstrates how change might be understood as "top-down", "bottom-up" and "within" or "side-to-side". Thompson and Thompson (1990) model demonstrates that communities can be viewed as systems and subsystems which are based on some degree of co-operation and consensus on societal goals, norms and values. The system is more than the sum of its component parts, including the relations that connect them. Change in one sector usually implies responses in other parts of the system. However, change that begins with one sector may take a long time to affect the entire system. For change to occur in the system

as a total whole, the desired change must become a part of each of the parts, including the political and economic spheres.

Expected Outcome of a Successful OD Intervention

Any OD intervention that an organization is subjected to whether voluntary or conventional method tends to improve upon the existent state. Improvement can be in terms of output organizational efficiency, culture, employees' morale or any other thing that is related to the organizations working. DD Warrick has defined ten positive results to be expected from OD (Warrick 1984).

- i. Improved organizational effectiveness (increased productivity and morale, more effective goal, planning and organizing, clear goals and responsibility, better utilization of human resources, and bottom line improvements)
- ii. Better management from top to bottom.
- iii. Greater commitment and involvement from organizational members in making the organization successful.
- iv. Improved team work within and between groups.
- v. A better understanding of its organization and its teamwork.
- vi. Efforts to develop a work climate that encourages creativity and openness, provides opportunities for personal growth and development, and rewards responsible and healthy behavior.
- vii. Efforts to develop a work climate that encourages creativity and openness, provides opportunities for personal growth and development, and rewards responsible and healthy behavior.
- viii. A significant decrease in dysfunctional behavior.
- ix. Increased personal and organizational awareness that improves that increases the organization ability to adapt to a continuously changing environment and to continue to grow learns and stays competitive.
- x. The ability to attract and keep healthy and productive people.

Designing OD intervention for voluntary non-profit organization

As it has been mentioned earlier that OD intervention for voluntary organization has to be considered the external factors as being a part of the domain of the change agents who are involved in the OD process. The steps that are to be taken in the designing of OD technique for voluntary organization are:

Premising

The first step would involve the proper premising of all the external and the internal factors that may be affected or effect the change that follows the OD intervention. However there is a practical problem to an exhaustive premise. Firstly, it may enlarge the domain so much that it might become unmanageable; secondly the measurement of output would also pose certain problems, as outputs would vary from one factor to another. It is proposed to select a list of factors and let the employees of the voluntary organization rank them. This will help us in focusing on key areas. Some of these key areas may be:-

Inside the Organization

- a. Hierarchical relationship inside the organization.
- b. Peer group relationship
- c. Pay and remuneration
- d. Promotion and personal policies
- e. Power centers in the organization

Outside the Organization

- a. Identifying the key government organization / official directly effecting the functioning of the worker/ organization.
- b. The cultural social and demographic state of the community.
- c. Key personalities of the served group.
- d. Intragroup hierarchies of the group that is being served.

Identifying the Communication Network

Identifying the communication network within the voluntary organization is the next and also one of the most crucial in designing of OD Intervention. The importance of communication network in the organization can be attributed to its immediate effect on organizational learning (Michaelova and Sidrova, 2011), which is at the very plinth of any successful OD intervention. Voluntary organization do not have a very highly structured organizational hierarchy, hence communication network vary greatly from organization to organization. Identification of the communication network not only makes one understand the flow of information in the organization but it will also help in identifying the unofficial leader of the group. According to its function the voluntary organizations may show distinct communication network.

Some organizations based on their communication network identified by Vardman and Halterman (1968) are:

Social Network

This shows the interaction pattern between members in, say, a fertilizer cooperative or a milk-cooperative. Although most of the members are members of a larger organization, there are two outsider involved. In this social net it is apparent that P3 (P stands for person) is the leader even though the team contains others with higher official statuses. This is a classical network for voluntary organizations, where most of the members are from the community and are involved in a common livelihood.

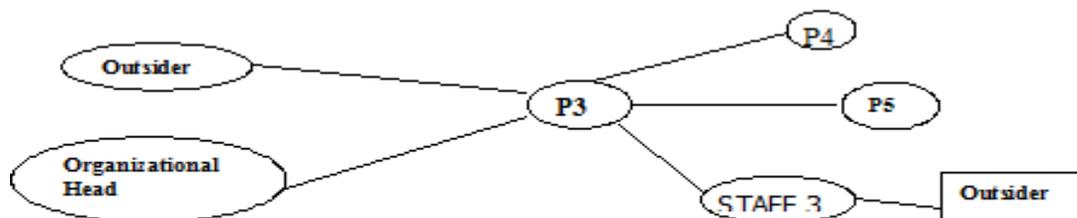


Fig 1(a) Social Network:

A specialist network

Here is shown the interaction pattern between members who are say Doctor or an external expert in the larger organization. However the common contact with the outside professional organization implies a greater allegiance. Importantly the connection provides for the transaction between the larger organization and others. Here staff 3 appears to be the leader. These types of communication pattern are often exhibited by voluntary organizations involved with relief work or the health system.

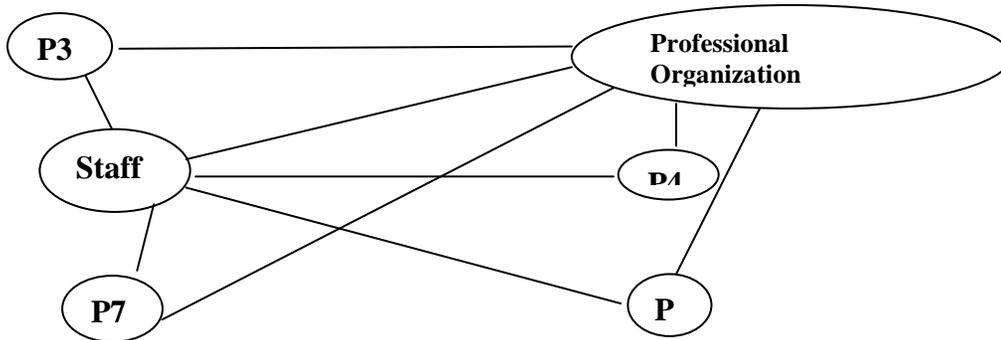


Fig 1 (b) A specialist network

A problem solving network

Here is shown an interaction pattern between a problem solver and others who have a contribution to the problems solution. It is apparent that staff2 is the leader or the problem solver and that he is soliciting from and directing others including some outsider contacts and the organizations administrative head. Voluntary organizations involving state-machinery such as Village development Officers and Local level administrative officials exhibit this communication network.

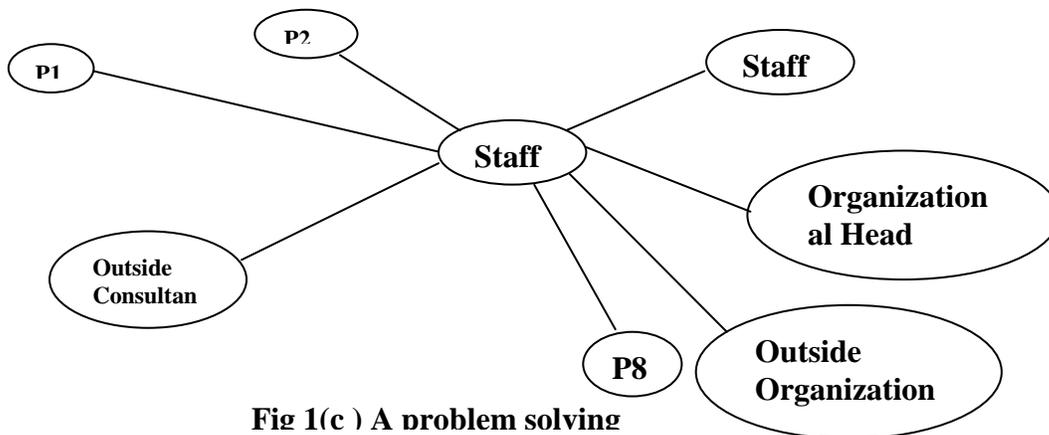


Fig 1(c) A problem solving

Deciding the OD interface

OD interface is the area where the voluntary organization comes in contact with the social, administrative and the cultural environment of the served community. This interface may be single level or multi-level e. g. a voluntary organization involved in rural health care has to

interact with the district medical authorities as well as the village level workers and the gram panchayat. The Interaction can be seen as follows:

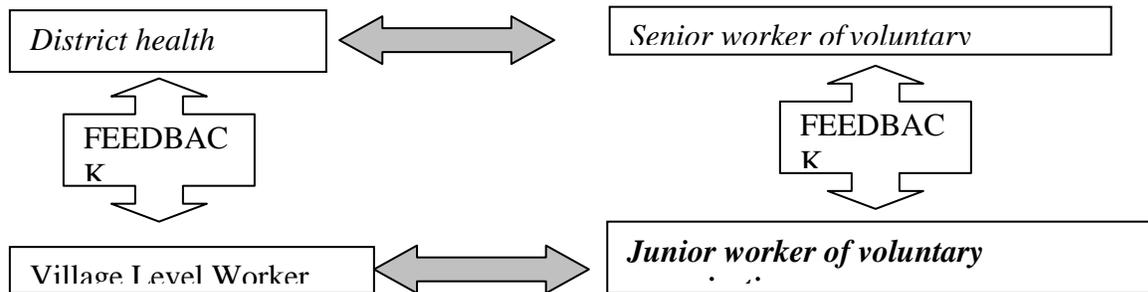


Fig 2: Worker interaction in the OD Process

In this case an OD interface is created at the senior worker level as well as at the junior worker level. While designing an OD intervention one must keep in mind all the levels of OD interface, as change in one level may bring about an imbalance in the other level. To elaborate this we can imagine a flexible time schedule suited to have greater interaction between the senior levels, but the junior level has a fixed time schedule. This may pose some serious coordination problem creating confusion. OD interface is one of the most sensitive areas for OD intervention. The obvious question would be, how much of the organization should be considered for the OD intervention. Consider the level that is in direct contact. E.g. If the OD intervention involves the junior worker level consider only the level having direct interaction with the level. (Incase of the example of district health administration there would be three people involved with the junior worker level i.e. junior level worker, village level worker and the senior worker of the organization).

Preparing the OD interface for intervention

The next step in designing of an OD intervention technique would be sensitizing the OD interface for intervention. For this conventional tool such as education and communication, participation, facilitation and support, negotiation, manipulation and co-optation etc. may be used. While preparing the OD interface for intervention we must keep in mind that the fine fabric or relationships that are existent should not be disturbed i.e. the purpose of sensitizing the OD interface is not to bring about a direct change in the working relationship but it is meant to smoothen the application of the OD intervention that is brought about inside the organization. A clear and defined objective also needs to be conveyed to the members of the OD interface. This will not only help in improved relationship but will also help the interacting organization and community to understand what to expect from the voluntary organization.

Assessing the state of the system and the level of managerial activity required

The state of a system determines the amount and the kind of intervention to be taken. Problem definition, Communication capability, and managerial competence are the three basic variables to be weighed in determining the whether any administered organization requires adjustments (Vardman & Halterman 1968). Problem definition has been made when the objective of the

voluntary organization are formed and desired output from the organizational system been thought of. Identification of the communication network will give the communication capability of the organization.

Finally the managerial competence is the variable which needs to be assessed in this step. Whether the analyst sees an organization as a collection of networks or as a hierarchy of systems managerial problem solving is of prime concern. For the manager (as an allocator, problem solver) enjoys membership in the problem solving network. Hence it is important that a proper assessment of the managerial capability is known. Managerial competence basically depends on the sensitivity of the manager to the environment around him. This sensitivity is called intelligence. In a voluntary organization a manager's intelligence is further conditioned by his education, experience and training in a way that should improve his on the job potential. But these potentials until made real by action are only attitudinal. There is no test of "how well the manager performs". That is reflected in his observational skills. And regardless of all he must meet the organizations demands – demands of peers, supervisors and subordinates (Thompson 1959).

Defining a control and feedback system

The final step in designing of the OD technique would be the control and feedback system. After the OD technique has been assessed it has first to be seen what the centers from which feedback can be taken are. The difference between the feedback system of a voluntary organization and a conventional organization is that Outputs of voluntary organization are hard to quantify. Since the voluntary organizations have such close relationship as well as the involvement of the individuals of the served community as members of the organizations, that any feedback system without the involvement of this client group would not give the total picture. The public administration has to be considered while setting up the control and the feedback system as they are the agency who are coordinating and sometimes acting as the staff agency to the voluntary organization.

Obviously keeping the above in mind it would be hard to keep a highly structured control system. But any flow or inefficiency in the feedback may result in detrimental results. So a strategic surveillance system has to be designed which will monitor a broad range of events inside and outside the organization. The basic idea behind the strategic surveillance is that some form of general monitoring of multiple sources should be encouraged.

Dynamics of OD intervention implementation in voluntary non-profit organization

It can be seen from the diagram for any voluntary organization (fig. 3) the OD intervention instead of acting on just the organization has a domain that besides including the organization with its various change centers also includes the 'highly involved' elements of the external environment which forms the OD-interface. The OD interface here acts as a semi-permeable wall which although defines the organizational boundary however permits the free flow of information, men, material, instructions, people and ideas. This OD interface continuously interacts with the organizations change centers and the OD technique also influences them. The output, in the proposed model, which is measured, is taken from the whole of the OD

domain instead of just the organization as in the case of more conventional organizations. Now the feedback coming from a few defined centers is also taken from each element of the OD intervention domain as well as the output after it has been compared with the objectives. In this case also both internal & external elements are considered as per the model.

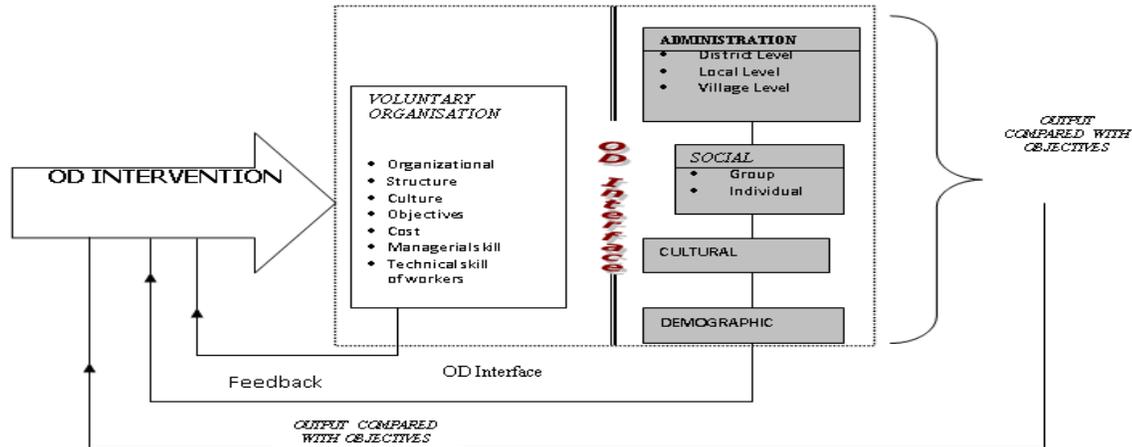


Fig 3: The OD intervention for

Conclusion

Voluntary organizations take resources from the entities existing outside the organizational boundary. Further groups served by them also lie outside the organization that generally are not the resource provider, but certainly can affect the abilities of the voluntary organizations to achieve their objectives. Also, it is possible that volunteers working for the organization may not be a member of organization, neither they would be from the served group or from the resource provider group. This creates a challenging situation as far as OD intervention techniques are concerned. It is plausible that OD intervention techniques for voluntary organizations have various considerations that lie external to the organization. This is one of the most crucial factors and it also gives rise to the need of designing specialized OD intervention techniques for voluntary organizations.

The important thing to note here is that OD intervention for voluntary organization instead of being only organization centered are more directed towards the OD interface. Understanding OD interface is important as they mediate the impact of OD interventions on external entities that in turn affect the organizational performance. Essentially, the OD interface here acts as a semi-permeable wall which although defines the organizational boundary however permits the free flow of information, material, instructions, people, ideas and specialized opinions too. Understanding the semi-permeable nature of the OD interface is important to manage any interventions properly. The elements standing closest to the interface need to be managed to play the role of moderator of the intervention. Also, elements that move in and out of the semi-permeable boundary needs to be included as the elements of OD interface.

The fluid and flexible structure of voluntary organizations, where performance of major operations and activities extend beyond the organizational boundaries, call for such OD

intervention model which covers the whole process. The idea of OD intervention for voluntary organizations, which is less explored area, needs more investigations in order to explain the phenomenon of interventions. The conceptualization of “OD interface” in the proposed model provides for resolving the challenges arising out of typical characteristics of the voluntary organizations. The model can serve as a foundation for further exploration by a researcher in the area of OD intervention in voluntary organizations.

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A Study of Determinants of Training Effectiveness in Kedah State Development Corporation

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Abstract

Training is the process of providing employees with specific skills or helping them correct deficiencies in their performance (David, 2010). This study, combining theoretical and empirical research, tries to find factors that help in improving training effectiveness. The study has been conducted at the Kedah State Development Corporation. However, the findings have wider implications in Malaysia as well as other countries.

Keywords: Job performance, Skills, Training, Work environment

Introduction

Employee training is an essential element to increase efficiency and improve job performance. Training is the process of providing employees with specific skills or helping them correct deficiencies in their performance (David, 2010). For example, new equipment may require workers to learn new ways of doing the job or a worker may have a deficient understanding of a work process. In both sides, training can be used to correct the skill deficit. Training is focus on the current job, the scope of training is on individual employees (Robert, 2010). It is also job specific and addresses particular performance deficits or problems. Training tends to focus on immediate organizational needs and fairly quick improvement in workers' performance. It strongly influences present performance levels.

A fundamental objective of training is the elimination of performance problems or improvement of job performance. To be successful, a training program must have clear stated and realistic goals (David, 2010). These goals guide the program's content and determine the criteria by which its effectiveness can be judged. For example, management cannot realistically expect that one training session will make everyone an accounting expert. Such an expectation guarantees failure because the goal is unattainable. If the goal is to improve specific skills, the training needs to be targeted to those skill areas. In contrast, the company's

training goal may be to provide employees with a broader understanding of the organization (Luis, 2010).

Research Objectives

The research objectives are:

- To determine the influence of training types on training effectiveness in Kedah state development Corporation Company.
- To determine the influence of training environment on employee's training effectiveness in Kedah state development Corporation Company.
- To determine the influence of work environment on employee's training effectiveness in Kedah State Development Corporation.
- To determine the effect of employees' personal characteristics (age, gender, marital status, education level and length of working in current job) on training effectiveness in Kedah state development Corporation Company.

Understanding of Training Effectiveness

In this dynamic and ever changing environment, organizations both public and private must increase the importance on employees' learning and development of skills. This shows that put investment in employee training program can bring employers a favorable return but rarely is the effectiveness of this expenditure assess. Studies suggest that many training and development activities are implemented on blind faith with only the hope that they will yield resist (Arthur, Bennett, Edens & Bell, 2003, Broad and Newstrom, 1992; Robinson and Robinson, 1989). Seldom are training programs rigorously evaluated to determine their effect on the behavior or job performance of participants. One of the more optimistic estimates suggests that no more than 15 percent of learning transfers to the job (Cromwell and Kolb, 2004).

Other studies of transfer rates find they typically average only in the 10 to 40 percent range (Baldwin and Ford, 1988; Burke and Hutchins, 2007; Fitzpatrick, 2001; Ford and Kozlowski, 1997). Therefore, it is important to explore methods to encourage transfer of learning in order to achieve greater training impact on human resource practices. Previous studies (Mayfield, 2011) suggested that training effectiveness is a good predictor of employee training. This association suggests that when employee have been trained in a training program, the training effectiveness is likely to be followed by job behavior (Pelham, 2009). Previous studies also suggest that demographic variables such as age, degree held, and experience were related to training impact in some studies (Devins, Johnson and Sutherland, 2004). The focus of previous work has been on the relationships between training effectiveness and employees' demographic variables.

Trainee Personal Characteristics

A variety of trainees' personal characteristics have been studied in relation to transfer of learning during the training program. The related personal characteristics that figure out with the age, gender, marital status, etc. are trainees' self-confidence and belief in his or her ability to successfully acquire and transfer the target skill (Gist, Stevens & Bavetta, 1991). For

individual training effect, age (Hill, 2002); gender (Chou, 1994; Elizabeth, 2002); marital status (Dewberry, 2001) is also important factors. In the study, these variables as control variables to be more, rather than the independent variables to be studied. The results of these studies is that for the training guide, training, which should be fully taken into account the individual's personality characteristics and psychological interaction between the demographic variables of the training process. This interaction makes the training process more complex.

Elizabeth (2002) in her study found that young, highly educated women are more vulnerable than other women. Obviously, training produces a virtuous cycle of career development effect. Trained adult women tend to retire later, suggesting that a more knowledgeable and more wealth to more career women in skills, the ability to stay longer in the professional community. Chou (2001) found that gender and learning style and cognitive style will interact and affect the training methods on the role of training effectiveness. Study also found that gender training methods may also directly regulate the relationship between performance and training. Elizabeth (2002) found that some women show a unique "train track" (training track), they will continue to follow the trainer and receive continued.

Trainees with a high degree of education level tend to be more motivated learners and accomplish more (Chiaburu and Marinova, 2005). A direct access has been established between efforts to build the self-confidence of learners and the likelihood of their using skills on the job (Salas and Cannon-Bowers, 2001). This is one of the reasons for investing in good training program and preparing trainees for training. On the other side, understanding the objectives of the training, its relevance to individual and organizational needs and expectations for application can greatly improve learner motivation (Montesino, 2002). Assessing individual needs and providing good environment for training can also have a positive effectiveness on human resource practices among employees in the firm. This is because a better skill among employees is achieved through their personal characteristics. Besides, trainees' ability to improve his or her performance through training (Salas, Rozel, Mullen & Driskell, 1999) program itself. Sutherland (2009) found variation on training impact level based on the length of work experience.

Types of Training

As in the companies in Malaysia, training for technical and non-technical workers in the organizations under study is mainly job rotation (Hooi, 2010). Though alternatives to training were suggested, the implementation of these programs is still in the infant stage and has yet to achieve desirable results. The types of training and alternatives to training base on the firm needs are also relevant to the employees' job performance.

The local company places little emphasis on training needs analysis and provide training mainly for replacement purposes. Chew (2005) and Yong (2003) argue that local firms with less interest in skill enhancement, approach training on a needs basis and limit learning to job specific training. Management in local organizations does not expect employees to commit to lifelong learning especially in new technology and employees do not regard competence enhancement a passport to career advancement. Training and development focus on

technical knowledge and skill training with little emphasis on social and intercultural skills and competence development (Rowley and Abdul-Rahman, 2007). The studies show that it is not evidence relationship between the training impact and the types of training. Training type affected firm performance (Devins, Johnson, & Sutherland, 2004; Kitching & Blackburn, 2002; Eraut et al., 1998). According to Kitching & Blackburn, (2002) employees in the smallest organizations are more likely than those employed in the largest organizations to have gained a qualification.

Training Environment

Training environment includes: training facilities, site layout, sound lighting, hardware environment, classroom climate, student involvement of the soft environment. Therefore, only the training of managers and trainers work together to create a better learning atmosphere and environment (Martin, 2010; Ford, and Weissvein, 1997). Training environment have an effect on training effectiveness on human resource practices among employees.

Work Environment

Work environment includes such factors as managerial support, peer encouragement, adequate resources, opportunities to apply learned skills, technical support, and consequences for using training on-the-job (Burke and Hutchins, 2008; Colquitt *et al.*, 2000; Kontoghiorghes, 2001; Lim and Morris, 2006; Rouiller and Goldstein, 1993; Tracey *et al.*, 1995). Research has shown that removing barriers to application in the work environment is so important that training opportunities should be turned down by employees if proper follow-up support is not available (Rossett, 1997). Employees have been trained after training program, they should relate to their current job performance and also the behavior of the job. Managers can show support for training in a variety of ways ranging from simply allowing employees to attend the training to participating in the training itself as an instructor (Birdi *et al.*, 1997; Brinkerhoff and Montesino, 1995; Broad and Newstrom, 1992; Burke and Baldwin, 1999). Supervisors signal whether the training is to be used and how quickly changes are expected. A supervisor who does not view the training as useful or relevant can easily undermine application in a variety of direct and covert ways. A supportive organizational climate is also communicated by how the work is designed and skill application rewarded.

Peer support enhances learning transfer through the feedback, encouragement, problem-solving assistance, supplemental information, and coaching provided to trainees (Facteau *et al.*, 1995; Hatala and Fleming, 2007) and may have a stronger influence on trainee transfer than supervisory support (Gilpin-Jackson and Bushe, 2007). In summary, behavioral changes following training will be short-lived without activities to support transfer towards work environment. The most important variable for the purpose of this study is "Training effectiveness" which have an effect on both of organizational needs and individual needs in the company. The independent variables are: 1.types of training (technical or non-technical); 2. Trainees' personal characteristics.(age, gender, marital status, level of education and length of working in current job).3.training environment;4.work environment.

Research Hypotheses

This study aims to investigate relations between organizational factors which towards training (types of training, training environment and working environment) and individual factors which towards trainees on trainees' personal characteristics (age, gender, marital status, education level and length of working in current job) with training effectiveness. According to our frame work the following hypotheses are formulated.

H1: Types of training between technical training program and non-technical training program will affect training effectiveness.

H2: Training environment will affect training effectiveness.

H3: Work environment will affect training effectiveness.

H4: Trainees' personal characteristics (age, gender, marital status, education level and length of working in current job) will affect training effectiveness.

Methodology

A detailed study was undertaken by set of activities. Systems of models, techniques were used to find the results of the research problem. In this study, applied research was used. The researcher tried to solve an ongoing problem within some organizational framework by introducing training models and observing the results of training effectiveness. In the preliminary stage, the literature on this subject was examined. As a quantitative study, conclusions were based on the questionnaires distributed to respondents.

This study aimed at determining the relations between independent variable organizational factors towards trainings (types of training, training environment ,working environment) and individual factors towards trainees (personal characteristics: age, gender, marital status, education level ,length of working in current job)and dependent variable (training effectiveness on human resource practices). The findings and the conclusion of the study solely depend on the utilization of the statistical data collected.

In order to increase an academic knowledge in conducting a research, the researcher proposed to use questionnaires as a method for collecting data information. The questioners were used for gathering information about the training and its effectiveness (organizational factors toward training program and individual factors toward trainees) on human resource practice. The following section explains the instrument applied in this research. The unit of analysis for this study is employees in Kedah State Development Corporation. Before the study was carried out, initial contacts with targeted company (KSDC) were made on April 16, 2011 by formal letter whereby a sample copy of the questionnaire was attached. As a result of these contacts, HR manager of Kedah State Development Corporation agreed to participate and permit other employees to participate in the study.

Population is the target group. The population considered for the study is finite and it includes all employees of KSDC i.e. 120 people. Sampling unit: The sampling unit is the basic. The sample size chosen this study was 92 employees in KSDC Company. It was considered that 92 employees adequate to represent the total population of KSDC. Primary data are the first hand information from the respondents. The researcher considered structured questionnaire

while collecting primary data. In this, field study was done, which aims at discovering the relations and interactions among variables.

Secondary data are the published data from KSDC, Books, Online journals, Publications by KSDC, Journals, magazines, websites, etc. The questionnaire is one of the main tools for collecting data from the respondents. The questionnaire consists of four sections. First section asks the demographic information of respondent (gender, age, marital status, education level and etc.). Second section contains 15 items that measure training effectiveness. In the third section there are 8 items towards training environment. The last section contains 6 items on work environment. The rating scale from 1 (strongly disagree) to 5 (strongly agree) was used.

Data Analysis

Various statistical methods will be used to analyze the data that we will collect from the respondents. In this study, the researcher used The Statistical Package for the he latest version (2008) of the Statistical Package for the Social Sciences (SPSS 16.0) will use for the statistical analysis. All the items and variable was coded before entered to the employee. In this study, the responses and information collected from the survey was tested using statistical techniques such as frequency distribution and descriptive statistics, correlation analysis by using the reliability test. Frequency distributions were obtained for all the personal data or classification variables.

The frequencies were computed to analyze respondents' profile .Such like frequency analysis use for the respondent's demographic factors of gender, age, and education level, length of working in current job. Besides, Pearson Correlation Analyses were used to examine the relationship between independent variables and the dependent variables. The hypotheses of research will analysis with regression analysis and person correlation analysis with the acceptable Cronbach Alpha values are 0.60 and above (Sekaran, 2003). Therefore, for the items that have low Cronbach Alpha values (less than 0.59) will be eliminated from further analysis process. The statistical tools will be defined as follows:

Percentage analysis: Percentage analysis consists of reducing a series of related amounts to a series of percentages of a given base.

Correlation analysis: The Correlation analysis is performed on log normalized spot expression levels. Spots can then be clustered according to how closely correlated they are. Spots with a high correlation value (i.e. close to 1) show similar expression profiles while spots which a high negative correlation value (i.e. close to -1) show opposing expression profiles.

Regression analysis: In statistics, regression analysis includes any techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps one understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed.

ANOVA : An ANOVA is an analysis of the variation present in an experiment. It is a test of the hypothesis that the variation in an experiment is no greater than that due to normal variation of individuals' characteristics and error in their measurement.

T-test: T-test for comparing the means of two samples (or treatments), even if they have different numbers of replicates. In simple terms, the *t*-test compares the actual difference between two means in relation to the variation in the data (expressed as the standard deviation of the difference between the means).

Research Findings

Firstly, the main study has an assessment that discusses the respondents' demographic profiles and purification of the measurement variables. Secondly, the reliability tests were conducted to test the consistency of the questionnaires. Thirdly, the hypothesis testing presented through correlation.

Overview of Data Collected

A total of 92 questionnaires were distributed to employees in KSDC in Kedah State which located in north Malaysia by researcher. All the questionnaires were returned. Hence, 92 questionnaires were used in the statistical analysis, representing a response rate of 100%.

Reliability Test

Reliability tests were conducted on the independent and dependent variables which are: training effectiveness, training environment, and work environment. The Cronbach's alpha values of the study variables are shown in table. As revealed, the reliability coefficient of the study variables exceeded the minimum acceptable level of 0.60 (Nunnally, 1978). As a result, Cronbach's alpha for the training impact variable is (0.805); for training environment variable (0.697); and finally, for work environment (0.700).

Results of Hypotheses Testing

Correlation Analysis

Correlation test has been used for inferential statistics. The Pearson correlation has been used to measure the significance of linear bivariate between the independent and dependent variables thereby achieving the objective of this study (Sekaran, 2003). Variable association refers to a wide variety of coefficients which measure the strength of a relationship among variables in the model. Furthermore, correlation is a bivariate measure of association (strength) of the relationship between two variables. It varies from 0 (random relationship) to 1 (perfect linear relationship) or -1 (perfect negative linear relationship). It is usually reported in terms of its square (r^2), interpreted as percent of variance explained (Hair, Black, Babin, Anderson & Tatham, 2006). Table shows that organization variable was partially significantly correlated in with training effectiveness. Types of training was not significantly correlated with training effectiveness (-0.087), training environment was more significantly correlated with training effectiveness (0.495), and work environment was correlate variable with training effectiveness with high value equal to (0.367).

Regression Results

The first hypothesis of this study proposed that training types would affect training effectiveness in Kedah state development corporation. Hence, to determine to what extend the training types influence the employees' training effectiveness on human resource

practices regression test was conducted. As shown in table 4.8, the results of regression test the training types as the independent variable against training effectiveness as the dependent variable. The results of regression analysis indicated an insignificant p value $p > 0.05$ (0.410). Therefore it can be concluded that training types does not affect the training effectiveness.

The second hypothesis of this study proposed that training environment would affect training effectiveness in Kedah state development corporation. Hence, to determine to what extend the training environment influence the employees' training effectiveness on human resource practices regression test was conducted. As shown in table 4.9, the results of regression test the training environment as the independent variable against training effectiveness as the dependent variable. The results of regression analysis indicated a significant p value $p < 0.05$ (0.001). Therefore it can be concluded that training environment influences the training effectiveness and significantly contribute to the R square value. The results of regression analysis indicated that training environment explained about 25% ($R^2 = 0.245$) of the variance in training effectiveness.

The third hypothesis of this study proposed that work environment would affect training effectiveness on human resource practices in Kedah state development corporation. Hence, to determine to what extend the work environment influence the employees' training effectiveness on human resource practices regression test was conducted. As shown in table 4.10, the results of regression test the work environment as the independent variable against training effectiveness as the dependent variable. The results of regression analysis indicated a significant p value $p < 0.05$ (0.001). Therefore, it can be concluded that work environment affects the training effectiveness and significantly contribute to the R square value. The results of regression analysis indicated that work environment contributed about 14 % ($R^2 = 0.135$) to the variance in training effectiveness.

Analysis of Differences

T-test is used to find the differences between training effectiveness with gender. Likewise t-test is used to find the differences between training effectiveness with marital status. Otherwise, the ANOVA is used to find differences between training effectiveness with age, educational level, and length of work experience. Independent sample t-test is applied in many researches concerns the means and standard deviations of two groups on the variable and examines whether the numerical difference in the means is significantly different from 0 (zero) as postulated in null hypotheses (Sekaran, 2003).

Gender and Training Effectiveness

From the table it is observed that the results of testing the differences between male and female who were participants did not have different scores of training effectiveness at significant level 0.05 levels ($t = 0.435$, and $p = .435$ which is $p > 0.05$). The results of data analysis are shown in table 6.

T-Test Result between Male and Female

Age and Training Effectiveness

In order to find the differences between age and training effectiveness, it is observed from ANOVA test results that there are no differences among the respondents' age regarding the training effectiveness levels. With ($F=0.597$, $p>0.05$), there is no differences between three ages groups on training effectiveness. This is shown in table 7.

Marital Status and Training Effectiveness

From the table it is observed that the results of testing the differences between single respondents and married respondents who were participants did not have different scores of training effectiveness at significant level 0.05 levels ($t= 0.528$, $p>0.05$). Based on means, the male participants were better than female participants in received training. The results of data analysis are shown in table 8.

Educational Level with Training Effectiveness

In order to find the differences between respondents based on their educational level and training effectiveness, it is observed from ANOVA test results that there are no differences among the respondents' educational level regarding the training effectiveness levels. With ($F=1.491$, $p=. 201$; >0.05). This is shown in table 9.

Work Experience and Training Effectiveness

In order to find the differences between respondents based on their length of work experience and training impact, it is observed from ANOVA test results that there are a significant differences among the respondents' regarding the training effectiveness levels based on their work experience. With ($F=5.030$, $p=. 003$; >0.05), this is shown in table 10. Results showed the less experienced participants have higher training effectiveness (mean = 3.819).

Conclusion

The result of the final relationship variables and the testing of the influence of the variables are detailed to figure the relationship and degree of influence among predictors for the training effectiveness as dependent variable.(Table 11)

Discussions and Conclusions

The purpose of this study was to examine whether that organizational factors such as (types of training, training environment, work environment influence training effectiveness among employees in their workplace. The results supported that some factors such as training environment and work environment significant correlation with training effectiveness in organization. Other purposes of this study were to examine whether there were a significant differences between males and females, respondents age, level of education, marital status, and length of work experience of respondents on the training effectiveness. The problem and the gap in the research and literature arise from the fact that organizational and individuals' factors have not been identified widely.

Various methods of analysis were used in measurement. First are the demographic factors or personal information about the respondents which need to be considered in the study as it could describe the respondents' characteristics and their background. Different personal backgrounds would mean different personality and different levels of job performance among the respondents.

The demographic part was dealt based on the descriptive analysis. The aims of the analysis are to see the total percentage of those respondents based on the demographic factors which as mentioned earlier include: gender, age, marital status, educational level and work experience. Gender of respondents shows that male respondents are (43) in number making (37%) while female respondents makes (58) and is represented by (63%) this make a total of 100% of the gender of the respondents. The age of the respondents shows that the age range under 25 years had 13 respondents (14.1%); 25-35 years had 25 respondents (27.2%) and 36-45 years had 31 and represented (33.7%), 46-55 years had 20 and represented (21.7%), and more than 56 years had 3 respondents (3.3%) which the total gives 92 which is 100%. The marital status had singles having (27) respondents (29.3%) and married respondents had 65 with (71.7%) with total 100%. Most of respondents have SPTM/DIPLOMA education level which is (26.15%) and only 2 of them were professional. Finally, work experience shows that respondents have different length of work experience and most of respondents having more than 11 years work experience.

Training for organizations seems to be imperative process to improve the equality and products of the firm. Thus, this study attempt to determine factors related to firm performance. Overall, the results from this study yielded somewhat mixed results on the effects of organization factors on firm training effectiveness. Furthermore, the outcomes from analyzing the demographics variables did not differentiate between male and female as well as between respondent's ages, educational level, marital status on the level of training effectiveness. Only one of individual variables has been found to affect training effectiveness which is length of work experience. The specific research hypotheses addressed were:

H1: Types of training between technical training program and non-technical training program will affect training effectiveness.

H2: Training environment will affect training effectiveness.

H3: Work environment will affect training effectiveness.

H4: Trainees' personal characteristics (age, gender, marital status, education level and length of working in current job) will affect training effectiveness.

H1: Types of training between technical training program and non-technical training program will affect training effectiveness.

Regression analysis was conducted to asses if the type of training affects training effectiveness among this study sample. The results from this study indicated insignificant (0.410; $p > 0.05$) correlation between these variables which somewhat inconsistent with previous studies who found that training types affected firm performance (Devins, Johnson, & Sutherland, 2004; Kitching & Blackburn, 2002; Eraut et al., 1998). One possible justification for the inconsistent

result of this hypothesis due to largest number of employees in the organization. According to Kitching & Blackburn (2002) employees in the smallest organizations are more likely than those employed in the largest organizations to have gained a qualification. Therefore, types of training do not influence the training effectiveness in this study.

H2: Training environment will affect training effectiveness.

Regression analysis was conducted to assess if the training environment affects training effectiveness among employees. The result showed that training environment influencing the probability positive outcome for employees. The result was consistent with previous studies who found that training has positive outcome in firm performance (Martin, 2010; Ford & Weissvein, 1997).

H3: Work environment will affect training effectiveness.

Regression analysis was conducted to assess if the work environment affects training effectiveness among employees performance. Workplace environment has found to be factor necessary for enhancing individual performance. The result of this study hypothesis was statistically significant (0.000; $p < 0.05$) which was consistent with previous studies who found work environment lead to positive firm performance (Kontoghiorghes, 2001; Lim & Morris, 2006). A various researchers (Rouiller & Goldstein, 1993; Tracey *et al.*, 1995; Burke & Hutchins, 2008; Colquitt *et al.*, 2000) have agreed the importance of workplace environment factors such as managerial support, peer encouragement, adequate resources, opportunities to apply learned skills, technical support, and consequences for using training on-the-job.

H4: Trainees' personal characteristics (age, gender, marital status, education level and length of working in current job) will affect training effectiveness.

There is a strong call from previous studies regarding to test individual variables on workplace setting. Sample t-test and ANOVA was conducted to assess if differences exists between gender, age, marital status, educational level, and work experience among respondents on training effectiveness. The findings from this study indicated some notable differences associated with some employee characteristics. For example only length of work experience has been found to be factor influenced training effectiveness (0.003; < 0.05). Otherwise, none of remains factors (gender, age, marital status, and educational level did not find to influence training effectiveness. The results somehow was consistent with Sutherland (2009) who found variation on training effectiveness level based on the length of work experience, in other hand the results was inconsistent with Sutherland (2009) who found a variation on training effectiveness based on gender and age variables.

Implication of the Study

The results of this study provide major contribution to knowledge. First, it provides clear understanding of organization and individual variables on training effectiveness in organization. There has been very little empirical work to verify or refute them. This study has described the key components of organizations and their effects. From the findings it has been found that a positive relationship between training environment and work environment with the training effectiveness. Therefore, these findings indicated that it is important for the

management to consider the factors and characteristics of individuals before setting up the goals. Management team should emphasize training opportunities as they may relate to increase job performance with enough training. As a result if these factors are considered, an organization will increase its chances of success.

Scope of Future Research

According to limitation of this study, the sample may not be representative of the population because the sample drawn from one organization in Kedah State in North Malaysia, and did not involve other locations or different organizations in Malaysia. In addition, this research chooses only on public firm, therefore, it would be beneficial for future research to consider the suggestion that whether in public or in private organizations expand the study to enhance the consistency of the results. In addition, further studies will be conducted in order to determine the validity of the model in other organization as well as taking into consideration other variables to measure training among the companies so that this will increase the accuracy of understanding the drivers that could impact training.

Conclusion

This study reveals that training environment, work environment and employees' characteristics are related to training effectiveness in Kedah State Development Corporation. Training environment is found to be the strongest driver of training effectiveness in Kedah State Development Company. Therefore, it should channel more time and resources in this area as it brings a great organizational effectiveness to Kedah State Development Corporation. The results of the study may be applicable in other related organizations in the country as they have similar characteristics. This study has clearly indicated that organizational factors play a crucial role in improving training effectiveness and thereby employee performance.

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Table 1: Reliability Coefficient of the Study Variables

Variables	Total Items	No. of Items Deleted	Alpha Coefficient
Training Effectiveness	15	None	0.805
Training Environment	8	None	0.697
Work Environment	6	None	0.700

Table 2: Correlations between Variables

		types of training	TI	TE	WE
types of training	Pearson Correlation	1	-.087	-.034	.027
	Sig. (2-tailed)		.410	.750	.799
	N	92	92	92	92
TEF	Pearson Correlation	-.087	1	.495(**)	.367(**)
	Sig. (2-tailed)	.410		.000	.000
	N	92	92	92	92
TE	Pearson Correlation	-.034	.495(**)	1	.338(**)
	Sig. (2-tailed)	.750	.000		.001
	N	92	92	92	92
WE	Pearson Correlation	.027	.367(**)	.338(**)	1
	Sig. (2-tailed)	.799	.000	.001	
	N	92	92	92	92

** Correlation is significant at the 0.01 level (2-tailed).

Table 3: Regression between Types of Training and Training Effectiveness

Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	R	R Square	B	Std. Error	Beta	Lower Bound	Upper Bound
1 (Constant)	.087	.008	3.708	0.151		24.484	0.000
Types of Training			-0.072	0.087	-0.087	0.828	.410

Dependent Variable: TEF

Table 4: Regression between Training Environment and Training Effectiveness

Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	R	R Square	B	Std. Error	Beta	Lower Bound	Upper Bound
1 (Constant)	.495	.245	1.874	.319		.879	.000
Training environment			.481	.089	.495	.406	.000

Dependent Variable: TEF

Table 5: Regression between work environment and Training Effectiveness

Model	R	R Square	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error	Beta		
1 (Constant)	.367	.135	2.405	.318		.566	.000
Work environment			.324	.086	.367	.744	.000

Dependent Variable: TEF

Table 6: T test

No	Male	Female	Sig
Mean	3.545	3.611	.435
SD	.475	.333	

Table 7: One Way ANOVA of Age Groups on Training Effectiveness Variable

Age	Mean	F	Sig
Under 25 Years	3.651	.695	.597
25-35 years	3.626		
36-45 years	3.606		
46-55	3.460		
More than 55 years	3.622		
Total	3.587		

Table 8: T-Test Result between Single and Married Respondents

No	Single	Married	Sig
Mean	3.627	3.570	.528
SD	.420	.528	

Table 9: One Way ANOVA of Educational Level and Training Effectiveness Variable

Education Level	Mean	F	Sig
SPM below	3.497	1.491	.201
SPTM/diploma	3.658		
Bachelor	3.478		
Master	3.688		
Ph D	3.866		
Professional	3.933		
Total	3.587		

Table 10: One Way ANOVA of Work Experience and Training Effectiveness Variable

Work Experience	Mean	F	Sig
Below 5 years	3.819	5.030	.003
6-10 years	3.595		
11-15 years	3.526		
Above 16 years	3.425		
Total	3.587		

Table 11: Relationship variables

Hypotheses	Results
Types of training between technical training program and non-technical training program will affect training effectiveness.	Rejected
Training environment will affect training effectiveness.	Accepted
Work environment will affect training effectiveness.	Accepted
Trainees' personal characteristics (age, gender, marital status, education level and length of working in current job) will affect training effectiveness.	Partially Accepted

Corporate Governance: Perception of Executives in India

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Abstract

Corporate Governance has grown very rapidly in the last decade and is now viewed as an important attribute of the corporate sector. It is about values, ethics and business conduct. In this paper, the researcher has tried to find out the perception of different level of executives about corporate governance in India. Different Private and Public companies of India are compared and tried to examine if there is any relation between the performance of the companies and satisfaction of the investors in lieu of good governance practices in India.

Keywords: Corporate Governance, Investor Satisfaction, India

Introduction

Corporate governance is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company. Corporate governance comprises the systems and processes which ensure the efficient functioning of the firm in a transparent manner for the benefit of all the stakeholders and accountable to them. The focus is on relationship between owners and board in directing and controlling companies as legal entities in perpetuity. A company's ability to create wealth for its owners however, depends on the role and freedom given to it by society.

Sir Adrian Cadbury in his preface to the World Bank publication, Corporate Governance: A Framework for Implementation: states that "Corporate governance is ... holding the balance between economic and social goals and between individual and community goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society. The incentive to corporations is to achieve their corporate aims and to attract investment. The incentive for states is to strengthen their economies and discourage fraud and mismanagement.

The focus on corporate governance arises out of the large dependence of companies on financial markets as the preeminent source of capital. The quality of corporate governance

shapes the future and the growth of the capital market. Strong Corporate governance is indispensable to resilient and vibrant capital market. But capital markets and financial markets in general can function properly if individuals have access to accurate basic information about the companies they invest. The link between a company's management, board and its financial reporting system is crucial.

Modern business corporations share many of their features with democratically elected Governments. At the top of governance hierarchy, in the case of a business enterprise, is the Board of Directors. Boards of companies need not be uniform with respect to their composition, thinking styles and functioning methodologies. Their strength, in fact, lies in their diversity. Rigidities in thinking styles and composition are likely to reduce the Boards to mere ornamental organs. Such Boards fail to meet the multifaceted demands made on them by the emerging business - economic environment. As business enterprises extend their horizons to international sphere, it becomes imperative for them to attune their governing organs to the expectations of their international counterparts as well. Liberalization and Globalization initiatives have made it essential for Indian corporate to make appropriate changes in their Boards as well as their governance practices.

Many agencies in India have suggested ways and means to strengthen corporate governance, however, the recommendations of the Kumar Mangalam Birla Committee and N R Narayana Murthy Committee are extremely relevant in the context of the present framework.

Corporate governance therefore calls for three factors:

- a) Transparency in decision-making
- b) Accountability which follows from transparency because responsibilities could be fixed easily for actions taken or not taken, and
- c) The accountability is for the safeguarding the interests of the stakeholders and the investors in the organization.

Corporate governance aims at attaining highest standard of procedures and practices followed by the corporate world so as to have transparency in its functioning with an ultimate aim to maximize the value of various stakeholders.

Review of Literature

Vogel (1992) pointed out discrimination in the norms of ethical business behaviors across the different industrialized nations and urged for standardizing and globalizing business ethics.

The need of ethical commitment in corporate managers is primarily responded by management education. Management institutions have incorporated new disciplines and updated their content to train their graduates on ethical grounds and provide basis for corporate governance practices. Business schools now emphasis on ethical and social issues as an important component of their curricula.

The Greenbury Report (1995) discusses directors' remuneration. The Hampel Committee Report (1998) addresses some of the same issues as the Cadbury and Greenbury reports. It has separate sections on the principles of corporate governance, the role of directors, directors'

remuneration, the role of shareholders, accountability and audit and issued conclusions and recommendations.

Hawley & Williams (1996) undertook a literature review of corporate governance in the US as a background paper for the Organization for Economic Cooperation and Development (OECD). They identified four models of corporate control: 1. The Simple Finance Model; 2. The Stewardship Model; 3. The Stakeholder Model; and 4. The Political Model.

While the *Survey of Corporate Governance* by Shleifer & Vishny (1996) for the National Bureau of Economic Research was not restricted to the US, its scope was limited to the finance model consistent with the specialized definition of corporate governance adopted by the authors quoted earlier. Three additional ways of analyzing corporate governance will be suggested in the next section. The two corporate governance surveys referred to above were written by US scholars. Both surveys contain some unstated culturally determined boundary conditions and assume that the US context provides a universal reference.

As Junichi Mizuo (1998) in an empirical research on business ethics and corporate governance in Japanese corporations, urged for a fresh look at corporate values and attitude of conformance to business ethics on the parts of both organizations and individuals. Corporate governance is also driven from matured mindsets of corporate executives towards corporate social responsibly (CSR). The literature broadly discusses two approaches of CSR as; one related to ethical soundness of the firm and second highlights its ability to rescue from risk and secure good reputation

The OECD's *Principles of Corporate Governance* (1999) has been used as a benchmark for a number of corporate governance codes in transition economies. OECD has also published a *Survey of Corporate Governance Developments in OECD Countries*. The European Corporate Governance Institute maintains many links to codes of corporate conduct for many countries on its website. The OECD has also published several studies on corporate governance in Asia, the most notable being its *White Paper on Corporate Governance in Asia*.

The Securities and Exchange Board of India (2002) issued the *Kumar Report* on corporate governance in India. This report attempted to evolve a code of corporate governance for Indian corporations. In a similar study, Bhattacharyya and Rao (2005) examined whether adoption of Clause 49 predicts lower volatility and returns for large Indian firms, they compare a one-year period after adoption (starting June 1, 2001) to a similar period before adoption (starting June 1, 1998). The logic is that Clause 49 should improve disclosure and thus reduce information asymmetry and thereby reduce share price volatility. The authors find insignificant results for volatility and mixed results for returns.

Collett and Hrasky (2005) analyzed the relationships between voluntary disclosure of CG information by the companies and their intention to raise capital in the financial market. A sample of 299 companies listed on Australian stock exchange had been taken for the year 1994 and Connect-four database had been used for collection of annual reports of companies. The

study found out that “only 29 Australian companies made voluntary CG disclosure, and the degree of disclosures were varied from company to company.” The survey based study of Soobaroyen T. and Ellahi A. (2008) found that unit managers are positive about impact of corporate governance on their performance, and view it as a source of accountability, credibility and socialization.

Lazarides T. and Drimpetas E (2008) observed that the effective information system with compliance to corporate governance needs is also pivotal to smooth the information flow to all stakeholders and enhance credibility of provided figures.

Research Methodology

Objectives:

- To compare and contrast corporate governance practices of Public sector and Private sector companies in India.
- To examine whether there is any correlation between corporate governance practices in the performance of the company.
- To Study the investors perception on the company having good governance practices.
- To understand common governance practices if any, in both public sector and private sector companies.
- To find out the perception of senior and middle level executives in India.

Hypothesis of the study:

- There is no significant difference between the respondents of public and private companies.
- There is no significant difference between the variables used in corporate governance in public and private sector

Research Design: This research is primarily concerned with testing hypothesis and specifying and interpreting relationships, by analyzing the facts or information already available.

Sample: Total - 90 respondents (45 from public companies and 45 from private companies)

No. of private Companies – 03

No. of public Companies – 03

Level of executives- Senior Level i.e., General Managers and Board of Directors

Middle Level - Senior Managers and Managers

Collection of data: Primary and Secondary data both. Questionnaire is prepared and information was collected from respondents from three public and three private companies.

Analysis of data: The collected data have been suitably classified and tabulated in the form of table and graph with the appropriate statistical technique SPSS 15 software has used for necessary statistical test. The data analysis and conclusion were drawn on the basis of parametric test at 5% level of significance

Analysis of Data

Hypothesis Testing 1

There is no significant difference between the respondents of public and private companies.

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	2.820289855	2.469565217
Variance	0.077985908	0.010792232
Observations	45	45
Pearson Correlation	-0.007700719	
Hypothesized Mean Difference	0	
df	44	
t Stat	7.876429114	
P(T<=t) one-tail	0.000	
t Critical one-tail	1.680229977	
P(T<=t) two-tail	0.000	
t Critical two-tail	2.015367547	

The above table shows that the p value is 0 hence the null hypothesis is accepted that there is no significant difference between the respondents of public and private companies. It means that the respondents (i.e., the senior and middle level executives) of both types of companies are of same views related to corporate governance.

Hypothesis Testing 2

There is no significant difference between the variables used in corporate governance in public and private sector

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	2.884940139	2.469565217
Variance	0.516987723	1.325760016
Observations	23	23
Pearson Correlation	0.722605405	
Hypothesized Mean Difference	0	
df	22	
t Stat	2.47797207	
P(T<=t) one-tail	0.0	
t Critical one-tail	1.717144335	
P(T<=t) two-tail	0.0	
t Critical two-tail	2.073873058	

The above table shows that the p value is 0 hence the null hypothesis is accepted that there is no significant difference between the variables used in corporate governance in public and private sector

Variables	1	2	3	4	5	Total Respondants
Basic shareholder rights	69	21	0	0	0	90
Participation rights	76	14	0	0	0	90
Market for corporate control	14	47	29	0	0	90
Equal treatment of shareholders	49	38	3	0	0	90
Disclosure of interest	41	33	26	0	0	90
Access to information	39	33	18	0	0	90
Disclosure of standards	39	29	17	5	0	90
Accounting & Auditing standards	37	39	14	0	0	90
Independent Audit	0	32	14	44	0	90
Timely Dissemination	33	23	17	17	0	90
Change in corporate governance level in India after introduction of clause 49	21	35	22	12	0	90
High penalty in India to discipline poor and unethical Governance	0	22	37	23	8	90
Positive impact of new companies act	0	16	58	16	0	90
Contribution of independent directors in satisfying regulatory Requirement	0	6	55	25	4	90
Effectiveness of Committees of Boards	0	4	21	49	16	90
High skills of Indian Audit Committee	0	1	24	57	8	90
Practice of CSR in Indian Companies	0	1	41	47	1	90
Significantly enhancing powers of independent directors Improvement in financial disclosure and management	0	0	47	43	0	90
Discussion and analysis	0	0	28	62	0	90
Separation of position of chairman & CEO	0	5	51	34	0	90
Improving risk management and oversight Process	0	0	31	59	0	90
Independent & transparent process to evaluate the performance of all its members	0	0	48	42	0	90
Board have process of conducting exclusive sessions with independent directors	0	0	54	36	0	90
	418	399	655	571	37	

private sector. It means that both types of companies are using the same variables for the corporate governance.

The above table shows all the variables taken for study. The uses of these variables have direct relation with the good governance of any company. The researcher tried to find out the use of these variable in different companies 45 respondents of different levels (senior and middle) from Public company and 45 respondents of different levels (senior and middle) from Private company were taken. Respondents were more on positive side or moderate and less negative towards the use of corporate governance variables

Findings

Corporate Governance in Public Sector – in India

- The equity shares are owned wholly or substantially (meaning 51% or more) by the government.
- Three categories of directors are appointed (1) functional directors (2) government directors and (3) outside directors.
- There is a political and bureaucratic influence over the management of public sector undertakings.
- These Public sector undertaking has to strictly adhered to all the rules, regulations, policies and guidelines as they are accountable to the parliament
- Appointment of top level executives (chairman, MD, etc) for not more than 5 years have shortened the vision of these leaders. They fulfill short term targets enable to set long term targets because of their short tenure.
- In general, performance standards, compensation, incentives for performance are low.

Corporate Governance in Private Sector – in India

- Company boards generally comprise 3 types of directors: promoter directors, professional directors and institutionally nominated directors and they are elected through majority rule voting system.
- Lack of information on the side of the shareholders, gives management an informational advantage and help them to retain the support of most of the shareholders by portraying a glowing picture.
- Family managed companies are more proactive and always have strict control. They show greater entrepreneurial vigor. It helps in ensuring self-dealing personal enrichment at higher degree.
- Professionally managed companies, can be considered slow in terms of garbing opportunities and facing challenges in compare to family managed companies. These types of companies keep their targets low.
- Private sector is more in the hands of promoters. Systems are unchallenged as it is dominated by them. Major interest lies with them.

Suggestions

Following suggestions includes all those suggestions which are given by the senior and middle level executives, who were the respondents of this research work.

Independent Directors: From a governance standpoint, boards should address the following key areas specifically concerning independent directors:

- a) Adoption of a formal and transparent process for director appointments.
- b) The chairman of the board should be an independent director who plays a key role in setting the priorities of the board. (well accepted in other countries)
- c) Performance appraisal of CEO and other high level employees. 360 degree performance appraisal method should be adopted.
- d) Proper check on the conduct of board meetings is required in terms of agenda, discussions, durations, conclusion and implementation.

- e) High involvement of Independent directors in the management of the company is required.
- f) Proper job description for Independent directors is required in many companies.

Meeting expectations of stakeholders beyond the minority shareholders:

- a) Openness and transparency in dialogue with shareholders.
- b) More involvement of minority shareholders in management of the company along with independent directors.

Audit committees:

- a) Audit committee skills need to be enhanced to ensure the integrity of the company's financial statements.
- b) Time to time evaluation of the audit committee and its members is important.

Boards:

- a) Company should ensure that the board's policies is in the best interest of all including minority shareholders
- b) People specialized in different areas should be on the board for effective functioning.
- c) Presence of mutual understanding and cooperation among board and senior management helps in designing policies, plans and procedures.

Senior Management:

- a) Senior management should work on potential and economic growth of the company.
 - b) Senior management should have complete visibility to identify the risk, its impact and how to address them.
6. General improvement
- a) To ensure that the code of conduct is understood and adhered to by all members of the organization at all levels.
 - b) Some reward system for the ethical behavior of the employees.
 - c) The ethical practices should be adopted by the companies not only within but also with the third party.
 - d) Shareholders can question management on areas pertaining to corporate governance. It comprises the protection of the minority interests, management compensation, government dealings, risk management practices, fraud risk management and Corporate Social Responsibility.

Regulatory change:

- a) Board and audit committee evaluations should be mandatory and transparent.
- b) Heavy Penalties for non-compliance

Conclusion

The corporate governance practices of both public sector and private sector companies are almost similar. We found that the corporate governance practices exert great influence on the

performance of the company. Companies which are having good governance practices will have good image among the investors and public as a whole.

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Venture Capital Funding in India: Perspectives of Beneficiary Firms

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Abstract

Entrepreneurs in India are highly dependent upon lending by the financial institutions to foster their ideas (Ashok Lahri Committee, 2003). A flourishing venture capital industry is likely to fill the gap between capital requirements of technology and knowledge based start-up enterprise and funds available from traditional institutional lender like commercial banks. An understanding of the business practices of Venture Capital Firms (VCFs) is likely to enable policy makers and regulators to create right regulatory and policy environment. However, there is a dearth of empirical studies conducted on the business practices specifically on investment process of VCFs (Pandey, 1996). The objective of this study is to investigate the funding mechanism of VCFs through the perspective provided by the beneficiary or investee firms and to analyze their satisfaction with respect to funding mechanism used by VCFs.

Keywords: Venture Capital, Knowledge-based Start-ups, India

Introduction

Business depends on funds. Funds can be acquired from internal sources but, usually, depend heavily on outside sources as owners have limitations about availability of funds. In order to secure funding from outside sources, proven track record of successful entrepreneurship and proper security in the form of collateral are essential. If proven track record is missing or in case of new venture or a new technocrat, securing funds and that too without any collateral would be a miracle. However, it is not an easy task to raise finance, no matter what your economic situation. The Indian economy at present is making its position in global economy very fast. For this global economic development, technology change and innovation is the backbone and the capital is the life blood for the development. No profit making entity can start functioning

without required capital as this helps the entrepreneurs in acquiring various inputs that facilitate in profit generation. All these market and institution before providing the fund do a lot of exercise and ask for security just to ensure the safety of funds. At this stage the entrepreneur/companies face great difficulty while venturing out to procure financial capital for newly floated enterprises as at the initial stages of business the risk is very high and the return quite uncertain. Conventional financiers are hesitant to invest in such companies even though they lead to high industrial growth and economic development because it is difficult to trade-off between risk and return.

This lack of finance to new entrepreneurs which are going to lead economic development even though they may very well have innovative ideas and requisite technological knowledge, demotivate them. So the question arises that how these types of firm shall then be financed? Under the circumstances, "the concept of venture capital fund was born with a fundamental objective to provide initial capital and support in building capital base to the entrepreneurs, having a sound background of professional education, expertise and initiative to launch the business based on fast changing technology¹.

A flourishing venture capital industry in India will fill the gap between the capital requirements of technology and knowledge based startup enterprises and funding available from traditional institutional lenders such as banks. The gap exists because such startups are necessarily based on intangible assets such as human capital and on a technology enabled mission often with the hope of changing the world. Very often, they use technology developed in university and government research laboratories that would otherwise not be converted to commercial use. However, from the viewpoint of a traditional banker, they have neither physical assets nor a low risk business plan.

Not surprisingly, companies such as Apple, Exodus, Hotmail & Yahoo, to mention a few of the many successful multinational venture capital funded companies, initially failed to get capital as startup when they approached traditional lenders. However, they were able to obtain finance from independently managed venture capital funds that focus on equity or equity linked investments in privately held high growth companies. Along with this finance come smart advice, hand on management support and other skills that helped the entrepreneurial vision to be converted to marketable products².

Venture capital is the type of capital which is managed by professional investors who dedicate 100% of their time to investing and building innovative companies on behalf of third party investor or their limited partners. In other words we can define it as the money provided by professionals to young and rapidly growing business that have the potential to develop into significant economic contributions. Venture capitalists are people who pool financial resources from high – net worth individuals, corporate, insurance companies etc. to invest in high risk-high return ventures that are unable to source funds from regular channels like banks and other conventional financiers.

Literature Review

The existing models proposed in the literature related to venture capital investment process are given in table 1.

We can find very few study that have been done in respect of India. Following are the studies that have contributed some important literature in Indian venture capital industry. Bowender & Mani in their study gave the overview of evolution of venture capital support for innovation in India. They highlighted the fact that market linkages & sharpening the business plan are the two major elements that contribute to the success of venture capital assisted firms. They focus of the linkage between innovation, clusters & venture support. According to the research distortions in the capital market due to over regulations & multiple controls was the problem that was hindering the growth of venture capitalist. The Study shows a strong positive correlation between the venture capital growth & industrial clustering.

Vinay (2005) studied the involvement aspect of Indian venture capitalist with investee firms in areas such as framing of strategy, operational involvement & financial aspects . The study finds that large boards are not dealing with large sum of investments which is not good for the venture in the sense that a large board may become counter-productive since the money they handle is considerably low. Findings also indicate the kind of operational involvement expected by entrepreneurial teams is not provided by the venture capitalists. The study further finds that venture capitalists are lacking in providing strategic advice.

Chary (2005) studied the venture capital industry in India. In this study he highlights the challenges that this industry is facing like venture capital financing is still not regarded as a commercial activity. He also addresses the challenges like the limited scope of venture capital in India which is restricted to hi tech projects, turning research and development into commercial production, entrepreneur's sensitiveness to the mode of divestment & finally ambiguous government policy towards inter corporate investment & issue of shares to the entrepreneurs at below par value or in the form of guest equity. Finally the study finds that in India, there is no dearth of ideas, but there is little or no chance of those ideas materializing. That is why both the government and the venture capitalists have to play a significant & pervasive role to boost the venture capital industry & help it to achieve its goal.

Another study based on analysis of venture capital industry in India was done by Kapil (2007). This study finds various problems & shortcoming in the development of venture capital industry. He finds that license dominating environment, lending mindset of venture companies i.e. to play safe, returns, taxes & regulations, difficult exit & valuation problem are the main factors that restrict development of venture capital in India.

One of the most significant studies done by Rafiq & Martin (2001) focus on the efforts that have been taken for the development a venture capital industry in India. This study find that the role of the government cannot be avoided in the development of this industry especially in the field of tax, regulatory, legal & currency exchange policies. Since many of these affect both venture

capital firms & companies that they finance, they point out that India still remain a difficult environment for venture capital investment.

Objectives of the Study

- To evaluate the funding mechanism of venture capital institution from beneficiary point of view.
- To analysis the satisfaction of beneficiary or investee firm with their venture capitalist.

Methodology

The empirical study is based on the responses gathered from 30 investee firms spread across the India. The respondents included CFO, CEO and promoters. Investee firms were selected for the study through judgmental sampling. A structured questionnaire with close ended questions was administered to the respondents. Descriptive statistics was used to evaluate the opinion and satisfaction of beneficiary firm with their venture capitalist

Data Analysis & Discussion

This part of the study is divided into two sections. In the first section, the descriptive statistics related to the beneficiary firm is discussed. Next section discusses the venture capital funding practices from the beneficiary point of view. This section comprise of five sub sections. In the first sub section the practices related to 'search process for prospective VCFs' is discussed. Second sub section discusses the practices related to 'due diligence and deal structuring' processes. Next sub section discusses the 'post deal governance structure' from the perspective of beneficiary firm. Fourth sub section discusses the "exit strategy of VCFs from the perspective of beneficiary firm'. Fifth sub section discusses the 'deal experience' for beneficiary firm.

A: Descriptive Statistics related to beneficiary firm

Duration of existence of sample investee firm: As shown in the table 2 most of the sample investee firm i.e. 43.3 % are operating from three years which is followed by four years of operation i.e 26.7%.

Sector wise distribution of sample investee firm : In this study as shown in table 3 most of the investee firms i.e. 40% are associated with computer software and services sector but no investee firm linked with energy, communications, Industrial products and machinery & media have participated.

Team size of the sample investee firm: This study shows that venture capital firms focus on those firms for investment which are having good business idea with small team. As shown in the table 4, 46.7 % investees in the survey have less than 25 members in their teams which are followed by 36.7 % of the investee firms that have between 25 to 50 members.

Reasons for approaching VCFs: Table 5 reveals that most of the investee (53%) approach for VCF because they are facing difficulty or not getting funds from traditional sources and they get motive by the additional services provided by VCF.

B: Venture capital funding practices

Search process for prospective VCFs

Source of information about VCFs: According to the table 6, maximum investee firms (i.e. 73.7) get the information about VCFs from other source which includes personal references, conferences, cold call by VCF etc. whereas only 13.2 % investee firm come to know about VCF from their website. From the study it can be inferred that in VC industry reference play a vital role for searching the prospective VCFs.

Factors to be considered for selecting VCFs by sample investee firm: When investee firm select the VCF for funding as revealed by table 7, the attitude of venture capital fund managers towards participation in the management and supervision of the enterprise is extremely relevant factor (66.7%) whereas financial resources of the venture capitalist is the second extremely consider factor . In selection procedure investee consider exit planning as an irrelevant factor as most of the investee i.e. 20% consider it as the irrelevant factor compare to other factors and it also have less mean value as compare to other that is 2.1. From the study it can be inferred that beneficiary firm regard the support and advice from the VCF manager very constructive for their growth along with their financial support.

Easy accessibility of the information about the venture capitalist during searching of VCFs by sample investee firm: According to the table 8 during searching of appropriate VCF, information about venture capitalist are easily accessible (56.7%) but 43.3 % respondent report that they find some difficulty in retrieving relevant information about VCF.

Number of VCFs approached by sample investee firm for financing : Study shows that (table 9) investee firm for financing approach less than five VCFs (60%) in general but nobody approaches more than 10 VCFs for funding. From this study it can be inferred that, beneficiary firm doesn't not wish to share their business secrets with so many investors. They approach limited number of VCFs to maintain confidentiality.

Due Diligence and Deal Structuring Processes

Time taken to negotiate & finalize the deal after first contact with VCFs : According to investee the whole process of finalizing the deal after first contact with VCFs take more than three months which is supported by 56.7% responded (table 10) whereas 43.3 % investee said it take 1 to 3 months to close the deal.

Stage for getting funding by VCFs among the sample Investee firm : VCFs mostly target the early stage (83.3%) for funding where as only 16.7 % investee received later stage finance according to the table 11. From this study it can be inferred that VCFs in India preferred early stage for funding as compare to later stage funding.

Size of investment applied by sample Investee firm for funding: According to the table 12, 60 % of the investee firm applied for Rs 1 to 5 crore for funding and only 33.3 % investee firm applied for Rs. less than one crore. The study shows that average deal size is between Rs. 1 to 5 crore. This is also proving that VCFs preferred early stage funding, as in the early stage requirement of funding is comparatively low.

Percentage of amount sanctioned by VCFs for funding: The study reveals that 76.7% (table 13) investee received more than 75 % of the applied fund for their business where as 23.3 % investee get 50% to 70 % funding but no investee get less than 50 % of applied finance.

Reasons for shortfall in the sanctioned amount: According to the study conducted to analyze the reason why investee not get 100 % amount sanctioned by VCF a very surprising response was received. A very few investee were ready to comment on this i.e. only 23.3 % (table 14). After analyzing the responses of the respondent it was found that the reason of shortfall in the sanctioned amount is associated with the investee firm not conforming to the evaluation criteria as provided by the VC firm. VC firm either wants to apply wait and watch approach or link the investment with the achievement of milestones & performance. From the study it can be inferred that in majority of the case beneficiary did not get the entire amount of funding in a single round .They get required funding in several rounds after achieving some predetermined milestones, which also prove to VCFs that beneficiary has a promising future. Moreover it was also found that beneficiary was hesitating in discussing their weakness.

Importance given to evaluation criteria by VCFs according to sample investee firm (Enacted criteria): During the study of enacted criteria i.e. the criteria which is actually used while evaluating the proposal it has been found that entrepreneur / team characteristics is the very important criteria whereas government influence is the least important criteria for VCF According to investee (table 15). It has also been noticed that personal reference criteria contain high variability (.69 SD) i.e. it may be very important for some VCF or not important for some VCF, whereas entrepreneur/team characteristics is less volatile which shows that it is important criteria for maximum VCFs.

Payment of Due Diligence fees: Before investing in the investee firm VCF carry out detailed due diligence for which some fee is involved. According to the table 16, it has been observed that in around 63.3 % cases this fee is paid by venture capitalist and in 36.7 % cases it is shared between VCFs and investee but in no case it is paid by investee firm single-handedly.

Payment of legal fees: In case of legal fee it is most of the time paid by investee firm i.e. 56.7 % (table 17) or split between VCFs and investee firm 36.7 %.

Post deal governance structure from the perspective of beneficiary firm

Types of assistance received from VCFs: The venture capitalist not only provide fund to investee firm but also assist them whenever they required. According to the table 18, all of the investee responded that they get managerial assistance along with fund from their VCF but they get least research assistance i.e. 3.3 % only. Over all mean value i.e. 1 represent that investee firm get maximum assistance in their managerial work from VCF which is followed by marketing assistance with .76 mean value. From this it can be inferred that VCFs mostly provide assistance in managerial and operational aspect of the business .They did not provide much assistance in research and testing stage of the business.

Usefulness of assistance received from VCFs: According to the table 19, it is observed that the assistance received by investee firm form their VCF is useful (73.7%) for them and only 23.3 % respondents agree that it is very useful. This response clearly indicates acceptations and realization gap between the investee firm and their VCFs.

Opinion of investee firm regarding performance of the VCFs: To judge the investee firms' opinion of the performance of the VCs in India, the respondents were asked questions regarding the expertise of the VCs, their ability and quality of customer relationship management and their contribution to the success of the business of the investee.

The study revealed that a significant percentage (63.3%) (table 20) of investee firms believed that the VCs were well trained in their work. A majority of them (76.7%) were of the opinion that the VCs sufficiently knowledgeable in their domain and were thoroughly professional in their work. An overwhelming majority of the respondents felt that the VCs were good in maintaining relations with their customers. Quite a few of these respondents (73.3%) were impressed with the timely response of the VCs to their queries and enquiries. Many of the investee firms (60%) were happy about the positive contribution made by the VCs to their businesses. From the study it can be inferred that a majority of the beneficiary firms had complete trust on the professional prowess and capability of the venture capital firms. Most of these beneficiaries were satisfied with the customer relationship endeavors and capabilities of the VCs. In general the venture capital funds are perceived to make a positive contribution to the business of the beneficiaries. Thus a huge majority (80%) of the investee firms are satisfied with the overall performance of the venture capital funds.

Exit strategy of VCFs from the perspective of beneficiary firm

Opinion of investee firm regarding exit behavior of the VCFs: To analyze the investee firms opinion regarding the exit behavior of the VCs in India, the respondents were asked questions regarding the efforts made by VC to investigate companies exit potential, suitable market for listing potential buyers before the investment decision and regarding whether they made concrete plans of alternative exits and discuss with other owners of the portfolio. The study revealed (table 21) the significant percentage (66.7) investee firm believed that a venture capitalist made a thorough analysis of the companies exit potential before taking investment decision. But a majority of them (56.7) were not agree with the fact that venture capitalist identified the most suitable market for listing before making investment decision and majority of investee (66.7%) also believe that venture capitalist were not identified potential buyers in advance. An overwhelming majority of the respondents felt that the VC would not discuss about exit related issues of the company with other owners of the portfolio company they have. From the study it can be inferred that a majority of the beneficiary firm agree that before making investment decision venture capitalist made a thorough analysis of the company exit potential but do not identify suitable market or potential buyers in advance and also did not discuss the exit planning with other owners of the portfolio company.

Deal experience of beneficiary firm

Investee firm opinion regarding the complexity of funding procedure of the VCFs:

This study shows that most of the investee firm i.e. 73.3 (table 22) found the funding procedure of the VCFs complicated although some investee firm i.e. 26.7 report that it is not complicated. From the study it can be inferred that getting fund from VCFs is not an easy task as it involve too much investigation, paperwork and meetings because of which it become a complicated process.

Satisfaction of investee firm with the funding mechanism of VCFs: Around 53.3 % (table 23) of the investee firm are satisfied with the funding mechanism of VCFs. and 43.3 % investees are very satisfied. From the study it can be inferred that although getting fund from the venture capitalist is the complicated process but beneficiaries are satisfied with their funding mechanism.

Investee firm experience regarding the funding mechanism actually used by VCFs as compared to what they promised: According to the investee firm experience regarding the divergence between actually used and promised/ mentioned funding mechanism it is found that there is no difference between them as 81.25 % investee(table 24) agree with this fact although minor difference was found by 18.75 % investee.

Findings

The major findings of the study are as follows:

- Beneficiary firm approach the VCF for funding because they were facing difficulty in getting funds from traditional sources of finance, moreover they want additional services from VCFs
- Most of the beneficiary gets the information about prospective VCFs from their references which shows that in VC industry reference play a vital role for searching VCFs.
- For selecting the appropriate VCF beneficiary firm gives more weight age to the support and advisory nature of VCF along with their financial support.
- Beneficiary firm during searching of appropriate VCF, found the information about venture capitalist easily although few firm face some difficulty in retrieving relevant information about VCF.
- Study shows that, a beneficiary firm doesn't not wish to share, their business secrets with so many investors. They approach limited number of VCFs to maintain confidentiality.

Findings related to Due Diligence and Deal Structuring Processes

- According to investee the whole process of finalizing the deal after first contact with VCFs take more than three months to close the deal.
- From the study it can be inferred that VCFs in India preferred early stage for funding as compare to later stage funding.
- The study shows that average deal size is between Rs. 1 to 5 crore. This also support that VCFs preferred early stage funding, as in the early stage requirement of funding is comparatively low.
- It has been found that in maximum cases beneficiary received more than 75 % of the applied fund for their business. The main reason of shortfall in the sanctioned amount is associated with the investee firm not conforming to the evaluation criteria as provided by the VC firm.
- From the study it is also inferred that in majority of the cases beneficiary did not get the entire amount of funding in a single round .They get required funding in several round after achieving some predetermined milestones, which also prove to VCFs that beneficiary has a promising future. Moreover it was also found that beneficiary was hesitating in discussing their weakness.
- According to the beneficiary VCFs give more weight age to the entrepreneur/ team characteristics and least weight age to govt. influence while selecting the firm for investment.
- Before investing in the investee firm VCF carry out detailed due diligence for which some fee is involved which is paid by venture capitalist and sometime it is shared between VCFs and investee but in no case it is paid by investee firm single-handedly.

- In case of legal fee it is paid by investee firm but sometime it is split between VCFs and investee firm.

Findings related to post deal governance structure

- Study shows that VCFs mostly provide assistance in managerial and operational aspect of the business. They did not provide much assistance in research and testing stage of the business.
- It has been found by the study that the assistance received by investee firm from their VCF is useful for them although in some cases it is very useful.
- Moreover it has been found that there is acceptations and realization gap between the investee firm and their VCFs.
- From the study it can be inferred that a majority of the beneficiary firms had complete trust on the professional prowess and capability of the venture capital firms. Most of these beneficiaries were satisfied with the customer relationship endeavors and capabilities of the VCs. In general the venture capital funds are perceived to make a positive contribution to the business of the beneficiaries. Thus a huge majority (80%) of the investee firms are satisfied with the overall performance of the venture capital funds.

Findings related to exit strategy of VCFs

- From the study it can be inferred that a majority of the beneficiary firm agree that before making investment decision venture capitalist made a thorough analysis of the company exit potential but do not identify suitable market or potential buyers in advance and also not discuss the exit planning with other owners of the portfolio company.

Findings related to deal experience of beneficiary firm

- Study finds that getting fund from VCFs is not an easy task as it involves too much investigation, paperwork and meetings because of which it becomes a complicated process.
- It has also found that although getting fund from the venture capitalist is the complicated process but beneficiaries are satisfied with their funding mechanism.
- According to the investee firm experience regarding the divergence between actually used and promised/ mentioned funding mechanism it is found that there is no difference between them although minor difference was found which is only due to dynamic business environment.

Conclusion

From the study it has been concluded that beneficiary firm contact the venture capitalist not only for funding but also for their support and guidance. They approach only few trustworthy venture capitalists for funding where references play an important role. The whole process of funding takes more than three months. Beneficiary thought that entrepreneur / team quality play a vital role in getting fund but the funding is associated with milestones. Overall beneficiary funding process is complicated but they are satisfied with their venture capitalist although some expectation and realization gaps do exist.

Notes

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Table 1: Summary of Literature Review

Stages of venture capital investment processes	Wells (1974)	Tyebjee and Bruno (1984)	Silver (1985)	Hall (1989)	Fried and Hirsch (1994)	Boocock and Woods (1997)	Frederic Martel (2006)	Klonowski (2007)
1	Search	Deal Generation	Search	Generating a deal flow	Deal Origination	Generating a deal flow	Deal Origination	Deal Generation
2	Screening	Screening	Initial Screening	Screening	Firm-specific screen	Screening	Pre-Screen Stage (Assistant)	Initial Screening

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3	Evaluation	Evaluation	Due Diligence	Proposal Assessment	Generic screen	First Meeting	Screening Stage (Investment manager / Assistant)	Feedback From Investment Committee (Due Diligence Phase I)
4	Venture Board Meetings and Venture Operations	Structuring	Deal Structuring	Evaluation	First phase evaluative	Second Meeting	Investment Stage (Manager / Challenger)	Feedback from Supervisory Board (Due Diligence Phase I)
5	Cashing out	Post Investment Activities	Post Investment Activities	Due Diligence	Second phase evaluative	Board Presentation	Team Stage --no costly Due Diligence approval	Pre-Approval Completions
6				Deal Structuring	Closing	Due Diligence	Investment Committee- Investment Approval Stage	Formal Approvals and Due Diligence Phase II
7				Venture Operations		Deal Structuring	On- going Monitoring / value Creation	Deal Completion
8				Cashing out		On-Going monitoring of investment	Cashing out / Exit	Monitoring
9						Cashing out		Exit

Table 2: Duration of existence of sample investee firm

No. Of Years	1	2	3	4	5	6	More Than 6 Years	Total
Frequency	2	2	13	8	2	0	3	30
Percentage	6.7	6.7	43.3	26.7	6.7	0	10	100

Table 3: Sector wise distribution of sample investee firm

Sectors	Bio Technology	Computer Software And Services	Communications	Electronics	Energy	Pharmaceuticals	Industrial Products And Machinery	Food & Food Processing	Transportation	Media	Other	Total
Frequency	3	12	0	1	0	1	0	3	2	0	8	30
Percentage	10	40	0	3.3	0	3.3	0	10	6.7	0	26.7	100

Table 4: Team size of the sample investee firm

No. of Members	Less than 25 members	Between 25 to 50 members	More than 50 members	Total
Frequency	14	11	5	30
Percentage	46.7	36.7	16.7	100

Table 5: Reasons for approaching VCFs

Reasons	Failure or difficulty to get fund from the traditional sources.	Additional services provided by venture capitalists along with the finance provided by them	Both the above	Others	Total
Frequency	3	10	16	1	30
Percentage	10	33	53	3	100

Table 6: Source of information about VCFs

S. No.	Sources	Frequency	Percentage	Mean
1	Website	5	13.2	0.13
2	Journal	1	2.6	0.03
3	Mailing list of national platforms and other networks	4	10.5	0.11
4	Others (including references etc.)	28	73.7	0.74
	Total	38	100.0	1

Table 7: Factors to be considered for selecting VCFs

S. No	Factors	Extremely Relevant	Relevant	Irrelevant	Mean	Total
1	Nature of fund	17	12	1	2.53	30
	Percentage	56.7	40	3.3		100
2	Track record of fund manager	12	16	2	2.33	30
	Percentage	40	53.3	6.7		100
3	Financial resources of the venture capitalist	18	9	3	2.5	30
	Percentage	60	30	10		100
4	Attitude of venture capital fund managers towards participation in the management and supervision of the enterprise	20	10	0	2.66	30
	Percentage	66.7	33.3	0		100
5	Exit planning	9	15	6	2.1	30
	Percentage	30	50	20		100

Table 8: Accessibility of information about the venture capitalist

Information Easily Accessible	Yes	No	Somewhat	Total
Frequency	17	0	13	30
Percentage	56.7	0	43.3	100

Table 9: Number of VCFs approached by sample investee firm for financing

No. Of VCFs	Less Than 5 VCFs	5 To 10 VCFs	More Than 10 VCFs	Total
Frequency	18	12	0	30
Percentage	60	40	0	100

Table 10: Time taken to negotiate and finalize the deal

Time	Less Than 1 Month	1 To 3 Months	More Than 3 Months	Total
Frequency	0	13	17	30
Percentage	0	43.3	56.7	100

Table 11: Stage for getting funding

Stage	Early	Later	Total
Frequency	25	5	30
Percentage	83.3	16.7	100

Table 12: Size of investment applied for funding

Size Of Investment	Less Than 1 Crore	Between 1 To 5 Crore	More Than 5 Crore	Total
Frequency	10	18	2	30
Percentage	33.3	60	6.7	100

Table 13: Percentage of amount sanctioned for funding

Percentage of Amount Sanctioned	Less Than 50 %	Between 50% To 75%	More Than 75%	Total
Frequency	0	7	23	30
Percentage	0	23.3	76.7	100

Table 14: Survey responses related to reasons for shortfall in the sanctioned amount

Survey Response	Percentage Of Respondent Attempted This Question	Percentage Of Respondent Not Attempted This Question	Total
It is often argued that the reason of shortfall in the sanctioned amount is associated with the investee firm not conforming to the evaluation criteria as provided by the VC firm. To what extent it is true and what is your opinion regarding this.	23.3	76.6	100

Table 15: Importance of evaluation criteria

Evaluation Criteria	Entrepreneur/ Team Characteristics	Product/ Service Attractiveness	Market Attractiveness	Financial Soundness	Govt. Influences	Barrier to entry	Exit Potential	Personal Reference
Mean	2.96	2.90	2.80	2.10	1.40	2.10	2.63	2.06
Standard Deviation	.18	.30	.40	.54	.56	.60	.55	.69

Table 16: Payment of Due Diligence fee

Payment Made By	Venture Capitalist	Investee	Split Between VCFs And Investee	Cant Say	Total
Frequency	19	0	11	0	30
Percentage	63.3	0	36.7	0	100

Table 17: Payment of legal fee

Payment Made By	Venture Capitalist	Investee	Split Between VCFs And Investee	Cant Say	Total
Frequency	2	17	11	0	30
Percentage	6.7	56.7	36.7	0	100

Table 18: Types of assistance received from VCFs

S. No	Types Of Assistance	Provided	Not Provided	Mean	Total
1	Managerial Assistance	30	0	1	30
	Percentage	100	0		100
2	Marketing Assistance	28	7	.76	30
	Percentage	76.7	23.3		100
3	Research Assistance	1	29	.03	30
	Percentage	3.3	96.7		100
4	Only Bridge The Shortfall In The Promoter's Contribution Or Only Provide Required Finance	0	30	.00	30
	Percentage	0	100		100
5	Others	14	16	.46	30
	Percentage	46.7	53.3		100

Table 19: Usefulness of assistance received from VCFs

Usefulness of Assistance	Very Useful	Useful	Not Useful	Total
Frequency	7	22	1	30
Percentage	23.3	73.7	3.3	100

Table 20: Opinion of investee firm regarding performance of the VCFs

S. No	Description Of Performance	Disagree	Neither Agree Or Disagree	Agree	Mean	Total
1	VCF representative (VCFR) are well trained	1	10	19	2.6	30
	Percentage	3.3	33.3	63.3		100
2	VCFR are well supervised	3	15	12	2.3	30
	Percentage	10	50	40		100
3	VCFR act in my best interest	1	21	8	2.23	30
	Percentage	3.3	70	26.7		100
4	The VCF account manager is knowledgeable and professional	0	7	23	2.76	30
	Percentage	0	23.3	76.7		100
5	I feel like I have a good personal relationship with the VCF account manager	0	6	24	2.8	30
	Percentage	0	20	80		100
6	The VCF manager is not making a positive contribution to my business.	18	11	1	1.4	30
	Percentage	60	36.7	3.3		100
7	The VCF account manger responds to my inquires in a timely manner	0	8	22	2.7	30
	Percentage	0	26.7	73.3		100
8	Over all, I am very satisfied with the Venture Capitalist team.	0	6	24	2.8	30
	Percentage	0	20	80		100

Table 21: Opinion of investee firm regarding exit behavior of the VCFs

S. No	Exit Behavior	Not Agree	Strongly Agree	Agree	Mean	Total
1	They made a thorough analysis of the company's exit potential before the investment decision	5	5	20	2.5	30
	Percentage	16.7	16.7	66.7		100
2	They identified what market the company was most suitable to be listed on before the investment decision	17	3	10	1.76	30
	Percentage	56.7	10	33.3		100

3	They identified the potential buyers of the company before the investment decision	20	4	6	1.53	30
	Percentage	66.7	13.3	20		
4	They made concrete plans of alternative exits eg. Potential buyers, before the investment decision	22	1	7	1.5	30
	Percentage	73.3	3.3	23.3		
5	They discussed alternative exit routes with the other owners of the portfolio company before the investment decision	20	5	5	1.5	30
	Percentage	66.7	16.7	16.7		
6	They often discussed issues related to the exit with the other owners of the portfolio company in our running operations with the portfolio company	23	4	3	1.33	30
	Percentage	76.7	13.3	10		

Table 22: Investee firm opinion regarding the complexity of funding procedure of the VCFs

Options	Not Complicated	Complicated	Very Complicated	Total
Frequency	8	22	0	30
Percentage	26.7	73.3	0	100

Table 23: Satisfaction of investee firm with the funding mechanism of VCFs

Options	Not Satisfied	Satisfied	Very Satisfied	Total
Frequency	1	16	13	30
Percentage	3.3	53.3	43.3	100

Table 24: Survey responses related to Investee firm experience regarding the funding mechanism

Survey Response	No Difference	Minor difference	Difference	Total
It has being observed that the funding mechanism actually used by the VCF is different from the one mentioned or promised by them. What is your experience regarding this?	81.25	18.75	0	100