



MANAGEMENT CENTRE

الجامعة الإسلامية العالمية ماليزيا  
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA  
يُؤْنِسُ بَرَسِيْتِي: اِسْلَامًا اَنْبَارًا بَعْثًا مُلِدِيْنًا

# The IIUM Journal of Case Studies in Management

Vol. 1, January 2010

ISSN: 2180-2327

Organizational Change Through Effective Leadership 1  
at Ciscom

**Shalini Rahul**

*Management Development Institute, Gurgaon, India*

Niche Tourism Marketing 23

**Manoj Edward**

*Cochin University of Science and Technology, India*

**Babu P George**

*University of Southern Mississippi, USA*

When the Component Becomes Greater than the End 37  
Product: Shimano's Way to Leadership

**Christian Linder**

*Fraunhofer-Institute for Industrial Engineering IAO, Germany*

**Sven Seidenstricker**

*Institute for Human Factors and Technology Management, University of  
Stuttgart, Germany*

The Feudal Lords of Lahore's Stock Exchange 55

**Noor Mohamed**

*International Islamic University Malaysia*

**Arif Hassan**

*International Islamic University Malaysia*





# IIUM Journal of Case Studies in Management

**Vol. 1, January 2010**

## Contents

Organizational Change through Effective Leadership at CISCOM Shalini Rahul <i>Management Development Institute, India</i>	1
◆	
Niche Tourism Marketing Manoj Edward <i>Cochin University of Science and Technology, India</i> Babu P George <i>University of Southern Mississippi, USA</i>	23
◆	
When the Component Becomes Greater than the End Product: Shimano's Way to Leadership Christian Linder <i>Fraunhofer-Institute for Industrial Engineering IAO, Germany</i> Sven Seidenstricker <i>Institute for Human Factors and Technology Management, University of Stuttgart, Germany</i>	37
◆	
The Feudal Lords of Lahore's Stock Exchange Noor Mohamed <i>International Islamic University Malaysia</i> Arif Hassan <i>International Islamic University Malaysia</i>	55

Teaching Notes of the Case Studies, published in this issue, are available ONLY to lectures and trainers. Please send your request to the Chief Editor ([arifh@iiu.edu.my](mailto:arifh@iiu.edu.my)/[arif.hassan@gmail.com](mailto:arif.hassan@gmail.com)) giving details of your job position and institutional affiliation using your institutional email address.

## IIUM Journal of Case Studies in Management

ISSN 2180-2327

Published:  
International Islamic University Malaysia  
53100 Kuala Lumpur.

### Editorial Team

- **Chief Editor:**

**Prof. Dr. Arif Hassan**

Deputy Director  
Management Centre  
International Islamic University Malaysia

- **Co-Editors:**

**Assoc Prof Dr Noor Hazilah Abd Manaf**

Management Centre  
International Islamic University Malaysia

**Prof Dr Arif Zakaullah**

Head, Master of Management Program  
Management Centre  
International Islamic University Malaysia

- **Editorial Advisory Board:**

**Prof Dr A Seetharaman**

Faculty of Business Strategy  
S.P. Jain Centre of Management, Singapore.

**Prof Dr Faridah Hj Hassan**

Director  
Centre of Business Excellence,  
Faculty of Business Management  
University Technology MARA (UiTM)

**Professor Dr Khaliq Ahmad**

Dean  
Kuliyah of Economics and Management  
Sciences  
International Islamic University Malaysia

**Prof Dr Mohd Ismail Sayyed Ahmad**

Director  
Management Centre  
International Islamic University Malaysia

**Prof Dr Mukund Dixit**

Indian Institute of Management  
Vastrapur, Ahmedabad, India

**Dr Muslim Harsani**

Department of Accounting  
Kuliyah of Economics and Management  
Sciences

International Islamic University Malaysia

**Dr Amir Mahmood**

Deputy Head of Faculty and Assistant  
Dean International  
Faculty of Business and Law  
University of Newcastle  
NSW Australia

**Assoc Prof Dr Nik Nazli Nik Ahmad**

Deputy Dean (Postgraduate Studies)  
Kuliyah of Economics and Management  
Sciences  
International Islamic University Malaysia

**Prof Dr P M Shingi**

Dean, School of Business  
Flame University, Pune  
India

**Dr Sharifah Raihan Syed Mohd. Zain**

Head, DBA program  
Management Centre  
Kuliyah of Economics and Management  
Sciences  
International Islamic University Malaysia

### Aim and Scope of the Journal

The IIUM Journal of Case Studies in Management is an internationally refereed journal published twice yearly by the Management Centre, International Islamic University Malaysia. The journal is dedicated to the development and promotion of case studies in the field of management and related disciplines for the purpose of enhancing our knowledge and understanding in the areas. Cases selected for publication are expected to deal with important issues related to the discipline, which may be used, among others, by instructors of Master of Business Administration and Master of Management programmes. Special consideration will be given to cases that deal with management issues in the Asia-Pacific region. Both, cases based on field research and secondary sources, will be considered. Also, papers on case writing, case teaching and case analysis will be accepted for publication. Occasionally the journal will publish empirical papers on current issues in management.

## **Editor's Note**

It gives me great pleasure to have the first issue of the *IIUM Journal of Case Studies in Management* published. The journal is the outcome of a long felt need of good case studies specially written in the Asian context that may be used by educators in management programs. We hope the readers will find this journal useful and will benefit from the case studies as well as the teaching notes. Extensive teaching note includes learning objectives, teaching strategy, and suggested answers to the case questions. However, teaching notes will be given only to teachers and trainers upon authentication.

The issue reports four case studies and relates to several critical issues in management. The first paper authored by Shalini Rahul reports the story of a government undertaking in India that went through the turnaround process. It captures the details of the organizational culture and work processes and the critical role of a leader who was successful in managing the change process. The second paper authored by Manoj Edward and Babu P. George reports the case of a tourism operator from India. It presents the entrepreneurship challenges and growth dynamics of the tourism market faced by this firm. The study further explores certain unique characteristics of the firm's operation which relates to the niche area of its operation. The third paper authored by Christian Linder and Steven Seidenstricker deals with the case of Shimano—the famous Japanese bicycle company. It traces its history and the brand management strategy that includes the marketing strategy of their ingredients. The last case authored by Noor Mohamed and Arif Hassan presents the experiences of a Malaysian manager who was sent to Pakistan to head a joint venture brokerage company in Pakistan. It reports the challenges faced by an expatriate manager in introducing any organizational change.

I am grateful to Prof. Dr. Mohammed Ismail, the Director of Management Centre who mooted the idea of publishing this journal from this Centre and encouraged me to work on this publication.

We look forward to contributions from authors for the next issue. Any comments or suggestions to improve the quality of the journal and to make it more useful to the teachers and trainers in management will be greatly appreciated.

Finally, I would like to extend my thanks and appreciation to all authors and reviewers for their valuable contributions and to Ms Sumangala Pillai who took the strenuous task of copy editing, proof reading and typesetting of the papers.

Arif Hassan, PhD  
Chief Editor



# Case Study 1

## Organizational Change through Effective Leadership at CISCOM

**Shalini Rahul\***

*Management Development Institute, India*

**Abstract:** This case is a turnaround success story of a government undertaking CISCOM. CISCOM faced some tough times during 1998 to 2003 and became a dysfunctional organization. As is the case with many government organizations which provide job security, time bound promotions, and no individual and departmental targets to achieve, employees do not feel the need to change their style of working or to become more productive. The government usually closes down such organizations after suffering heavy losses; which means loss of jobs and loss of revenue to the government exchequer. However, with the change in leadership, CISCOM once again realized its importance in the Science and Technology scenario of India and became an immensely productive organization. The new director Mr. Goyal introduced some novel steps, which made the organization more integrated and responsive to change. This case study traces the management changes that CISCOM experienced for a successful turnaround under the transformational leadership of Mr Goyal.

---

August 1, 2008. It is 9 on a Monday morning. A white car drives up and parks in front of the office building of CISCOM. The driver gets down and swiftly opens the rear door of the car from which emerges Mr R K Goyal, Director of CISCOM. He takes the short flight of steps towards the left side of the wing, which leads to his office. As soon as he is seated, he calls for Dr Padam Das, Editor of *Industrial Research Journal* (IRJ), an enthusiastic scientist and confidante of Mr Goyal, and tells him that he wishes to have a 2012 business plan prepared for CISCOM. "How far have we come from 2003 and where do we want to be after 5 years? Let's set up a 5-member committee and suggest what needs to be achieved. Let's meet after a couple of days and discuss the progress." As Dr Padam Das leaves the room, Mr Goyal's expression turns to one of concern. He has completed 5 years as Director of CISCOM effective today. With just one year left of his tenure, the thought that rankles him is whether he has achieved the objectives that he had defined for CISCOM. Though it has been a tough journey, the important question confronting him is, "Will CISCOM be able to sustain itself? What else can I do?"

---

\*Doctoral student, Management Development Institute; Email: [rahul.shalini@gmail.com](mailto:rahul.shalini@gmail.com)

## BEGINNINGS OF R & D IN INDIA

The British East India Company introduced science to serve the needs and requirements of the colonial government. Services in the fields of medicine, surveys, administration, military and several other areas were introduced either to increase the revenue or meet the requirements of the imperial power.

## BIRTH AND DEVELOPMENT OF NCRSI

In 1940, the Board of Scientific and Industrial Research (BSIR) was established and along with it a number of research committees to undertake research on vegetable oils, fertilizers, drugs, plastics, sulfur and scientific instruments. The objective was to implement government approved schemes for research. As the founders of BSIR were also keen on promoting industrial development in India, they created an industrial Research Fund with an annual grant of Rs. 10 lakhs for a period of 5 years. Thus, the National Council for Research on Science and Industry (NCRSI), registered under the Registration of Societies Act XXI of 1860, was founded in September 1942 as an autonomous body. After independence, with the formation of the Ministry of Science and Technology, NCRSI came directly under its control.

NCRSI currently has 38 laboratories, 36 of which are Research and Development oriented labs with the remaining two termed as Information Science Labs.

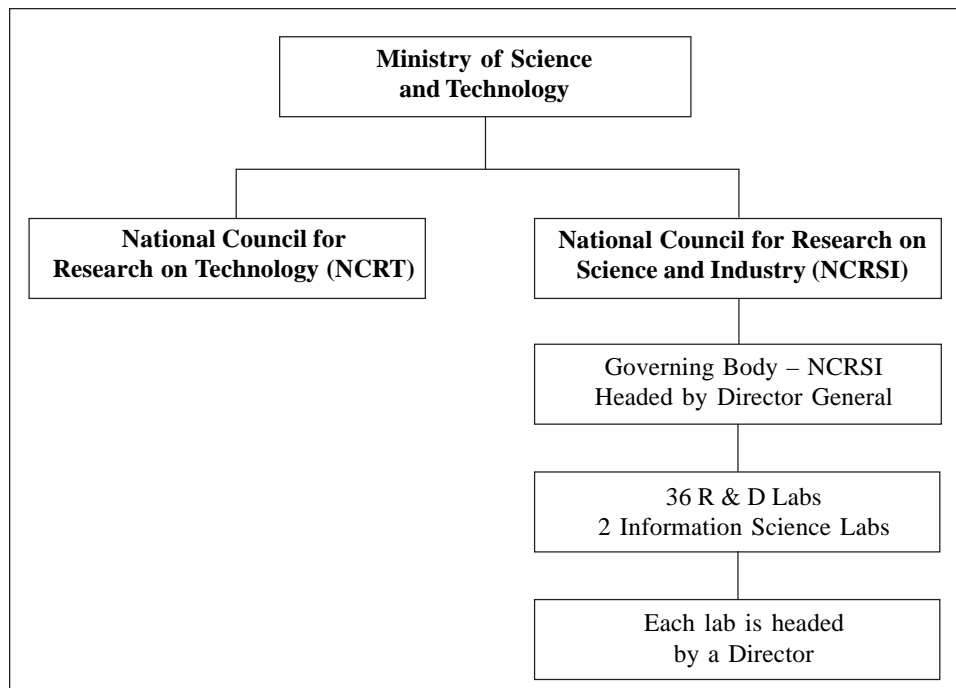
Against the realization that information is an essential input for any R&D activity, in 1944, the Government of India specifically assigned two functions to NCRSI:

- 1 Collection and dissemination of information with regard not only to research but also to industrial matters
- 2 Publication of scientific papers and journals

## BIRTH OF BIP

These functions saw NCRSI initiating two independent units in 1944, namely *Dictionary of Indian Raw Materials and Economic Products* and the *Industrial Research Journal*. The former was established to collect and publish information on raw materials, and their products in India while the latter published articles on scientific research conducted in India. These two units merged in 1951 to form the Bureau of Information and Publication (BIP). NCRSI enhanced the scope of BIP and assigned it the following activities:

1. Dissemination of scientific and technical information to the community – through the publication of various scientific journals.
2. Compilation of information on the plant, animal and mineral wealth of the country in an encyclopedia entitled *Prosperous India*.
3. Popularization of science among the masses through science magazines – *Vigyan ki Duniya* and *Science ki Duniya* (published in Hindi and Urdu respectively).
4. Provision of technical information service to all NCRSI labs.



**Figure 1.** Structure of NCRSI and its Labs

In 1965, the *Industrial Research Journal* was split into five independent journals, namely *Journal of Chemistry*, *Journal of Pure & Applied Physics*, *Journal of Technology*, *Journal of Experimental Biology* and *Industrial Research Journal*, in order to cater to the growing demand for specialized journals in various fields of science and technology.

In 1998, BIP underwent a name change to Centre for Scientific Communication (CSC) as the earlier name was perceived as not reflecting accurately the scope of its activities.

### A CRISES IN CSC

During the tenure of Dr GP Gokhale (the first designated director of CSC), a Dr Kumar had joined as a Scientist at CSC in 1996. By 1998, Dr Kumar, known to be an active participant of organizational politics, became a leading office bearer of Officer Welfare Association (OWA), which is registered under the Trade Union Act. Each NCRSI lab has an OWA unit and all Scientists are members of their respective OWA unit.

All units of OWA are also networked throughout the country in such a strong manner that it enables office bearers to have access to several categories of information even in relation to other labs.

Meanwhile, Dr. Kumar had found two accomplices – Dr Ganesh (Scientist and the then secretary of the OWA unit in CSC and Mr K Paul (Technical Scientist). The three scientists began gathering information on irregularities throughout the labs of NCRSI. They managed to compile a list of 200-odd cases against the directors of all labs of NCRSI pertaining to purchase, appointments, favoritism, nepotism and corruption. This was followed by instigation of scientific staff of CSC to agitate against the director, Dr Gokhale. Though the cases involved other labs as well, they decided to commence agitation from CSC and subsequently spread it to other labs thus aiming to bring NCRSI to a standstill. Almost 90% of CSC staff had joined this agitation and the few who opposed this move were the Director and representatives of NCRSI (Finance Officer, Controller and Administrative Staff).

They demanded that Dr Gokhale should immediately resign, to which NCRSI flatly refused. The gates of the Institute were locked and no one was allowed to enter. There was a deadlock. The Institute remained closed for about three months. Finally, the three masterminds were suspended by NCRSI. Subsequently the then minister of Science and Technology/Vice President of NCRSI, Dr Tala, called for a meeting where the Director General of NCRSI was present (as a management representative) and the three office bearers were asked to give their charter of demands. A one-man fact finding committee was also instituted to enquire into the alleged irregularities; these persons were instructed not to participate in any other agitation and departmental enquiries were ordered against them. NCRSI also passed an order for the Institute to remain open with the demand for removal of Dr Gokhale being partially accepted. Dr Gokhale ceased to be the director of CSC and was transferred to another lab of NCRSI at Pune where he continued his service for two years without any particular portfolio but enjoying the salary of a director. From 1998 to 2003 there was no permanent director at CSC and the director of Central Lab for Physics (CLP) was given an additional responsibility of taking charge of CSC. In August 2003, Mr R K Goyal joined as the director.

However, during the period of 1998 – 2003, the three accused Scientists continued filing a number of cases against CSC - Dr Kumar filed 19 cases, Dr Ganesh filed 9 and Mr Paul filed 9 cases respectively. They were suspended from CSC in 2000.

As expressed by many Scientists, the 1998 to 2003 period was indeed a very stressful one. Several informal groups cropped up and there was a lack of trust and discord among all employees. “So much so that we did not know who was a friend and who a foe...” remarked a senior scientist. Since there was no full time director, the departmental heads received no clear guidelines or directions; there was no coordination and people would invariably arrive late for work. This situation further compounded lag and productivity suffered. All promotions were held up and a sense of dissatisfaction prevailed among all employees.

#### **MERGER OF CSD WITH CSC TO ESTABLISH CISCOM**

The Centre for Scientific Documentation (CSD) was established in 1955 to provide information support (documentation, information and translation services) to the



scientists and researchers of the country at a time when research infrastructure in India was at a nascent stage.

In 1964, Dr Rajan was appointed as director for a period of 3 years; the first director of CSD. On his retirement, no person was appointed as director despite NCRSI advertising the post on a regular basis. According to NCRSI, no candidate was found to be sufficiently suitable for the post. The senior-most scientist continued to be in-charge till 1989. In 1989, Dr Agnihotri was appointed as director for a term of 5 years, but his services were terminated after 2 years on grounds of misconduct. Dr Chatterjee, the then senior-most scientist, served as acting director till 2003 when CSD merged with CSC.

According to Dr Chaddha (retired Senior Scientist) “CSD was considered to be a weak organization by NCRSI in the absence of a director. Since there was no one to direct the organization, despite having qualified manpower, things went awry. Again in the presence of Dr Agnihotri, it further weakened. He directed the efforts of staff to activities other than the core activities of scientific documentation, procurement and translation... since top management was weak, the institution became weaker.”

During 1989 to 2002, three regional centers of CSD were closed due to lack of user-base and non-performance. NCRSI had been actually considering the merger for quite some time now. The merger was approved in 2003 and the newly merged entity – Central Institute for Scientific Communication (CISCOM) – came into existence on 30 September 2003. Both the institutes were allowed to function from their respective buildings situated in East and South Delhi respectively.

### **Mission and Objectives**

Till 2003, the mission of CSC had been the dissemination of information on Science & Technology to different segments of society through the publication of research journals, monographs, encyclopedias, popular science magazines and books.

After the merger, however the major functions that CISCOM identified for itself were as follows:

- To provide formal linkages of communication among the scientific community in the form of research journals in different areas of S & T
- To disseminate S&T information to the general public, particularly school students and to inculcate interest in science
- To harness information technology applications in information management with particular reference to science communication and modernizing of libraries

The mission statement of CISCOM formulated in the year 2003 boldly declares:

*“To become the prime custodian of all information resources on current and traditional knowledge systems in science and technology in the country, and to promote communication in science to diverse constituents at all levels, using the most appropriate technologies.”*

“... the Mission statement is quite compelling as it helped CISCOM to perceive opportunities in the market and guided us to achieve them. Also, it helped the organization to plan out every activity by setting targets for technology, resources, procurement, and delivery etc.” says the head of Print Division.

Mr. Srivastava, head of Sales and Marketing describes the future of CISCOM as, “We have taken various projects in terms of digitalization and this can be extended to any extreme e.g. the IT literacy program – every village, *panchayat* should implement it and CISCOM can facilitate this move. In fact, our *Discover Science* is an excellent magazine and if promoted well, it could well earn the whole budget for NCRSI.”

### LEADERSHIP AT CISCOM

From the time of its inception, BIP has been headed by a Chief Editor. Mr Reddy, the first Chief Editor, headed BIP from 1972 to 1983. However, the designation was changed to Editor-in-Chief in the year 1983 and finally in 1989, the term ‘director’ came to stay. The following table summarizes the tenure of the directors. Mr RK Goyal joined as director on 1 August 2003. An engineer with masters in business administration; he is a professional IT manager with more than twenty-five years of experience.

#### Initiating Punctuality

“I did not do anything immediately to control the situation,” says Mr Goyal. ‘Instead I started observing the state of affairs. They (staff ) were observed to come late to office. They would come to office at any time, it could be 11 a.m. or even lunch time. Then they would be seen chatting around with their colleagues and could not be traced to their seats. They did a little bit of their official work and then left office early. This place never looked like an office to me; it was more of a park, where people were

**Table 1.** Tenure of directors

No.	Name	Designation at CISCOM	Tenure
1	Mr Y Reddy	Chief Editor - BIP	1972 - 1983
2	Mr Y Reddy	Editor-in-Chief (BIP)	1983 - 1985
3	Mr S Sharma	Acting Editor-in-Chief (BIP)	1985 - January 1989
4	Mr R S Rathore	Acting Editor-in-Chief (BIP)	Jan 1989- May 1989
5	Dr Gokhale	Director (formerly Sr. Scientist Atomic Research Centre)	June 1989 - 1998
6	Mr R K Goyal	Director (formerly Director Centre for Information Sciences)	August 2003 – till date

Source: Information gathered through interviews

happily jay-walking. I started interacting with the departmental heads and the editors of the journals, on an individual basis. I wanted to understand the difficulties they were facing, since productivity was extremely low. Given the kind of infrastructural support that they had, why was everything delayed? All the journals were running late by almost a year.”

It soon dawned on Mr Goyal that the last 5 years of turmoil had contributed greatly to making CISCOM dysfunctional. They were not expected to set targets and achieve them annually. There was no pressure on them to perform; as CISCOM was a government set-up, their jobs were quite secure. Moreover, it was not a case of one or two persons; the entire organizational staff was behaving in this manner. There was no one to correct them.

‘First, I wanted them to come on time, so I sent a circular to everyone asking them to adhere to the office hours of work, that is, 9:00 a.m. to 5:30 p.m.’, said Mr Goyal. ‘I was not asking them to do me a personal favor; they were supposed to come on time’. Initially employees did not observe the office hours strictly but very soon on being issued notices to submit explanations for late arrivals, they began to keep time. Mr Goyal instructed all departmental heads and senior scientists to submit a weekly report on late arrivals and absentees. He also introduced a system of monitoring movement outside the organization through the ‘movement control register’. Anyone leaving the premises for more than half an hour had to mention the reason for going out and expected time of return. Mr. Goyal would go through this register daily and call the person the next day to understand the cause of frequent movements or personal reasons for these absences.

### **Initiating an Inventory Check Program**

Initially, employees would make up all kinds of excuses for their movements or late arrivals such as going home for lunch, or that the rooms were suffocating, etc. Mr. Goyal immediately made his next move. He launched the inventory check program to ensure that everything was in place. All inventory needed by anyone was made available in stores; a committee was formed which was responsible for all procurement and issuing material/items to staff whenever required. For example, employees complained that the dispatches were delayed because the required items were never there in the stock. So, for dispatching journals, items such as envelopes, glue, franking machine etc. were made available. Annual maintenance contracts (AMC)s were always renewed on time and the EOQ (Economic Order Quantity) system of inventory management was adopted. Re-order points were marked for each consumable item and orders were placed with suppliers as soon as the re-order point was hit. The head of Print Production, Mr Pradip said, “We had to refuse a number of printing jobs from sister institutions and ministries, because we did not have paper, printing ink or machine parts had been sent for repair. Soon after Mr Goyal joined CISCOM, he instituted an inventory management system in place; he studied the inventory consumed and designed the inventory track system. He made sure that all ‘staple items’ like pins,

envelopes, tying ropes etc. were always in stock. Now whenever you ask for anything, you get it. AMCs have been signed for all technical products like computers, printers, printing machines, telephones, air conditioners etc. He ensured availability of resources right from an eraser to an air conditioner so that no work suffers and lag could be minimized. Today we are not only on schedule, we are moving ahead of schedule. The whole idea is that work does not come to a halt for want of any material.”

Mr Goyal also observed that the lunch time provided to the employees was quite short – half an hour. He stretched the lunch to 50 minutes and introduced 2 tea breaks of 15 minutes each, at 11:00 a.m. and 3:45 p.m. Fresh tenders were also invited for the canteen and within a span of 6 months, a classy canteen facility was made available to the employees. Earlier most of the employees had not been in favor of using this facility but nominal prices and the ambience of the canteen won them over. CISCOM’s canteen supplies a platter of rice, curry and 2 *chappatis* (Indian bread) for a mere Rs. 15; and tea for Rs. 2. The food served is hygienically prepared and served hot. The canteen has been installed with 20 coolers, 35 fans and round-table seating arrangements. The walls are brightly painted and decked with paintings and posters. Windows have been adorned with heavy colorful curtains and the place is cleaned thoroughly three times a day. Apart from serving lunch and tea, it has a small counter carrying beverages and snacks at affordable prices.

### **Providing a Neat and Clean Ambience**

The entire building of CISCOM was almost in ruins. It had not been painted for years, and some parts of it like terraces, passages, and staircase were damaged. Most of the air conditioners were not working properly and air ducts were clogged and damaged. Though the building was situated in a huge campus adjoining the National Laboratory of Physical Sciences, which had one of the best maintained lawns in the city of Delhi; CISCOM’s lawns were largely unkempt. The pathways leading to the office buildings had not been maintained for years and gravel had come loose.. The toilets inside the building were extremely dirty and fetid. It looked as though the whole place had been forsaken years ago. Mr Goyal recalled his experience at the time of joining: “I felt that I had been thrown into some deserted corner of the country. It was difficult to sit in my office for the entire day. I wanted to understand how these people were working under this condition.” Being a government organization, even a minor repair work and maintenance had to be approved by the director. However, keeping the history of CISCOM in mind, no head of institution was willing to take the responsibility for providing a good ambience. They were afraid of burning their fingers, despite the fact that all the accused persons had been terminated from their jobs. A senior scientist, Rajiv Mathur observed, “They did not want to invite fresh trouble, so they avoided taking any decision, however small. Initially we thought that Mr Goyal would also be like other heads but he made some bold decisions. He called for a meeting of all relevant persons and said that he wanted us to sit in neat and clean places. He wanted our support for this move. He established three committees of scientists and

administrative staff members – one for undertaking garden maintenance, another for building repairs maintenance and cleanliness, and a third for equipment maintenance. The committees were to seek suggestions from other members if required and suggest within a week's time, what needed to be done and how it would be executed. For the next four weeks, the committees made a list of tasks that needed to be done, the tentative list of contractors, and cost and time estimates. Once everything got approved, Mr Goyal asked the committee members to advertise for tenders and complete the process as soon as possible. By the end of November 2003, the repair and maintenance of buildings and equipment had started. The contractual gardeners had started the manicuring of lawns. In 2006, the re-modification work on the building started to make it more aesthetic and habitable. By the end of 2007, the CISCOM building was considered by its employees as well as visitors as one of the most well planned and well maintained offices." A visitor, (a director of another lab of NCRSI) wrote in the visitor's book – "though I have come here a number of times, this time CISCOM appears new. The whole set-up has undergone a change. Everything seems so beautiful...rooms, corridors, lawns." Mr V Gandhi, a senior scientist says, 'Mr Goyal stressed that all of us should have a neat and clean workplace; clean toilets and clean surroundings – free from litter and *paan*(betel nut) stains, and beautiful lawns. In fact, he says "There is no reason why one should have a dirty place and stinking toilets. What have I done? I have just created beautiful lawns and clean offices, and the rest followed. It is soothing for everyone including me."

### Using Information Technology

Mr Goyal promoted the use of information technology in a number of areas – from monitoring attendance and inventory using employee management and stock management software to receiving payments through secured gateways. To encourage widespread use of information technology among all persons, regular training sessions were organized for employees to learn newer techniques and revisit older ones. All departmental heads are encouraged to use simple MS office tools like MS Excel and MS Project to plan and monitor activities of their departments. They are asked to submit monthly MIS reports to the director highlighting the targets set for that month and the progress made in that regard. In this manner, regular planning and control became an essential feature at CISCOM.

In 2005, Mr Goyal also introduced a document movement monitoring system (DMMS). Through this system, all files are tracked through a web-based software. All files are coded and the subject is mentioned in this software. Whenever it is received by any individual of a department, the code is read and the file is tracked. Whenever it is forwarded to any other person or department, then again the code is entered in the computer. In this manner, the movement of the file can be tracked. The benefit of this system is in terms of tracking down the movement of the file and figuring out how much time the file spent on each desk. All files contain some information pertaining to an activity requiring attention or decision. But if it is lying on any desk for more than

the required time period, then it means that the decision is being delayed on that matter. Hence, the head of the institution is able to know which file is taking time in which department and on which table. A fortnightly report is generated and given to the director. Due to this system, people have become more accountable and efficiency has increased. The software is being further modified to introduce the concept of target date, the timeframe by which action has to be taken on a file.

From June 2006 onwards, Mr Goyal aims to achieve a paper-less office. Communication within and between departments is encouraged through e-mails. All employees' right from class III (clerical) to the director have their own e-mail accounts, through which much of the required informal and formal communication takes place. Vinod Gupta, IT head, observed "We want to achieve a paperless office by the end of 2010. Paper used for internal communication has been reduced but most of the external communication is still on letter heads. To date, we are a less-paper office moving towards the paperless office."

From January 2007 onwards, the objective of making the contents of all journals available on the website of CISCOM commenced. By August 2007, 4 journals could be fully accessed through the Internet. The remaining journals were partially available, with the whole project being scheduled for completion by the end of December 2007. The editors expressed the view that this initiative should result in high affordability, accessibility and availability and should also increase journal and CISCOM visibility. The editors feel that the set of subscribers will further increase because key word search will also give a listing of all their journals during searches. Full payment gateway is to be introduced very soon and this should enable people to gain access to other services as well.

An internal website has also been created for CISCOM. It provides for a notice board facility where the employees can post their notices, invitations and other information. A facility for downloading software and tools such as acrobat reader, Microsoft office tools etc. has also been provided. All employees are also provided with email accounts on this website. There has been a proposal to start a knowledge bank very shortly and this is expected to function as a reservoir of experiences and practices of CISCOM.

Very recently, NCRSI assigned a project to CISCOM to develop an Information and Computing Technology Grid to link all the 38 labs of NCRSI. The main purpose of this grid is to share research related work among all labs. A budget of Rs. 97.5 million has been sanctioned and the project has to be completed within the next 23 months.

There are 15 servers (windows based, UNIX, and LINUX) viz. firewall, domain name, proxy, mail server, web, Digital Library on Conventional Knowledge(DLCK) servers etc. and more than 500 computers and 50 laser printers and scanners installed on both campuses. CISCOM is planning to have an ERP process in the immediate future for activities like purchase, billing, employee records, accounts, etc. This project is to be completed within the next 2 years, that is, by 2009 for all NCRSI labs.

### **Creating a Transparent and Integrated Communication System**

Mr Goyal elaborated, “We cannot totally rely on IT to improve communication and coordination among people. We also need face-to-face interaction. IT can improve coordination and transparency among the employees, but the issue is to get them to talk to each other.” So Mr Goyal pioneered a system of a coordination committee, which is a kind of *panchayat* where representatives of all divisions interact with the director. The meetings are organized fortnightly with the main objective of reviewing ongoing activities of the past fortnight and setting targets for the coming fortnight. The Coordination Committee (CC) comprises the Director, Convener, co-convener, project leaders, those involved in action under minutes, heads of department or their representatives, 5 members each from Groups I, II, III and IV on a rotation basis and 10 members from Administration/Accounts/ Stores & Purchase on a rotation basis, with a total tally of 65 – 75 persons per meeting.

Dr P D Tyagi who is an active member of the CC and who also conducts these meetings even during the absence of the director, says: “Initially, these meetings were held every week and all the items were discussed in the presence of the director. But now with the system falling in place, we have less problems and these meetings are becoming monthly in nature. Also, we are able to manage in his absence and only the sorting out of very important issues requires his presence. This is one of the most important and effective mechanisms responsible for the growth of CISCOM, e.g. out of 201 items put up in these meetings, to date 86% have been settled as we work on face-to-face interaction and one does not have the opportunity to hide anything.”

Sanjeev Brar, Head of Education and Training shared his experience, ‘This is a very transparent way of dealing with issues. We have certain persons who take their own sweet time to do the work; they always have excuses for delaying matters. Now in the coordination committee meetings, we are supposed to openly point out the persons who have delayed the files. They are asked to explain why that happened, and how soon they would be able to complete it. All this is recorded in the minutes and in the next meeting, they are again asked about the progress.’

A concept of a general body(GB) meeting has also been introduced by the director. GB meetings are the platform for discussing various matters, be it purely professional or personal. The aim is to bring the management closer to every individual working at CISCOM. This adds to quality and transparency at work. These meetings are held once every quarter and employees of both campuses are expected to attend. These meetings are cathartic in nature. There is a lot of vibrancy as the attendance is almost 100%, and people share their experiences and vent their grievances in the presence of the Director. He takes instant decisions or suggests appropriate remedial measures. A meeting held on 5 September 2007 lasted almost 2 hours. The meeting started off with the Director giving out the achievements of the last quarter in terms of all the current projects. A group of scientists who had attended a couple of conferences on Nanotechnology and Biosciences shared their experiences while the Director applauded



the contribution of 3 staff who would be retiring in the coming 2 months. Another scientist who had shifted to Delhi from Indore and who was experiencing difficulty getting his sons admitted to a school in the mid-session was assured by Mr Goyal that he would definitely see what could be done. This was followed by light conversation and the meeting ended with tea and snacks.

Vinesh Gandhi, Finance Officer says, “The introduction of the concept of general body meeting and coordination committee meeting by the director has changed the scenario completely. Communication is more rapid and transparency has been built up in every single activity of the organization. Mr Goyal questions ongoing activities and sets deadlines during these meetings, and then follows them up in the next meeting. There is still much emphasis on hierarchy though he has adopted a very transparent system of dealing with people. Juniors may walk in with a grievance, but a senior’s instructions have to be complied with.”

The head of sales and marketing adds, “Now we are more dedicated to our work. There is sincerity among staff members and belief in boss and management. The director says, ‘promotion for everyone is not important but work for everyone is more important.’

“The basic objective of the present director is to get everybody to work whether he or she is willing to work or not. He believes that people have to do work because they are getting a salary from the government. A good aspect is that he has not isolated anyone from work; all, regardless of the ability to perform, have been delegated work by identifying their strengths.

“No file is retained on his table even for a single day - he is a quick decision maker and has very good problem solving capability. He is able to manage time very well for all projects. He sees the efforts of people and also allows for additional time if efforts put in by people are genuine. He sees that everybody gets promoted which provides motivation. As a human being, he is very good, a hard nut superficially but very soft inside. He is capable of giving a tongue lashing; though it hurts, we learn. He does not threaten, he teaches lessons only to those people who are adamant and non-reformable.”

While commenting on the committee structure, Mrs Lakshmi, Technical Officer, Patent Division, has this to say, “This is a unique way of involving people throughout the organization. Be it infrastructure or purchase, everyone gets a chance to participate in the decision making process. This increases my learning of an activity other than my core function... the ownership lies with us. For instance, every purchase decision has to pass through several committees such as the tender drafting committee, tender opening committee, technical evaluation committee, and financial evaluation committee. In the case of ‘works’ an additional committee called implementation committee is also there. Thus every purchase and work has to pass through 4-5 committees in all, comprising 30-50 staff members. On an average, 7 - 8 purchase/works take place simultaneously, so almost every employee is a member of some committee.”

An active member in CISCOM, Dr Padam Das, stressed the importance of these initiatives, “Mr Goyal has floated the concept of participative management and committee



system, which I believe has brought about the most significant changes at CISCOM. He emphasizes that each and every issue has to be discussed only at a meeting. Every issue, be it big or small is discussed in these meetings, persons are designated to look into matters and all decisions are taken only at these meetings. No decision is made outside these meetings no matter how important it is or even if it is related to outside parties like vendors, clients or suppliers". The head of the print division explains, "He has also introduced a system of 'fast track' payments to all vendors and suppliers without exception. For the first time, he has also introduced clauses in the vendor agreement such as 'if the fault or defect is on the part of the supplier, in any manner, then he/she shall be liable to pay to CISCOM, and if the organization is responsible for a fault or defect, then it shall be liable to pay to the vendor."

### **NEW PROJECTS AT CISCOM**

The Ministry of Science and Technology offers various projects for the labs of NCRSI to undertake. The labs can bid for them and the lab that acquires a project gets a chance to increase its external cash flow and thus improve its ranking. In the last two years, CISCOM holds the distinction of implementing three major network projects, of the seven, that were advertised by the Ministry:

#### **Digital Library on Conventional Knowledge (DLCK)**

DLCK is a joint project between CISCOM, NCRSI, and the Department of Ayurveda, Yoga and Homeopathy. It was created with the objective of preventing the granting of patents on non-patentable traditional knowledge. The development is also significant for the fact that India has been recognized as the major owner and contributor of traditional knowledge in the world. Not long ago, the country had to fight a costly battle against granting of patent on turmeric for its wound healing properties by the US Patent and Trademark Office. Although the patent was revoked after India brought to light 32 references to turmeric in its ancient texts, the battle for turmeric gave clear indications that such misappropriation of traditional knowledge would continue unchecked at the international level unless existing information or prior art about traditional knowledge and practices are made available to patent examiners.

Patent examiners in the international patent offices, when considering the patentability of any claimed subject matter, use available resources. Patent literature, however, is usually contained in several distinctive databases and can be more easily searched and retrieved whereas non-patent literature or prior art may be buried somewhere in the many diverse literature sources in either codified or non-codified forms in regional expressions. Traditional knowledge needs to be made accessible to patent examiners in a format that is easily understood by the patent examiners and the language barrier has to be overcome. Therefore, the DLCK project was initiated to create more easily accessible non-patent literature databases dealing with traditional knowledge. The main objective of this network project is to prevent misappropriation

of our rich heritage of traditional knowledge. It will also help in drawing traditional knowledge into modern science and facilitate the development of safer and cheaper drugs.

DLCK software with its associated classification system, i.e., Conventional Knowledge Research Classification (CKRC) converts Sanskrit *slokas*\* into 5 international languages -English, French, German, Spanish and Japanese. The software does not undertake transliteration, rather it does smart translation where data abstracted is converted into several languages by using Unicode and Metadata methodology. The software also converts traditional terminology into modern terminology, for example *Kumari* to Aloe Vera, *Mussorika* to smallpox etc. The DLCK database thus acts as a bridge between ancient Sanskrit *slokas* and a patent examiner at a global level.

DLCK has already documented public domain knowledge on 36,000 formulations of Ayurveda from 14 authentic texts in a digitized patent application format.

### Central Network Library

The NCRSI e-Journal Consortium is the Tenth Five-Year Plan project being implemented by CISCOM, for all the labs of NCRSI. Its objective is to provide electronic access to 4500 international S&T journals to NCRSI Scientists and strengthen the facility for pooling, sharing and electronically accessing NCRSI information resources.

Mr Chandra, a senior scientist and head of e-consortium project explained the importance of this project, “This consortium is formed to acquire access to international S & T journals for the S&T staff of NCRSI labs. Since the majority of the labs of the NCRSI are R&D labs, journals are essential for carrying out R&D activity. The base of international R&D journals in NCRSI over the last years has been reduced by almost 70% because of the escalation in journal prices. In the last 20 years, journal prices have increased by 227%, but the budget allocation of NCRSI to various labs has not increased proportionately. The average cost of a journal is Rs. 130 thousand per year and NCRSI spends Rs. 25 million to subscribe to this information resource base to feed R&D activity. Such a huge amount of expenditure is also of social concern, because it is taxpayers’ money. But this amount is considered small compared to the requirements of all labs. There are 25,000 journals in the field of S&T worldwide considered to be research journals. Of these 15, 000 titles are reviewed or referred journals and 12, 000 of these titles are available on-line.

In 1993, all NCRSI labs together subscribed to more than 8000 journals; in 2000 this figure dropped to 3300 and further to 2700 journals in 2004. Through this project, NCRSI wishes to expand its information resource base. The target is to provide e-

---

\**Slokas* - The Sanskrit term *sloka* (also anglicized as *shloka* or *sloka*) specifically denotes a metered and often rhymed poetic verse or phrase. Sloka has become equated with Hindu prayer and is often comparable to a proverb and hymn of praise to be sung or chanted in liturgy. Sloka are generally composed in a specified meter, typically part of *stotras*. It also connotes and has come to mean a proverb and a form of prayer in Indian religions arising from the Vedas.

**Table 2.** Growth in subscription base of CISCOM journals

Year	2002	2003	2004	2005	2006
Total subscriptions per year	3800	4312	7013	11171	13380

*Source:* Annual Report CISCOM 2006 – 07

access to 4500 international journals. The project commenced in April 2004 and so far has acquired access to 4000 journals for use by all labs. The access is provided through the IP of each lab. As the labs were demanding a higher subscription base, a collective decision was taken to provide this facility. As CISCOM's mandate is to support information requirements not only of the whole country but for all labs of NCRSI, it was chosen as the central point for implementing this project.

#### **Digital Library for Science (DLS)**

The National Science Digital Library (DLS), the first of its kind in the country, expects to provide e-access to digital resources of curriculum-related material in science and technology to students, particularly those in remote areas. The basic aim of this project is to reach the students in the remote areas, and provide them e-learning facilities and access to quality curriculum-based material at a level similar to that available to students in urban areas. Approved as a core network project under the Tenth Five-Year Plan (TFYP) in April 2005, with a budget outlay of Rs.44.23 crore, DLS will be implemented with the active participation of the University Grants Commission (UGC) and Ministry of Human Resource Development (MHRD). Initially, DLS will target undergraduate level students of Indian universities and colleges. It is proposed to create original and targeted contents by identified panels of experts/authors for about 1000 e-books for undergraduate students by the end of 2006-07.

#### **Reach-out Program**

In the year 2002, the total subscription base of all journal titles was about 3800. In the years 2005–2006, this figure rose to 13,380, reaching 15, 000 in the next year, 2006 – 2007. By the end of the year 2010, the subscription base should be 20,000.

Dr Rastogi, who heads the Periodicals Division, has attributed this growth to the 'Reach-out Program' initiated by the director in the year 2004. He asserts that, "The main reason for this growth is the efforts extended to creating awareness. A program has been devised known as the 'journal reach-out program' where the addresses of potential subscribers are collected from the Internet and other sources. Also, those who have stopped subscribing are send brochures and copies of journals so that they become aware about the changes in each journal. Every month, each editor has to

**Table 3.** Circulation figures for three popular science magazines

Magazine/ Year	1991 (Copies per year)	1992 (Copies per year)	1993 (Copies per year)	2004 (Copies per year)	2005 (Copies per year)	2006 (Copies per year)	2007 (Copies per year)
<i>Discover Science</i>	35000	43000	44000	32,000 (Rs. 12 per copy)	33,000	37,000	38,000 (Rs. 15 per copy)
<i>Vigyan ki Duniya</i> (Hindi)	71000	77000	78000	28,000 (Rs. 10 per copy)	30,000	36,000	36,000 (Rs. 12 per copy)
<i>Science Ki Duniya</i> (Urdu)	9000	9000	9000	5,000 per quarter	6,000 per quarter	8,000 per quarter	6500 per quarter

Source: Information gathered through interviews

write 50 – 100 letters both within India and abroad to such people. Earlier this was the responsibility of the sales and marketing division, who were non-technical people and they had their own constraints in identifying the addresses; then this responsibility was transferred to the respective editors who were required to send these letters monthly. Now we are experiencing 25% – 30 % annual growth. The entire process is monitored through the MIS system, where a monthly report is submitted to the director about where the letters have been dispatched. Now sales and marketing division is just providing support service which is known as ‘total satisfaction service’, where they ensure ‘timeliness’ so that the journal reaches the subscriber in time. A complaints committee has been established comprising 3 persons who direct the complaints to the relevant persons resulting in a 0-level complaint or hassle-free system.”

In terms of popular science magazines, says Mr Javed Khan, Editor of *Science Reporter*, “I always felt the lack of visibility to be a major drawback for our magazines. We have people coming from various parts of the country to Delhi where they see the magazine but it is not found in other parts of the country. It is government policy not to give a large allocation to promote these magazines through advertisements. Whatever promotion we do is from the funds earmarked in the budget for this purpose. So given our limited means, we have attempted to achieve an increase in sales.” The circulation figures for all the three magazines are shown in Table 3.

The editors of all the three magazines feel that the ‘reach-out program’ has had an impact on circulation, because the efforts to popularize the magazines were taken up by the editors themselves. Now they are engaged in setting up stalls at book fairs and also promoting the magazines in bulk to various private institutions and government supported institutions.

## ORGANIZATIONSTRUCTURE

The only major change to the organization structure of CISCOM occurred at the time of merger of CSD with CSC, whereby all the departments of CSD were added on as new departments to the existing structure. Currently, all the activities have been categorized into 14 divisions. Each division is headed by a Senior Scientist / Scientist of that division. The director in turn heads all the divisions. The functions and activities can be broadly classified as the following:

1. Activities of erstwhile CSC. These include Periodicals Division, Popular Science Division, Sales and Marketing Division, DLCK and Herbarium Division, and Print Production Division.
2. Activities (of erstwhile CSD) added after the merger. These include Education and Training, Documentation Centre, Abstracting Services and National Science Library.
3. New activities introduced by Mr Goyal. These include the DLCK, DLS, Network Library and IT Department.
4. Support activities like Administration, Finance and Accounting, Stores and Purchase, and Infrastructure and Common Services.

## SERVICE TO PUBLIC AND GENERATING EXTERNAL CASH FLOW (ECF)

All the NCRSI labs are required to set priorities and generate funds through their R&D activities and commercialization of new technologies generated. The financial indicators of CISCOM for the year 2006-07 are given in Table 4.

The CISCOM budget sanctioned for 2006-07 was Rs. 2.35 billion. The external cash flow (ECF) of the lab during the year 2006-07 was Rs. 72.9 million – a whopping 85.6% increase over the ECF of 2005-06 (Rs. 39.3 million). The lab reserve receipts were Rs. 19.69 million while Rs. 8.86 million was utilized. The breakdown of the ECF is given in Table 5.

**Table 4:** Breakdown of ECF generated by CISCOM

External Cash flow (in Rs. million)	
DLCK Project	35.24
IGNOU	0.82
Library Automation	0.06
Short term courses/attachment training	1.20
Dir of S&T	0.08
Sales of journals, popular science publications etc.	29.40
Job work/ printing	6.22
Total	73.02

*Source:* Annual Report 2006 -07. External Cash Flow is cash flow generated from activities undertaken by CISCOM for external parties/clients.

**Table 5:** Growth in ECF and LRF in CISCOM

Year	ECF (in hundred thousands)	Cumulative deposit under LRF (in hundred thousands)
1989-90	41.3	-
1990-91	98.0	-
1991-92	118.7	-
1992-93	151.5	72.7
1993-94	143.1	120
2003-04	276.04	95.22
2004-05	362.61	116.458
2005-06	393.03	105.17
2006-07	729.51	196.92

*Source:* Various Annual Reports

NCRSI encourages its labs to generate more and more resources through commercialization of their technologies/products and R&D services. Currently, NCRSI expects each lab to earn at least 40% of its budget. With effect from year 1992-93, NCRSI introduced the Lab Reserve Fund(LRF) scheme to encourage the process of commercialization. Under this scheme, after meeting their portion of the budgetary commitments from the income through external resources, the labs can keep the remaining amount under a special Lab Reserve Fund. This fund is controlled and administered by the labs.

However, Mr Goyal explains that ECF is not the only indicator of performance for NCRSI labs; NCRSI wants its labs to focus on the following 4 areas:

1. Delivery of goods to public (publications, research, good science etc. in the case of CISCOM)
2. Societal activities like training and education (Education and Training Division of CISCOM)
3. Working for strategic areas (e.g. DLCK and DLS Projects taken up by CISCOM),
4. Working for private good where labs can create patents or take-on projects to generate ECF.

Mr Goyal adds further, “So ECF is just one of the four indicators of performance; the other three are equally important. Each laboratory can decide the kind of weightage to be given to each area. A combination of the four indicators decides the performance of a lab. We have done very well in ECF since we have focused our attention on processes; if they are good and in place, ECF will grow.”

### **WHAT LIES AHEAD...**

Dr Rajiv Saxena, a member of Project Monitoring and Evaluation Committee, talks about the future plans of CISCOM. He says, “In the short run, the DLS project which is worth Rs. 40 – 50 million is ongoing. CBDL is a long term project. This project involves digitalization of all information on the flora of India. This idea was generated as an off-shoot from the DLCK project. The herbarium which runs into millions of specimens can be digitalized both for preservation and protection purposes and to help researchers ascertain new species. With advances in R&D, new technologies are being adopted for dissemination, e.g. e-learning initiatives. Journals are being made available on line. The National Science Digital Library is also being developed. For wider access by the public, the books are being published in the majority of Indian languages.”

The Periodical Division sees the following changes happening. “The full content subscription is also being planned out. Four journals are already available as soft copies. A seamless gateway payment facility is being built into the website and the DLCK portal. This will allow the subscriber to just click on the website and make payment through credit card. The subscription fee would be transferred to our account through the bank; we expect to receive subscription information on a daily basis and dispatches would be made accordingly. So delivery will be hastened. Also, single article downloads have been made possible and convenient.” The Division will further emphasize collaborative projects. “The future lies in collaborative projects. For example, one such project is the Central Biodiversity Digital Library which is being undertaken in collaboration with Botanical Survey of India; it is at the planning stage. The objective is for CISCOM to generate at least half of its budget of Rs. 14-15 million. Currently, the government is encouraging collaborative projects rather than full funding for any project. The amount which is earned in excess of the requirement goes to the lab reserve which may be used for up-grading of facilities, etc.”

Talking about succession, a scientist of former CSD expressed his concern. “There are several IT projects worth Rs. 200 crore and if we don’t have a right successor, then nothing can be done.”

The tenure of Mr R K Goyal expires in August 2009. No one is sure whether Mr Goyal will be applying for an extension. The question is, ‘What if no extension is given?’ “A director like Mr Goyal, who is an equally good thinker, strong and enterprising and who knows his work would be required. I have my doubts as to whether the institution would continue running in the same way for we will face interference from external sources. Mr Goyal is strong and has a very clear outlook” says Mr Pradip.

Mr Goyal, on the other hand has his own opinion on the issue of succession. “I have to do a job, somewhere or other. If I get a better job offer, I will leave. If I don’t get a better job offer, then I have no problems. It is management in the Ministry who decides the director; if they find a better director, then let them bring in a better director... see nobody is permanent, if not after one term I will have to go after the

second term. Everybody has to leave, so the issue is that whether you create people-dependent system or people-independent system. The answer lies in the system created. The system which has been created is largely people-independent. However, institutions of this nature are enormously director-centric. Whatever people-independent system is created, if the new director wishes to change it, and decides to change it, and goes all out to change it, maybe with enormous resistance, he may manage to change it. Nobody knows. But a people-independent system has a lesser chance of not surviving while a people-dependent system will have a higher chance of not surviving. I guess today, the way CISCOM has been built up, it is a people-independent system, and I am confident that it has a higher probability of success. CISCOM's continuance with this new face and new image will be far more enhanced if its system is able to create projects akin to DLCK / DLS. Then the issue of survival does not arise. If they are not able to create these projects then there could be an issue."

Mr Goyal reflects further. "There are two issues – one is to earn bread and butter, other is to grow; all of us need bread and butter. So we need lot of activities with periodicity, which are regular in nature, and we need to be really efficient so that the bread and butter problem does not arise. In the case of CISCOM, journals and popular science products, are the bread and butter. And we have created an efficient system for them. But merely surviving on this, will neither give brand equity, nor an image. So being a national scientific institution, we decided to address the issues of national significance and we took up innovative projects like DLCK and DLS, but after five years they will also become routine activities, and then you must make them efficient. But if you want to survive only on this, then the brand equity will disappear and growth will be retarded. We must also add more innovations. That's the way it goes."

### Discussion Questions

1. What are the factors that affected the efficiency and effectiveness of CISCOM before Mr Goyal joined as Director?
2. Trace the process of change at CISCOM. What were the foci of interventions taken by Mr Goyal?
3. What have been the outcomes of change?
4. To what an extent are these changes likely to perpetuate after Mr Goyal leaves the organization?
5. If you were to assume charge of CISCOM after Mr Goyal, what would you do to make CISCOM face the challenges that lie ahead?



## Annexure 1

### Periodicals offered by CISCOT

CISCOT publishes 19 scholarly research journals of international repute, covering all major disciplines of science. All journals are covered by major abstracting and indexing services, so articles get a wider access and people may subscribe depending on need. The contents and abstracts are available on the website of CISCOT.

The total number of journals published in India is 12, 000; of these, journals based on Science and Technology number 2318. In the case of India, only 47 journals of the total number of S & T journals have been considered for citation by the international community. Nine of these 47 journals are published by CISCOT. The list of 9 journals and their impact factor is given in the table below:

**Annex Table1.** Cited journals and their impact factor

S.No.	Journal Title	Impact Factor 2005	Impact Factor 2006
1	<i>Indian J Biochem Bio</i>	.252	.308
2	<i>Indian J Chem A</i>	.489	.509
3	<i>Indian J Chem B</i>	.492	.476
4	<i>Indian Chem Techn</i>	.197	.235
5	<i>Indian J Eng Mater S</i>	.226	.087
6	<i>Indian J Fibre Text</i>	.139	.112
7	<i>Indian J Marine Sc</i>	.124	.150
8	<i>Indian J Pure Ap Phy</i>	.366	.399
9	<i>J Sci Ind Res</i>	.192	.191

Among the Science Journals covered by the Index, the *Annual Review of Immunology* has the highest impact factor of 46.23 in the year 2006.



## Case Study 2 Niche Tourism Marketing

**Manoj Edward**

*Cochin University of Science and Technology, India*

**Babu P George\***

*University of Southern Mississippi, USA*

**Abstract:** This case study focuses on a niche tourism operator in Kerala, India, offering tour packages mainly in the areas of adventure and ecotourism. The operation began in 2000, and by 2008 had achieved considerable growth mainly due to the owners' steadfast commitment and passionate approach to the product idea being promoted. Over the years, the firm has witnessed many changes in terms of modifying the initial idea of the product to suit market realities such as adding new services and packages, expanding to new markets, and starting of new ventures in related areas. In the process, the owners have faced various challenges and tackled most of them as part of pursuing sustained growth. The present case study aims to capture these growth dynamics specific to entrepreneurship challenges. Specific problems in the growth stage like issues in designing an innovative niche product and delivering it with superior quality, coordinating with an array of suppliers, and tapping international tourism markets with a limited marketing budget, are explored in this study. Also, this study explores certain unique characteristics of the firm's operation which has a bearing on the niche area it operates. Lastly, some of the critical issues pertaining to entrepreneurship in the light of the firm's future growth plans are also outlined.

---

### INTRODUCTION

Kalypso Adventures is a package tour company that was started in 2000 by two Naval Commanders of the Indian Navy, Cdr. Thomas, a nature lover and Cdr. Samuel, an adventure lover. Thomas was an electrical engineer and Samuel, a naval pilot. Both loved adventure and shared a passion for exploring nature. Even as naval commanders, they had agreed between them to retire at the right opportunity and start a venture related to adventurous activities in the lap of nature. So, in 2000, when Thomas and Samuel left the navy, instead of taking the more promising avenues that were available to them at that time, they initiated *Kalypso Adventures*, perhaps the first adventure tourism enterprise in the state of Kerala.

---

Email (corresponding author): [myselfgeorge@gmail.com](mailto:myselfgeorge@gmail.com); [babu.george@usm.edu](mailto:babu.george@usm.edu)

The tourism industry in Kerala in the year 2000 was just showing signs of promising growth and both the entrepreneurs sensed that so much more that could be offered to the discerning traveler besides the passive experience of backwaters and beaches in Kerala. They decided to exploit the fact that Kerala, with a small geographical area, was endowed with a natural diversity which very few other places in the world could claim. The rich mix of diverse terrains, from the beaches to the plains, from the backwaters to the low lying grassland forests, from the midlands to the rainforests in the high altitude mountains, allows for every part of the state to offer some potential for tourism.

Keeping in mind the vastness of this untapped natural diversity, they saw a business opportunity in developing a tourism product that combines adventure and ecotourism. The concept of ecotourism tourism was just catching on at that time, but the experience offered was only a passive experience of nature. Thus, considering all the favorable conditions, they started *Kalyspsa Adventures*. It was a great start, a realization of long cherished dreams!

But, the honeymoon did not last too long. It did not take much time for the promoters to realize that passion is not enough: domain expertise in tourism was conspicuous in its absence. With no experience in tourism business, they began to face difficulties in taking the dream venture forward. Neither of them had a sufficient quantum of money to invest nor were there investors willing to extend a helping hand. Banks declined requests for a loan since they did not have a track record in tourism business and they lacked hard assets to mortgage to obtain loans. Coupled with this, bureaucratic hassles and the cumbersome procedures involved in availing the subsidies and grants promised by the state tourism department could easily put one off from the goal of starting a business in the tourism sector. It also turned out to be extremely difficult for them to reach, let alone convince international inbound tour operators. Still they ploughed on, believing in the beauty of the concept they were attempting to sell. For almost two seasons they stayed on course with a very low business volume, thanks to the courage and endurance they had mustered from their service career in the Indian navy.

The initial product mix included adventurous activities like paragliding, rock climbing, and bungee jumping. These were the most popular forms of adventure tourism also offered elsewhere in India. While the products were mostly the same, given the geographical uniqueness of Kerala, the environment in which they were offered was greatly different. From the lukewarm response received from the market, their optimism began to wane and they began to wonder whether Kerala was a suitable destination for such activities. Kerala is mostly known for its nature appeal with beaches, backwaters, mountains, wildlife and hill stations. Yet, they could not believe that the market for such hardcore adventure tourism products was insignificant. In any case, they had already procured costly adventurous sports equipments which subsequently would have to be discarded at a huge loss if they wound up the business. The adversities they faced were not atypical of a genuine entrepreneur with innovative business ideas in the tourism industry in Kerala.

Despite their ill-luck with this niche market offering, by and large, they resisted the temptation to move on to more standard tour operations catering to tourists who seek those standard vanilla type tours, focusing exclusively on beaches, backwaters, and traditional medical treatment. Although they never actively solicited orders of that nature, occasionally, they handled tours of that type which came to them automatically. Fortunately, this gave the firm essential fodder for its survival.

### **NECESSITY THE MOTHER OF INVENTION**

Meanwhile, they kept on the search for new product ideas mainly by searching the Internet and by studying closely the latest trends in the adventure side of the tourism sector. This is how they got the idea of selling adventure to an ordinary person, packaged in such a way that the person could participate in it without much exertion or risk: a shift from hard adventure to soft ones. To make things clearer, the adventure itself did not change much, but was now more visible and assuring protective layers were included so that tourists could participate in those seemingly risky activities with confidence. It was a great awareness that tourists seek adventurous experience, but with the protection of a secure environment.

By packaging heavy adventure as light and risk-free, maintaining nonetheless its excitement, they thought it would appeal to a wider market, especially when along with the adventure experience, tourists also have an opportunity to enjoy natural and cultural products. While a hardcore adventurer partaking in typical adventure tourism activities would love to climb an unclimbable mountain not bothered about coming across anyone else in the process, their idea was to offer tourists climbable mountains, terrains and routes easier to bike and trek; at the same time they provided tourists a unique experience of Kerala's local culture and nature by offering opportunities to meet local people, and rest and camp in scenic locations. In short, they decided to sell Kerala with adventure as a vehicle. 'What better way to see the beauty of Kerala at close quarters and interact with its people than from a cycle or a kayak', they reasoned. From this idea they worked out various tour packages offering exclusive cycling, trekking, bird watching, wildlife, and natural history tours. So from a pure adventure company, they moved on to become an eco-adventure and nature travel company.

Conceptualizing the product was one aspect, but actually designing the product package, taking into account the details of the tour package to its minute level was quite another. With their passion for the product idea and the commitment to make it an outstanding tour package, they devoted all their efforts to the operational aspects of setting up such tours. The toughest part in the process was identifying routes or trails. In their efforts to come up with an array of tour routes, they used the various available cartographic devices. In the process, they studied the geography of Kerala in minute detail and were able to identify and mark out the roads, canals, inland waterways, secluded tourist spots - not much heard of - which offered much appeal in experiencing nature in its pure and exotic state. On identification of a route for its trekking or biking potential, they personally travelled the route to get more accurate data about the

route. This route information was then fed into GPS compatible devices and to maps suitable for conveying to tourists the actual route profile when they requested for it. As part of selecting a few routes from the many they had identified, routes were examined for the scenic view they offered, availability of amenities like hospitals and nearby evacuation points, and suitable accommodation points. In many cases, it took them almost a year to convert a product idea to a final package ready for offering to tourists. In some cases, before launching the product, trials were undertaken with student volunteers to see if any modifications were to be made later. Appropriate camp site selection, arrangements of suitable home stay properties for the tourists to stay en route, planning interactions with local people on the flavor of local life which the villages and small towns in Kerala could offer were all part of their package design and development efforts.

### **NICHE MARKETING: THE SOLUTION**

The solution adopted by Kalypso, in technical terms, is called niche marketing. The market niche defines the specific product features aimed at satisfying specific market needs, as well as the price range, product quality, and the demographics that it is intending to impact. Small businesses, being close to their customers, are in a strong position to know their needs and therefore are in a better position to exploit niche marketing opportunities (Anderson and McAuley, 1999). However, as the Kalypso case shows us, niche markets are not easy to identify in their infancy (McKenna, 1988). Studies have shown that developing niche markets in tourism is a difficult process, requiring a level of marketing expertise often not possessed by small business firms (McKercher and Robbins, 1998).

By specialization along market, customer, product or marketing mix lines, a company can match the unique needs of a small part of a larger market whose needs are not fulfilled. Way back, Kotler (1967) suggested that the key idea in niche marketing is specialization and he provided the following ways by which to specialize:

- End-user specialization
- Vertical-level specialization
- Customer-size specialization
- Geographic specialization
- Product or product-line specialization
- Product-feature specialization
- Quality/price specialization
- Channel specialization

Specialization is the key factor in niche marketing. In designing the niche product, Kalypso specialized in end-user, product- line, and service dimension. This particular approach mirrors Kotler's (1967) idea of specialization needed for successful niche marketers.

Niche markets share certain characteristics: They are small markets not served by competing products (Dalgic, 2006). They can serve a small market consisting of an individual customer or a small group of customers with similar characteristics or needs and possess the following attributes:

- Sufficient size to be potentially profitable
- No real competitors
- Exhibit growth potential
- Demonstrate sufficient purchasing ability
- Exhibit need for special treatment
- Address customer goodwill
- Offer opportunities for an entrance
- Company to exercise superior competence

With growth potential, many niche markets can technically grow into larger markets. But, many a time, due to the fear that they might lose the unique competitive advantages, niche marketers prefer not to take this path (Robinson and Novelli, 2005).

Because of its small size, a niche is sometimes referred to as 'super-segment'. Shani and Chalasani (1992), however, point out that rather than being an extension of segmentation, niche marketing is an inversion of the practice. The distinction can be drawn by focusing not on the characteristics of each but on the philosophies that underpin them. Whereas segmentation is a top-down approach to marketing that breaks mass markets into allegedly manageable portions, niching involves a bottom-up approach whereby the marketer starts by identifying the needs of a few individuals and builds on this to satisfy the needs of a group with similar demands. The niche, therefore, rather than the segment, would appear to have a place in many post-modern marketing contexts by allowing a focus on the experience needs of the individual. With post-modern contemporary forms of tourism consumption resulting in fragmentation of markets, niche marketing as an alternative to segmentation has gained prominence, notes Shani and Chalasani (1992). Kalypso's marketing efforts were focused on meeting the unique needs of each tour group they handled. This is an important characteristic that distinguishes a niche approach from segmentation.

Both small and large firms can adopt niche marketing (Brynjolfsson *et al.*, 2006). For many large firms, however, niche marketing is a conscious strategic response that develops niche to a finer level of segmentation. On the other hand, for many small firms possessing creative entrepreneurship, the need for niche marketing grows organically as a natural response suited to their strengths and weakness. And, the small firm approach is closer to the bottom-up approach that underpins the true spirit of niche marketing.

The bottom-up perspective on niching suggests that niche marketing and relationship marketing are promising strategies to deal with fragmented markets as alternatives to segmentation. The authors argue that the two strategies might complement each other

in the creation of a marketing tool to deal with a turbulent business environment. A niche strategy avoids competition/confrontation with larger competitors and enables a firm to devote its energy to serving a unique market (Doole and Lowe, 2008).

Over the last few years, the practice of niche marketing has been increasing in tourism. Changing behavior patterns and lifestyles, demographic shifts and increasing consumer choice are some of the factors causing a fragmentation that has rendered consumption patterns unpredictable. Alongside increasing diversity in the nature of tourism consumption, tourism providers have increasingly sought to identify niche markets and to develop products specifically for them. Many tourism product-markets such as rural, nature and adventure tourism evolve into smaller niche markets (Clemenson and Lane, 1997). This trend is further evidenced by the emergence of a large number of new destinations; an increasing tendency among tourists to move away from traditional tourism destinations; and a surge in what is termed as 'new age tourism' with a more socially responsible approach to vacationing (Poon, 1993). Many tourism markets have already fragmented into smaller niche markets. In rural tourism, for example, research suggests that there are many identifiable market niches (Park and Yoon, 2009).

Developing reputation early is very crucial for a niche marketer. Some of the early efforts of Kalypso were particularly aimed at developing a strong goodwill with the first group they started. Also this reputation has to be maintained with relationship marketing for developing a long term strong relationship with the customers.

### NICHE PRODUCTS OF KALYPSO

Products and package add-ons proceeded at Kalypso. Starting with bicycling and trekking tours, they soon added bird watching tours, kayaking etc. The following are Kalypso's current products:

1. **Mountain Biking:** With over 6 packages in cycling tours ranging from easy to very difficult packages, through various routes in Kerala, the packages include cycling on the plains, through the hills or a combination of both. It is one of the most sought after activities of the company. A 14-day itinerary would start from the plains, climbing to altitudes of up to 7000 ft, and then descending through the undulating terrains of the Kerala countryside, and back on to the plains. As mentioned before, it is not just cycling, tourists see and experience the life of the Kerala people from very close quarters as they stop over en-route, interacting and mixing with the local populace.
2. **River & Backwater Kayaking:** Here again kayaking as an adventure sport is developed to discover the Kerala backwaters and lagoons and rivers in a new light as the tourists watch and interact closely with the local community. There are frequent stopovers at a tea shop, or coir spinning yard or a school while kayaking on the backwaters. This package again is positioned in their brochures as the best way to explore the countryside, tasting of the local cuisine or taking visits to ancient temples and churches en route. There are three Kayaking itineraries: a 4-



day backwater kayaking trip; a 3-day river kayaking trip; and a 2-day kayaking trip along the lagoons.

3. **Trekking & Camping:** This package is offered along some of the interesting yet not popular wilderness trails around Munnar and Periyar, promising picturesque views of the countryside, interesting people, and forests teeming with exotic birds, animals and plants.. This is again an innovative tourism product in the Kerala tourism map using some beautiful trekking and walking tracks which are rarely exploited by the tour packagers in Kerala. Within this package, 4 trails are offered, each covering a different route. Most itineraries have a mix of home stays and camps by way of accommodation.
4. **Bird Watching:** Some of the bird watching spots in Kerala and the southern states are combined into a package tour offering tourists a possibility of spotting at least 250 species of birds including all the rare species endemic to the region. This is a 2-week tour catering to bird enthusiasts, along with an expert bird watching guide and offers the tourist an opportunity to observe and photograph most of the birds found in Kerala. This tour is an exclusive bird watching tour aimed at keen bird watchers. In addition, there are also 3-day and 5-day tours covering limited spots.
5. **Wildlife & Nature Safaris:** These include packages like a 3-day trekking and camping trip in the Periyar Tiger Trail conducted mainly by earlier poachers who have now turned protectors of the forests; Wild Kerala Safari, one of the packages, offers an opportunity to view the rich biodiversity of flora and fauna in this region.
6. **Small Family Adventures:** Specially targeting families, this package offers all-round entertainment with a mix of soft adventure, rest and relaxation in secluded beaches, fun and interesting sites at an elephant camp, a glimpse of wildlife, and cultural and historic attractions very popular in Kerala. This package has been conceived sensing the growing global trend of families wanting to travel together and have an experience that is enjoyable for both adults and the children..
7. **Eco and Culture Tours:** With the adventure part removed, and offering a more intimate experience of countryside living, the options offered by this package are for those travelers seeking more meaningful cultural interactions with local communities, seeing and taking part in their village life, local festivities and traditions. The routes are typically away from the normal tourist circuits with a range of staying options like home stays, plantation bungalows, traditional homes near backwaters, eco lodges maintained by tribal communities and tree houses.
8. **Charity Challenges:** The company, in its quest for innovative tour packages, has pioneered in Kerala a new concept of travel business called Charity Challenges, a unique concept of fund raising for charities through challenges. Originating in the UK, the concept of Charity Challenges is a novel way of fund raising, in which the task of collecting money is distributed amongst many people who in turn are rewarded with a challenging trip to some exotic part of the globe. Kalypso



Adventures started operating Charity Challenges in 2005 when they arranged a trip for 30 Britons on behalf of the International Childcare Trust. The challenge entailed the participants to cycle from Cochin to Kodaikanal, a distance of over 400 kms in 5 days. Subsequently, the company started doing more challenges both cycling and trekking, and so far over 1000 people have participated in Charity Challenges through Kalypso.

9. **Gap Year Adventures:** Another unique form of tour package devised by Kalypso is the Gap Year Adventures, catering to a slowly rising trend of gappers, mainly in western countries. A gapper is a person who may be a professional or a student seeking a gap of say of one year, to work, and live in a developing country often offering voluntary work through various NGOs. The company is coming up with unique packages for gappers so as to offer multicultural experience voluntary work and experiencing life with indigenous people and other distinct ethnic communities
10. **Kalypso Outbound Training:** The partners, utilizing their vast experience in the navy and the outdoor adventure infrastructure, have also started an Outbound Experiential Training firm offering outdoor and adventure based activities as a group learning exercise for corporate teams. One of their colleagues, Cdr Madhusoodanan, a deep sea diver by profession and graduate of Jamnalal Bajaj Institute for Management Studies, left his career in shipping and joined the team to manage this operation.

### LESSONS FORM NICHE TOURISM MARKETING

As the company was committed to a niche product in the tourism market, that is, adventure tourism, it faced specific challenges. Right from accessing the market to communicating the product offerings and gaining the trust of international tour operators required innovation not just in the product but also in the marketing strategies. In the beginning, they used the Internet as a leading channel to communicate and promote their product. With limited funding and consequently a low marketing budget, attending international travel fairs in the initial 2 to 3 years was very difficult. Given the unique aspects of the product, they knew that direct visits to international markets and personal meetings with tour operators and travel agents would have helped get inquiries and business faster. However, with a limited marketing budget, the Internet was relied largely and as a result package sales took more time than otherwise.

The first major break for them came with a requirement for a cycle tour from an international tour operator. But, in the process of handling that inquiry, they realized how important it is to have the 'right' equipment for activities like bicycling, and kayaking. The best of locally available cycles purchased were evaluated by the tour operators as inferior and inadequate for the kind of cycling tours they promoted. To market cycling tours internationally, they realized, it is a must to have imported world class cycles to satisfy the international tourist market needs. Fortunately the first major tourist group tour they successfully organised agreed to bring with them the

bikes on the condition that Kalypso should buy it after their use. Still, with all the inherent risks, they accepted the terms and that decision was rewarded soon when this same tour operator brought a bigger group the next time around. That was the start of a long lasting relationship with that international tour operator who has remained their top client. Their customer-centric approach also generated much positive word of mouth. For instance, when the first major tour group they handled returned highly satisfied, many of the same members in that group came with different groups again. This trend continued, and later many bookings came mainly on the basis of strong positive word of mouth generated by highly satisfied tourists who had taken their tours.

With the growth in the business established, they started attending international travel fairs regularly at the rate of 3 to 4 every year. At the same time, they frequently upgraded their websites adding many dynamic features, incorporating the complete details of the tour with specific photos and videos. Today, besides the main website, they have also specific websites for almost all individual activities of the company.

As a niche product, standardization was found to be difficult. Though the company has developed standard packages of different durations under each product package type, a typical client, mostly an international tour operator would seek several clarifications and changes regarding amenities, trip dates and duration. Most bookings are preceded by extensive consultation through emails regarding price, accommodation, food and other facilities. These aspects of the typical booking patterns make offering standardized packages difficult, and for this reason most of the enquiries require skillful negotiations with clients and these are handled exclusively by the two partners.

Though the company has a preference for large groups for bicycling, kayaking and trekking, their customer specific approach means that they never turn down an enquiry just because the size of the group is unviable. For instance they have even taken pains to conduct a cycling tour for just one member, a professor from Cambridge, mainly because of his background; the peer influence he can exert to generate more tourists of a similar profile in the future is kept in mind.

## **HUMAN RESOURCE DEVELOPMENT FOR A NICHE BUSINESS**

Given the unique nature of the product with its high level of interaction and activities, the role of the accompanying guide is very crucial. There are separate guides for bicycling, trekking, and kayaking. For bird watching, they rely on external experts for guidance. The feedback the company receives from tourists' often expresses much appreciation for the skill of the guides in tour handling and the high level of personal service they deliver. This is the result of intensive personal and technical training the company gives to their guides. It is a rigorous training process which develops them into excellent guides, and this also includes trying guides initially with smaller tourist groups before letting them take charge of a bigger group.

The unconventional method of selecting a guide and the kind of people they select are also responsible for the excellent rating their guides receive. Almost all of the

guides have no professional qualifications, but are handpicked from the local communities, often hailing from a poor family. The subsequent training and the job offer as a guide allows for a respectable career which they value very highly, and this in turn engenders high commitment and loyalty among the guides. Some of the guides were coolies and road construction workers before joining Kalypso and naturally view their new job as highly rewarding, far above their previously low-paid jobs. Many guides often have the opportunity to move out of Kerala to handle tours coordinated by Kalypso in other locations in India. As an added payoff, Kalypso further uses these guides to recommend more like-minded people they know, as part of their strategy of employing new guides.

A similar unconventional approach is used for selecting the managers responsible for coordinating tours. All selected managers have no tourism, travel or hospitality experience. Instead, as the owners' state, all of them have that fire in the belly to take on their responsibility with an overriding passion, the kind of challenge Kalypso offers. This avant-garde style is witnessed even in the style of functioning of the two partners. Both of them mostly work in one room with a common table and have no formal titles displayed anywhere, reflecting a sort of informal working environment inside the office.

A significant human resource management issue facing the promoters is this: niche tourism customers do not want employees to interact with them in a way mass market tourism employees interact: in sum, they want to see differences in everything! To achieve this, the promoters have to give special training to all the recruits. When it comes to training, employees who have already had work experience with a mass tourism operator, resistance to unlearn what had been learned in the past is tremendous. Employees who might want to leave Kalypso to join a mass market operator or yet another niche tourism operator too face problems because of the difficulty of exporting their knowledge, skills, and attitudes to the new environment.

#### **RESPONSIBLE TOURISM: THE NICHE WAY**

As far as possible the firm tries to practise responsible tourism, a growing movement in the tourism sector, following its principle of leave no trace (LNT). While designing the activities as part of the tour package, they claim, they take into account this principle of responsible tourism by adopting practices that are respectful of the natural and cultural environment and which contributes in an ethical manner to local economic development. Sourcing for food provisions locally, encouraging tourists to use home stays instead of hotels, and recruiting guides from the local community are ways through which they try to contribute in a positive and equitable way to the development and fulfillment of individuals living, working and staying in the areas they operate in. In many tours involving home-stays, they estimate that, by way of offering tourists

various service and entertainment, at least 10 to 15 families adjacent to a particular home-stay benefit directly or indirectly.

## THE FUTURE

From a very humble beginning with very limited capital and no business experience, the company has achieved impressive growth. Currently, the average annual rate of growth is 300%. From making a comprehensive website to identifying new routes, both partners were doing everything on their own, and they enjoyed the process, unhindered by the fear of a looming failure. Now as they look back, they have survived the initial leg of race to take their fledgling operation to a respectable position in the tourism industry map of Kerala. They took the company to the growth mode when Kerala had never been sold as an adventure destination: of course, this made their work of getting across to travel agents who were sending people to Kerala very difficult. Hard work, determination, commitment, and belief in the product paid off well and in the year 2006-07 alone, the company had sold 10,000 room nights.

Starting 2009, they would be offering similar activities in Goa, and varied activities like scuba diving and sea kayaking in The Andaman islands. Kalypso Adventures has also joined hands with Concord Exotic Voyages, a reputed tour operator in Kerala to start Kalypso Eco-Lodges & Camps, a new company aimed at providing exclusive non-hotel accommodation across the country. These would include Luxury Tented Camps, Bungalows, and eco-lodges and would cover most of Kerala, Karnataka, Tamil Nadu, Goa, and The Andamans.

Now, as they aim for the next level of growth, they know things will not be that easy as in the past. They have various marketing options before them: to go beyond UK, their main market currently, and tap many other European and US markets; provide more novel and innovative products; adding new itineraries and new destinations in their offerings; expanding the operations and offices in other countries; and, venturing into the hospitality business. More importantly, for them to focus more on the expansion and marketing part of the business, they want a senior person with good managerial experience, decision making capability and commitment to manage effectively the operations of the business, which they were handling by themselves. Another side of the business they failed to give proper attention was the financial and accounting part. In this area too, they need a senior person with good financial management acumen who can advice the partners on all aspects related to finance and accounting. They admit that in the past they have taken many important decisions related to marketing, sales, and operations without proper financial information which resulted in costly mistakes. With new people planned for selection, they hope, all these shortcomings could be avoided.

## REFERENCES

Brynjolfsson, E, Hu, Y J & Smith, MD (2006). From niches to riches: anatomy of the long tail. *Sloan Management Review* 47(4): 67-71.

- Clemenson, HA & Lane, B (1997). Niche markets, niche marketing, and rural employment. In Bollman, RD and JM Bryden(ed.), *Rural Employment: An International Perspective*. Wallingford, UK: CAB International, 410-426.
- Dalgic, T (2006). *Handbook of Niche Marketing: Principles and Practices*. Binghamton, NY: Haworth. Press.
- Doole, I & Lowe, R (2008). *International Marketing Strategy, Analysis, Development and Implementation*. NY: Thompson Learning.
- Hill, R & Stewart, J (2000). Human resource development in small organizations. *Journal of European Industrial Training* 24(2/3/4): 105-117.
- Jacobsen, JKS (2003). The tourist bubble and the Europeanization of holiday travel. *Tourism and Cultural Change* 1(1): 71-87.
- Kotler, P (1967). *Marketing Management: Analysis, Planning, and Control*. Prentice Hall, New Jersey.
- McAuley, A & Anderson, A (1999). Marketing landscapes: the social context. *Qualitative Marketing Research: An International Journal* 2 (3): 176-188.
- McKenna, R (1988). Marketing in an age of diversity. *Harvard Business Review* 66 ( Sept-Oct): 88-95.
- McKercher, B & Robbins, B (1998). Business development issues affecting nature-based tourism operators in Australia. *Journal of Sustainable Tourism* 6(2): 36-45.
- Novelli, M (2005). *Niche Tourism: Contemporary Issues, Trends, and Case Studies*. US: Butterworth-Heinemann.
- Park, DB & Yoon, YK (2009). Segmentation by motivation in rural tourism: a Korean case study. *Tourism Management* 30: 99-108.
- Poon, A (1993). *Tourism, Technology, and Competitive Strategies*. UK: CAB International.
- Robinson, M & Novelli, M (2005). Niche tourism: an introduction. In Novelli, M(ed.), *Niche Tourism: Contemporary Issues, Trends and Cases*. Oxford: Butterworth-Heinemann, 1-14.
- Shani, D & Chalasani, S (1992). Exploiting niches using relationship marketing. *Journal of Services Marketing* 9 (3): 33-42.

*Other Sources:*

Direct interviews with the promoters of Kalypso and other stakeholders directly or indirectly involved with Kalypso.

Official website of Kalypso Adventures. <http://www.kalypsoadventures.com>

## DISCUSSION QUESTIONS

1. What is the developmental trajectory of a niche business, as learned from this case?
2. How does the complex interplay of various environmental forces determine the development of niche business?
3. How do the personal attributes of the founders, especially their entrepreneurial urge, interact with the environmental forces?
4. Why is it that niche tourism, in general, is more environmentally and socio-culturally responsible?
5. What are some of the specific human resource challenges likely to be encountered by niche business promoters?
6. What are the unique competitive advantages possessed by niche businesses? How can these advantages be made more sustainable?
7. How might technology, especially the information and communication technologies (ICT), impact the competitiveness of niche businesses?
8. Especially given the increasing fragmentation of markets, what does the future hold for niche businesses like Kalypso?
9. Along with growth, niche operators are increasingly tempted to turn to mass market operations. But, when this happens, the unique competitive advantages being enjoyed by them thus far begin to wither away. Is there any solution to synergizing the 'unique appeal' advantages of niche operations and the 'scale' advantages of mass operations?



## Case Study 3 When the Component Becomes Greater than the End Product: Shimano's Way to Leadership

**Christian Linder\***

*Fraunhofer-Institute for Industrial Engineering IAO, Germany*

**Sven Seidenstricker**

*Institute for Human Factors and Technology Management*

*University of Stuttgart, Germany*

**Abstract:** The purpose of this paper is to introduce the Ingredient Branding (IB) strategy based on a real example. Innovative changes in marketing practices can assist in ensuring survival in an increasingly globally competitive environment. Within the framework of this paper, an insight into the IB marketing strategy will be given. It will be explained on the basis of a concrete company that has successfully pursued this strategy from its origin until today. With the help of Shimano, this study will clarify the advantages of and the reasons for adhering to a concept like IB to help become and remain a market leader. Besides an insight into the history and the background of the company itself, the case study will give an overview of the bicycle market situation from the past until today. Additionally, changes in the bicycle market worldwide will be introduced. Within this context, the study reveals various reasons for people riding or not riding bikes in the past and today. Besides bicycle market development and Shimano's history, the focal point is the business strategy of Shimano as a bicycle components producer

---

### ENDURING SUCCESS IN TOUR de FRANCE

The Tour de France is the world's largest cycling race and the most famous among cycling enthusiasts. Held every summer since 1903, about 200 professional cyclists agonize approximately 2,000 miles encompassing some of the highest Alpine and Pyrenees mountains. The participants ride at a speed of approximately 35 miles per hour on streets crowded with a sea of spectators. Despite the scorching sun, cycling fans often wait for long hours, some even arriving days before the event, only to get a glimpse of their idols racing along the course. What inspires the spectators the most is the competition among the racing teams who utilize all their physical stamina to eye for the top honour. An average speed of 35 miles per hour for more than 20 days, climbing snow-capped mountains, and being on the saddle for more than 5 hours per

---

\* Email: [christian.linder@iao.fraunhofer.de](mailto:christian.linder@iao.fraunhofer.de)  
[www.iao.fraunhofer.de](http://www.iao.fraunhofer.de)



day is something beyond what normal human beings can accomplish or even think of. To realize all this, it is equipment that plays a crucial role. This is evident while we hear commentators, journalists, and the specialized press report not only about the training methods and the individual strengths and weakness of the favourites and their teams, but also the components of their bikes.

Of late, in addition to the various teams that participate in the competition (which is typically around 18 to 24 every year), another group fights for victory. This group comprises the Shimano or Campagnolo equipment users. In addition to the all-time winners list, there is yet another list that shows the winning equipment for each year. Shimano leads the race for being the best brand for bicycle components such as gear wheels, breaks, and ball gears. With a market share of 70%, Shimano not only dominates the whole market, but also its brand, particularly the Dura Ace and the XTR<sup>1</sup> which have become a synonym for high-end quality peak performance or leading-edge technology.

Lance Armstrong's record of a seventh Tour de France victory on 24 July 2005, won the loud applause of the executives at Shimano, Inc. more than anyone else. This was obviously because Armstrong was riding a bike fitted with Shimano pedals and cranks, Shimano derailleurs, and Shimano brakes. According to Chairman Yoshizo Shimano, "It's extremely important to be associated with the winner of the tour." It has turned out these days that it is nearly impossible for anyone in cycling to avoid an association with Shimano. This Japanese company's parts are the ones that set the standard in quality, innovation, durability - and ubiquity. Over the years, and the past two decades in particular, Shimano has grown enormously and has become the dominant supplier of parts for higher-end bikes; this is evident from the fact that 90% of the bikes sold by Trek, Giant, and Specialized, the top three brands in the United States, have Shimano parts. "They're the Intel of the bike business," says John Burke, president of Trek Bicycle Corp.<sup>2</sup>

It was in the mid-80s when Shimano developed their first successful indexing system, namely the Shimano Indexing System (SIS), that the struggle between Shimano, the Japanese company, and Campagnolo, the Italian company, started. Campagnolo lost an important part of their market share in the earlier 1990s because of the development of SIS. That period was very tough for Campagnolo: the bicycle world was shaken as Shimano introduced novelties almost every six months and Campagnolo was unable to compete against the Japanese brand. A company's commitment to research and development (R&D) and innovation can be measured by the number of patents issued. The Shimano Total Integration (STI) technology has been protected by 1 of the 477 bicycle-related patents the United States(US) has granted Shimano since 1976 (Campagnolo, on the contrary, has only 45 bicycle-related patents in the United States since 1976). Shimano also holds an additional 557

---

<sup>1</sup> Dura Ace and XTR are both product groups for the high-end market

<sup>2</sup> [http://www.businessweek.com/magazine/content/04\\_32/b3895076.htm](http://www.businessweek.com/magazine/content/04_32/b3895076.htm) [9August2004]



US patents on its other business ventures that it went into later. (such as fishing reels, snowboard bindings, and golf equipment).

The Italian components producer Campagnolo led the global market for premium road bike technology until the 1980s. However, today its market share amounts to less than 20%. In 1999, 29% quoted that they equipped their bikes with Campagnolo components, which decreased to 24% in 2005. During the same period, the rate of the market share amount of rival Shimano rose to 75%. The victories of Lance Armstrong and Jan Ulrich in Tour de France initiated a road-bike boom in Europe and the United States. This increased the global demand for road-bike components, and Shimano began to profit the most, the reason being image advance and awareness of the brand among bikers.

How did Shimano achieve this level of success? There are two answers for this: the first is their business history and the second is that their bicycle components were of a superior quality. The right strategy to promote their goods can also be given as a third answer. Shimano is an example of the fact that it is marketing strategy that makes all the difference. Finding high-quality components in the high-end market is not difficult as there already exist a couple of producers such as the earlier mentioned Campagnolo (Italy) and SRAM (USA), which also provide top quality. However, the difference between these companies and Shimano is that the latter pushed the former ones into a small niche and made them marginal in the overall bicycle market. But Shimano did not do this with higher quality. To put in simple words, Shimano simply had a better marketing strategy. To get a better understanding of their approach, it is more appropriate to view the Shimano brand as what it really is: an Ingredient Brand.

## **SHIMANO ENTERS THE MARKET**

For a better understanding of how Shimano was able to accomplish all this, a summary of the history of Shimano follows. Back in the year 1921, Shozaburo Shimano founded Shimano Iron Works in Sakai City, near Osaka. Sakai City was a legendary blacksmithing center known for its swords and gun barrels. Instead of practicing farming like his father, Shozaburo Shimano joined as an apprentice at an iron works after high school. A few years later, he started his own company, and its first product was a single-speed bicycle freewheel. Within a short span of ten years, Shimano started exporting freewheels to China. The business which was incorporated as a limited corporation in January 1940 under the name Shimano Iron Works Co. Ltd. was later renamed as Shimano Industrial Co. Ltd in 1951. In 1956, Shimano made the famous derailleurs, also called external speed changers, which were the mechanisms that moved the bicycle chain from gear to gear on ten-speed bikes and the like. In the following year, he introduced another innovation, namely an internal, three-speed gearing mechanism (3-speed hub) that was enclosed in the hub of the rear wheel. This was introduced in the US market a few years later and very soon it became the standard for three-speed bikes. In 1960, Shimano installed a cold forge that enabled stronger products to be made more efficiently. At this point in time, Shozaburo Shimano

handed over the management of the business to his three sons. Shimano maintained his principle of Ingredient Branding (IB) and so refused to produce complete bicycles. According to one of Shimano's sons, "Our founder said, 'never ever compete with a customer'" (*Straits Times*<sup>3</sup>).

Shimano's rise could be traced to several developments. Its earliest breakthrough came 40 years after it developed the three-speed gear when US manufacturers became strongly interested in Shimano. Shimano's introduction of the ten-speed drive trains allowed it to prosper during the US bike-racing boom of the 1970s and the rise of the triathlon. The display of the three-speed bicycle hub at the New York Toy Show in 1961 acted as the catalyst for what would eventually become Shimano American Corporation. The affordable and reliable multi-speed hubs that were manufactured by Shimano were a great attraction in the industry: these hubs were used in 20-inch wheeled bikes with hi-rise handle bars, which dominated the market then. By the year 1965, Yoshizo Shimano, the youngest son of Shozaburo Shimano, opened an office in New York in order to hasten the feedback process of the products and to provide technical and warranty assistance to retailers who sold bikes equipped with Shimano parts. In spite of the growth of Shimano America, from an office that was staffed by only three people to a full distribution centre comprising sales and marketing offices, the goals remained the same: to ensure that Shimano always listened to feedback from customers on relevant trends and that it was keen on meeting the needs of the North American market.

By the year 1997, it was observed that more than 90% of bicycle manufacturers did not produce any parts themselves, except for the frame, and even among the bicycle part manufacturers, 90% produced only one type of bicycle part. The two key components that were part of Shimano's strategy were the quality of the product they manufactured and the superiority of the technology used. Shimano's successful execution of its strategy has made it a powerful brand, consisting of top-quality products, with a global presence (three of the company's mantras as stated in its 2004 Annual Report). In 1970, Shimano built the then largest bicycle plant in the world at Yamaguchi Prefecture, Japan. Two years later Shimano launched its products in the bike-crazy European market. The Japanese giant established its European unit, namely Shimano (Europa) GmbH, in Dusseldorf, Germany in 1972 with only two employees. The same year, the company's shares began trading on the Osaka Securities Exchange and in the next year, was listed on the Tokyo Stock Exchange. Shimano set up its first manufacturing plant abroad in 1973 in Jurong, Singapore. Shimano started its operations in the United States by opening a sales office in California in 1974, quite easily catering to the booming bike market in the United States during the 1970s. A decade later, in the mid-1980s, Shimano manufactured as well as integrated professional-quality road-racing components, thereby allowing for more direct competition with Campagnolo (the only major player in the category at the time). Shimano also completed developing

---

<sup>3</sup> "Not a single worker retrenched since 1973," *Straits Times*, April 26, 1998.

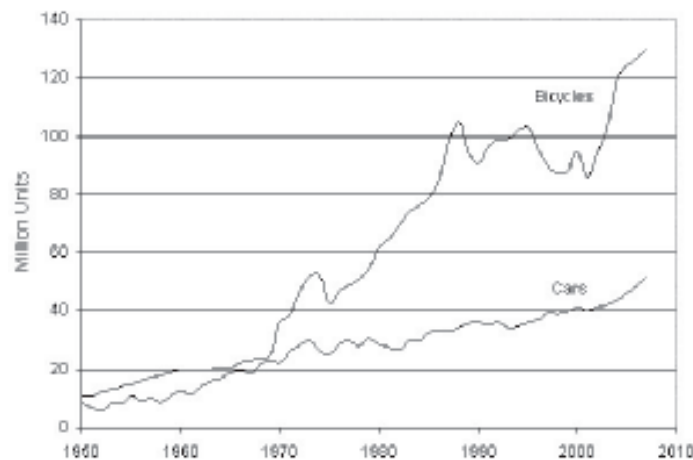
its index shifting system (SIS), a technological breakthrough, which allowed for easier and more functional shifting. This shifting boosted the confidence and trust of the riders because they could lose important seconds during a race using the old system of shifting. Another progress was the integration of the shifters into the brake levers using Shimano Total Integration (STI). This permitted racers to accurately shift without having to let go of the handlebars. Lastly, it was the birth and rise of mountain biking that fuelled resurgence in the popularity of bicycling in the United States. Shimano was quick to react to this new trend, and so it completely redesigned its gear shift to suit mountain bikes after observing that fanatical Californian mountain bikers were racing specially geared custom-made mountain bikes. Shimano came up with a 15-speed mountain-biking component in 1982 and then with a 21-speed version, which is the mainstay of modern mountain bikes. Shimano continued to refine its biking products from time to time and at the same time launched other innovations that included a computer-designed elliptical-shaped chain wheel, which increased pedalling efficiency and reduced biker fatigue. Shimano released the AX line of components for bicycle racing in 1980, followed two years later by a series for mountain bikes dubbed Deore XT. Shimano's annual sales crossed the ¥50 billion mark during the mid-1980s. The count of employees at Shimano during that time was 1,500 worldwide. According to the *Far East Economic Review*, Shimano had overtaken its European competitors in the field of mountain biking.<sup>4</sup> By the late-1980s, Shimano had established itself firmly as the standard for mountain bike components.

### SHIFT IN MARKET

The bicycle industry, like any other industry, underwent several booms, slowdowns, and shifts in consumer interest. The global market for bicycles developed in the early 1950s until the 1970s, roughly in the same scale as the car market (see Figure 1). Bicycles seem primitive when compared to the high-tech machines used on today's roads, and riding bicycles is considered an alternative transportation mode. They are the primary means of transport for people with a lower income. In the early 1950s until the 1970s, there did not exist a market for special components, frames and equipment. People who could not afford cars preferred bikes, and so bikes were more of a necessity for them than for sporting. A few years later, instead of buying high-quality bikes, people preferred to invest their money on their first small car. However, this trend was short-lived because of increasing petrol prices and health awareness. The pattern of bicycle use again changed in the 1970s, when people started to buy bicycles because of the financial crisis. Bike interest was further spurred by improvements in technology. A surge in mountain bike sales was witnessed in the 1990s (almost entirely displacing road bike sales).

From the 1990s, people started using bikes more for sports. People began to view riding bikes as a means of doing something good for their health; they began to realize

<sup>4</sup> Friedland, Jonathan, "Components of Success: Japanese Bicycle-Parts Maker Shimano Eyes China," *Far Easter Economic Review*, 18 November 1993: 66.



**Figure 1.** World bicycle and automobile production (1950-2007)  
*Source:* Worldwatch; Bike Europe; Global Insight

the good effects of riding bikes. Several reports on cycling and health began to appear, stating the advantages of this sport such as a reduction in cholesterol level and prevention of heart attacks and other illness caused by high blood pressure. Cycling helps to maintain strength and agility without exposing knee and foot joints to pain as in jogging. Cycling also helps in coordinating muscle movements as well as in managing weight problems. This change in the minds of people brought about novel changes and paved the way for new interest in probing the different technical possibilities of the bike. Customers started identifying themselves with their products and this threw open the path for strong brands to be established in the bicycle market.

Not only did the demand for special brands surface, but also the demand for different types of bikes. In addition to the typical bikes that are used for transport, racing bikes or BMX bikes emerged in the market. Nowadays, there is a special bike available for every terrain. A few of these special bikes cost even more than small cars and people are willing to spend money on these bikes because they travel miles on their bicycle after driving home from work in their cars. There was yet another healthy change that was observed. People began to ride their bikes to their workplace. Two reasons can be offered for this development: (i) people began to realize the lack of physical exercise due to their long working hours at office and (ii) people found this approach helped to save part of their transportation costs. Recently, a join-in activity event called “To work by bicycle 2009” over a period from 1 June until 31 August 2009 was organized in Germany by the association of AOK (Allgemeiner deutscher Fahrradclub) (ADFC)<sup>5</sup>, ‘In Form’ and the Federal Ministry of Traffic, Building and

<sup>5</sup> In English: Public German Bicycle Club

Urban Development. The objective behind this event was to increase personal health and fitness and spread awareness.

This culture of riding bicycles has something to do with the kind of routine work people are involved in, and it can mainly be traced to a limited number of people. In other words, this activity is for those who do not feel drained by their hard physical work. For example, one would not expect paddy field workers in Asia as well as other farmers or building labourers, for instance, to be fanatical about riding their bicycles after coming home from an already tiring day of hard labour.

Other factors too contributed towards bicycles being used as sports instruments, such as the presence of the impact created by the media and the popularity of racing cyclists such as Lance Armstrong. In Europe, it goes without saying that cycling as a sports activity gained popularity primarily through the Tour de France. This event enjoyed mass TV, radio, and press coverage. However, this was the only cycling event worldwide, and therefore the awareness of cycling as a 'hobby' did not become very popular quickly in other countries.

In the years prior to this paradigm change in the bicycle market, brands such as Hercules and Sachs stood for complete bikes. These brands still exist in the market but with a much smaller market share. With the rise of Shimano, the domination of these brands as manufacturers of complete bikes declined.

## **THE ASIAN BICYCLE MARKET**

The two countries in Asia known for their bicycle mass are China and Taiwan; there is such a huge number of bicycles in the streets every day that there are bicycle jams almost daily. For the Chinese, bicycles at one time meant the first step towards owning their means of transportation and an easier carriage. People who could afford a bicycle did not have to walk any more and could cover far more distances than they did by walking. As the economic development in China began, there was a bicycle boom. Due to rising wages, and the better economic status, everyone who could afford a bicycle bought it. China's streets began to be crowded with bikes. Long and wide bike columns in front of traffic lights became a common sight.

Of late, bicycles are beginning to be replaced by motor-scooters and cars. With increasing wages, a much higher percentage of people can now afford to invest in scooters; so now the streetscape is no longer one of bicycle columns but of a mixture of bikes, motor-scooters, and cars.

Cars are cheap in China when compared to other countries; nevertheless, bicycles remain the prime means of transportation. This is because bicycles are the cheapest mode of transportation and also it is least affected by traffic jams and parking space. The success of the bicycle is no surprise. When it comes to personal mobility for lesser cost, nothing can beat the bicycle. Some of the advantages of cycling are that it uses 50 times less energy than driving a car, half the road space, and one-tenth of the parking space. As early as in the 1860s, bicycles began to arrive in Asia during the first global bicycle boom, which was sparked by the invention of pedal propulsion.

The first rickshaw was invented in 1869 by Reverend E Jonathan Scobie for carrying his disabled wife around Yokohama. The beginning of the Japanese bicycle manufacturing industry dates back to the 1870s, with a European-designed ‘boneshaker’ modified to fit Japanese body size. The first Japanese diamond-frame ‘safety’ bicycle was manufactured by Eisuke Miyata in 1892 at the Miyata gun factory. In 1896, several hundred Chinese cyclists greeted the British adventurers, Lunn, Low and Fraser, at the end of their epic ride from England to Shanghai. The first Indian bicycle manufacturer was SAA Annamalai Chettiar in 1924, although imported bicycles from Europe were already popular in India by this time. Bicycle manufacturing in China began in Tianjin in the 1930s. In a short span of three years, between 1936 and 1939, the pedal-powered rickshaw was invented, although there is some controversy on who first invented it: either Maurice Caupeaud, in Phnom Penh, or Lee Hua, of Vietnam. In 1954, the first Chinese bicycle, named as the classic *Flying Pigeon* was rolled out of a factory in Tianjin. Since then, there has been no turning back and Chinese single speeds are the reliable means of transport for millions of people from Asia to Africa. China continues to dominate production, with output taking a massive leap from 34 million bicycles in 1998 to a record 73 million in 2003. Of these, about 51 million bicycles are exported; more than one-third to the United States, the world’s largest import market. As China’s industry grew, so did its market share. In 1998, China accounted for 39% of the worldwide bicycle production. In a remarkable five-year period that followed, the figure reached 70% in 2003. Some of the other major manufacturers of bicycles are India, Taiwan, Japan, and the European Union. Looking at the pages of history, China can be viewed as a great bicycle stronghold. Nevertheless, a growing affluent population is now switching from bikes to cars. Within the country, the number of bicycles in circulation declined from 182 per 100 households in 1998 to 143 per 100 in 2002. It was during this peak in 1998 that about 60% of Beijing’s work force cycled to work. However, by 2002, that number had plummeted to 20%. In major cities, even though cars are forcing bicycles off the road, there is yet another drawback with bicycles, the root of urban traffic problems. City officials in Shanghai, for instance, banned bikes on main roads in January 2004 in an effort to alleviate massive traffic congestion. Bicycles clearly are a boon in both rural as well as urban areas because in the former, where roads are poorly maintained or non-existent and cars are expensive, bicycling may be the quickest and most affordable way to travel, and in the latter, they offer a good solution in the densely populated areas.

### **SHIMANO’S BUSINESS STRATEGY**

Hailed as the major Ingredient Brand in bicycle components by 2006, Shimano’s sales was most prominent around the world (for instance, Japan: 25%, USA: 22%, Europe: 34%, and Asia: 19%). Although almost every major bicycle manufacturer had a business association with Shimano, including Trek, Giant, Bridgestone Cycle, National Bicycles in Japan, and Cycle Europa in Europe, no manufacturer accounted for more than 10% of its sales. Bicycle manufacturers that relied on Shimano components in the beginning



had become mere distributors, according to Joseph Montgomery, founder and CEO of Cannondale.<sup>6</sup> Some bicycle manufacturers such as Cannondale, Trek, and Specialized even began to manufacture their own components in the late 1990s; however, success was elusive for most of them as home-produced components were mostly costlier than those of Shimano and what bikers sought after was the high-quality brand Shimano.

But on what does Shimano's success actually rely on? In the late 1970s, according to *Design Week*, Shimano began hiring engineers to create a unified look among component systems as well as to elevate their performance.<sup>7</sup> However, Shimano's path to success was not without its bumps. As Yoshizo Shimano later spoke to the *Asian Wall Street Journal*, the company made a huge investment in designing, developing, and testing a series of aerodynamic bicycle components in the late 1970s.<sup>8</sup> This, however, proved to be a worthwhile investment of time, money and effort because as a result of this move, they were finally well ahead of their time.

Shimano's innovations in bike components that were launched in the market gave competitors and bicycle manufactures a hard time. In addition, Shimano was also establishing additional business units concentrating on other outdoor sports instruments. Shimano seemed to strongly believe in the principle that product diversification allowed the lessons learned in one part of the company to be transferred to another.

Shimano began to enter into new ventures and diversified into tackles for fishing, which is another sport that required tools with precision mechanisms. Shimano's Bantam reels were introduced in 1978, followed by the X-line rods in 1981.

In addition to that new market segment, the range of Shimano's cycling offers expanded throughout the 1980s. The company began to sell a range of bike shoes (Shimano cycling footwear) in 1988 and at the same time also set up a UK subsidiary that focused on fishing tackle sales. The same year, Shimano shifted some of its fishing reel production to Singapore, which, due to the rise in the value of the yen, produced about ¥4 billion (USD26 million) worth of bike parts a year. The evolution of the fishing tackle line soon saw the introduction of the Stella reel and the Smooth and Hi-Power (SHIP) system. Shortly after, in 1990, Shimano introduced the proprietary Shimano Pedalling Dynamics (SPD) line of quick-release 'clip-less' pedals. In 1995, Shimano rolled out its Nexus line of seven- and four-speed internal hubs for cruiser bicycles, which were a huge success in the United States because of retro-styling and simplicity of operation. Shimano also developed an in-hub gear system that could be locked for preventing theft and introduced it in the Japanese market in 1997.

---

<sup>6</sup> Ross Kerber, "Bicycles: Bike Maker Faces a Tactical Shift," *The Wall Street Journal*, 12 October 1998: B1.

<sup>7</sup> Vickers, Graham, "Graham Vickers Explains How a Japanese Cycle Component Maker is Having a Growing Impact on the High Quality Bicycle Market," *Design Week*, 19 April 1987: 19.

<sup>8</sup> Voigt, Kevin, "Your Life—The Interview: Pedal Power," *Asian Wall Street Journal*, 28 November 2003: P3.



In 1997, Shimano acquired G. Loomis Inc. and launched an Action Sports Division that offered products for growing new sports such as snowboarding by introducing a new step-in binding system for more comfort and quickness. In addition, Shimano set up a Golf Division in 1999 and continued to develop new products (such as a wobble-free fishing rod) in the fishing division too.

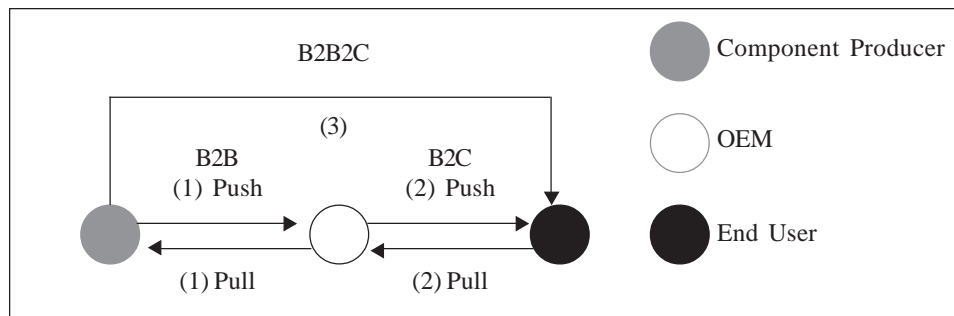
Shimano opened a ¥500 million (USD4 million) fishing rod production facility at its Kunshan (China) bike parts complex aimed at increasing its overseas production to half of its total production by 2004 as reported in *Asia Pulse*.<sup>9</sup> Supported by extensive design and testing, an automatic gear shifter for bicycles was announced in late 2003. The device used magnets and other sensors to determine a bike's speed and make shift adjustments accordingly. Shimano was hoping to sell 50,000 units a year at ¥200,000 (USD1800) each. Yoshizo Shimano told the *Financial Times* that the idea behind this was to allow bikers to concentrate on traffic alone by freeing them from the distraction of selecting gears.<sup>10</sup> Shimano continued to innovate as a manufacturer of fishing gear as well. In late 2001, it introduced the Dendamaru 3000SP, an electric reel with an LCD screen displaying the length of line cast as well as other data to give novices feedback on their technique. A few years later, Shimano in partnership with Furuno Electric Co., a maker of navigation instruments, developed an underwater fish detector.

Developing new products with superior quality has remained one of the core principles of the Shimano's business model. However, their new products were supported by a special strategy. First, their design gave the users the chance to remember the company behind the product. Second, their products were used in the high-end market, particularly in racing. Both gave consumers the chance to see Shimano products on the bicycles of professional racing teams as well as on high-end quality bikes on the street. People recognize these products; the design helps them to remember and become aware of the Shimano brand. The hobby cyclist starts asking for Shimano products when he decides to buy a new bicycle. Gradually the component becomes a sign of quality for the bicycle. Bicycle producers started to recognize the new demand quickly. They started to make use of Shimano components to manufacture their products. The 1980s saw the establishment of an aftermarket. Small bike shops started to provide Shimano components to replace broken parts of existing bikes. Consumers chose and purchased the brand name they knew if they had to renew their bike components. For this reason, totally without purpose, Shimano established an IB strategy.

---

<sup>9</sup> "Japan's Shimano to Invest USD17.1 million in New Chinese Subsidiary," *Asia Pulse*, 11 March 2003.

<sup>10</sup> Foremski, Tom, "Fishing Gear Maker Floats a Helpful Idea," *Financial Times* (London), 3 February 1999: 5.



**Figure 2.** The IB framework

### INGREDIENT BRANDING

A question that comes to mind is: ‘whether – and if yes – why is Shimano a winner of the IB Strategy?’ Expensive commodities that are not bought frequently, including complicated technology, need to be branded to gain awareness among consumers. Earlier, the name Shimano stood for cheap merchandise from Asia, though not true of Shimano. Out of a not-known and faceless components producer, arose the worldwide known brand Shimano because of its huge marketing expenses including sponsoring racing cyclists in the Tour de France. Nowadays, bicycle producers throughout the world use Shimano components because bikers demand these high-quality parts.

The following will give a short overview of IB. IB is a special form of alliance between two or more brands, based on their cooperation in terms of designing and delivering the product, with a particular emphasis on the possibility of recognizing and identifying the used components in the final product. In other words IB is a Business-to-Business (B2B) branding strategy between a manufacturer and a supplier in which the end product of the supplier becomes one of the components of the manufacturer’s offering.

The motivation behind IB revolves around the ingredient or component brand, thereby forming an association with a product manufacturer in an effort to create brand awareness for the IB and to generate pull effects through the value chain. Pull strategy deals with appealing directly to the consumer and making him choose the final product with the branded component. It is consumer behavior that creates the pull whereas manufacturer behavior creates the push - considering push and pull effects as effects of marketing mix decisions (Figure 2).

Examples of IB campaigns are “Intel inside”, “Gore-Tex Guaranteed to keep you dry”, “Makrolon, the High-Tech Polycarbonate”, “100 per cent cotton” or Shimano’s “Dura-Ace: Evolution of Perfection”. These campaigns are propagated keeping in mind the need to create brand awareness about ingredients – such as computer chips, materials or technologies – that are contained within final consumer products, such as computers, clothing or vehicles, and in this case bicycles. Ultimately, component popularity among consumers drives demand for products and/or services that contain

the branded ingredient. This demand then influences firms in the middle of the value chain to use these ingredients in their products or services. As a result, change in the way firms interact in the value chain is attributed to IB.

Several studies have proved the positive effects of this branding strategy. Both the manufacturers as well as suppliers benefit through mutual cooperation, endorsement of each other's offerings, shared knowledge and capabilities, risk sharing, trust and shared experience. An often-named advantage for the components suppliers is benefit by reducing the probability of entry of competitors, while for the manufacturers it is the jointly enhanced market reputation that they enjoy. In return for the reduced probability of potential competitive entry, suppliers may reward manufacturers with a lower price. In turn, suppliers may lower costs through stable, long-term customer loyalty and economies of scale. Another advantage focuses on the cost of the branded B2B offering, which can be potentially lower due to the elimination of double marginalization and this could result in lower prices for the customer. Furthermore, IB has been used to maximize the utilization of an organization's brand assets, generate new revenue, enter new markets, create entry barriers for competitors, share costs and risks, increase profit margins, and widen current markets.

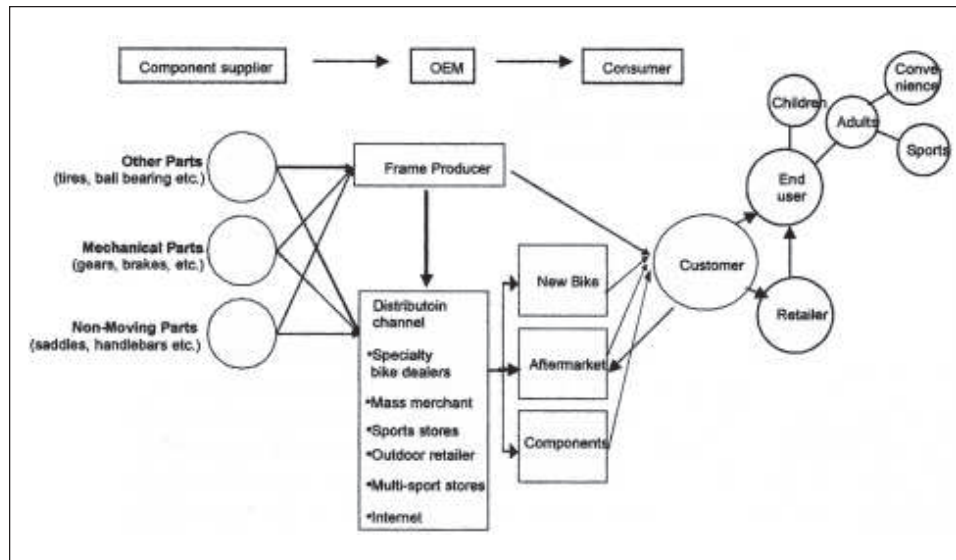
All the above-stated advantages of IB strategies benefit the value chain participants in the end. In order to analyse which part of the value chain benefits the most from this strategy, we have to look at the IB Network (IBN). The illustration in Figure 3 shows an IBN considering all up-stream markets including the end customers (multi-stage branding). This set of firms has been referred to as a distribution channel, value chain, embedded market, network market, or, simply, network. The key to this perspective is that the firms are inter-related because they are all involved in bundling ingredients into final products or services for consumption by an end consumer. Players in this value chain are the components supplier, the original equipment manufacturer (OEM) who produces the end product or another component, the distributors, the retailer and finally the end user.

In a typical scenario, components suppliers sell their products to many different OEMs. The OEMs create the end product by using the various components. These are then offered to distributors or in direct sales to the end user. If the product is sold to distributors, it can be distributed through retail and can finally reach the end user.

## **SUCCESS OF SHIMANO'S IB STRATEGY**

Shimano adhered to its IB strategy and did not produce complete bicycles. Was that strategy clever? One of Shimano's comparative advantages lies in specializing on manufacturing high-end bicycle components and trading them by forming alliances with businesses worldwide.

The purchase process for bicycles changed with the upcoming interest in cycling as a leisure sport. With the change in biking culture, the big biking events got wide public interest. Shimano became more visible than ever on the global stage as long-time user Lance Armstrong began his winning streak at the Tour de France in 1999.



**Figure 3.** Ingredient Branding network (IBN)

With this 'Armstrong Effect', it struck the minds of the people that leading-edge performance needs leading-edge equipment. People attached greater importance to good quality and functionality of mechanical parts in bicycles. At this time the first brands became known by the mass: Campagnolo and Shimano. Although during the 1950s until the 1980s, costumers bought complete bikes from their dealers, today the specialized dealers are the target points of purchase for high-end bicycles. However, pre-assembled bikes do not have the option of customizing bicycles. Consumers have to take whatever they are offered. Before the 1980s, the suppliers delivered only to the OEMs and to a small after-sales market. The dramatic change in the purchase process started when people replaced their broken components not with any component. Cyclists asked for special parts at their bicycle dealers. At this point, Shimano had an advantage because it already had a relationship because of its aftermarket business which gave it the chance to support the dealers to advice their customers. This change had two effects: first, the customer asked for the broken components to be replaced with only Shimano components. Second, customers had the opportunity to build their new bike according to their wishes. Bicycles began to be built in a tool kit system. Bikers went to specialised bike dealers, where they chose their frame brand from Specialized, Giant or Bianchi, and the components such as brakes, shifts or pedals from Shimano and some other brands. That made the OEMs use Shimano parts in their pre-assembled bikes. The aftermarket consequently had three effects which established Shimano's advantage: creation of a brand name and with it brand awareness as well as image.

All in all, Shimano innovated, defined and met customer needs; it saw opportunities and exploited them and in that process improved and simplified the bicycle shifting system in the process.

Although there are a few other companies that manufacture components for bicycles, only a handful can claim a significant share in the market. The three companies dealt with in this study are Campagnolo, SRAM and Shimano. Campagnolo has positioned itself in the high-end road bike components area. SRAM has taken a stronghold in the mountain bike components market. Shimano is positioned strongly in both - the road as well as the mountain bike market. Shimano's recent innovative technology, diversified business interests, significant investment in R&D and the close geographic proximity to the manufacturing hub of Southeast Asia has allowed it to become the largest bicycle components manufacturer in the world.

## DISCUSSION QUESTIONS

1. In the theoretical part of the case study you were introduced to the background of the image branding (IB) strategy as well as its several advantages. The positive impact of IB on the participants in the value chain such as the components producer, the OEM, distributors and retailers as well as the end customer is clear. Now the question is: 'who are the winners of the IB strategy?' Is it always a win-win situation? Think of participants in the value chain who might profit the most from the IB strategy. It is critically important to find out whether the end consumer is willing to pay a higher price to buy a branded product over an unbranded one and whether this additional money will reach the components manufacturer finally. The IB strategy has been used to maximize the utilization of an organization's brand asset, share costs and risks, establish brand value and enhance efficiency. There are far more positive effects when an IB strategy is involved. Which of the advantages mentioned in the case can be found in Shimano's IB strategy? Try to apply at least three positive effects on Shimano.
2. In 1933, Campagnolo, another bicycle components manufacturer, founded its company in Italy, Vicenza. It was Shimano's main competitor in the bicycle components market for years. Although Campagnolo is a relatively small components manufacturer with an employee count in some hundreds only, there has been a neck-and-neck race between Campagnolo and Shimano on the bicycle components market from the past until today. High-quality parts from both the companies can be found in the bikes of the Tour de France racers. Irrespective of all these, there could be only one winner: Shimano. Seven-time winner of the Tour de France, Lance Armstrong, always raced on bikes equipped with Shimano parts. That was one reason why Shimano gained great publicity and trust in its high-quality products. Against the background of Shimano's advantages, what do you think "Campa" missed out on? How did the brand

Shimano manage to gain more awareness? What was the important reason for this scenario, keeping in mind Shimano's broad business strategy?

3. At the time of entry into the market, Shimano hardly had any competitor and this proved to be a very advantageous market situation for Shimano. Because of the prevailing economic situation and development as well as the financial crisis that affected most people, bicycles were an alternative means of travel and transportation. As in the case of any other product undergoing transformation and becoming more modern, convenient and practical as time progresses and as technology develops, bicycles also went through an evolution of new technologies and advanced mechanisms. What are the other external factors responsible for the success of Shimano? In addition to market influence, there are other factors too that accounted for the success story. What are these possible endogenous factors that contributed to Shimano's success?
4. A complete bike consists of a variety of branded components. In most cases, only the gearshift or the pedals are manufactured by Shimano. The other components of the bike come from other manufacturers who produce the crossing, frame, saddle and handlebar. Irrespective of this, the whole bike is branded Shimano. That is because of the fact that Shimano had established such great brand awareness that it had a strong positive impact on the sales of bikes incorporated with Shimano parts. Shimano's IB strategy was critically important as the awareness of other brands was also arising among people. Consumers became aware of competitors raising the quality of their components and hence began to have a closer look at the price of competitive components. This was not a problem in the earlier days because it was Shimano that was setting standards and making technological and mechanical innovations. It is questionable whether Shimano at some point of time would arrive at a crucial point where it would not make any further innovations and whether the IB strategy would no longer work. In your opinion, how can Shimano sustain its position as an IB? Think of possible ways to promote products nowadays using the Internet as well as the opportunity of cooperation.
5. When comparing Campagnolo and Shimano, the former is rather a niche producer whereas the latter is oriented towards the mass market. The latter's approach requires an extensive marketing program. Shimano has to advertise in such a manner that it reaches a wider mass. Its best marketing strategy was to function as a quality outstanding branded component for cycling racers in the Tour de France. From the very beginning, Shimano acted as an innovator in the bicycle components market. It produced high-quality products and set standards in the areas of new mechanisms and technology. Reaching the mass by communicating about the quality of its brand and creating awareness for its parts, Shimano created a strong name for itself among bicycle fanatics. However, Campagnolo cannot be ignored and it has been close on Shimano's heels and

has become a serious competitor even though it was only a follower on the bicycle components market and did not launch such an extensive marketing campaign as that of Shimano. Campagnolo seems to be concentrating its focus on manufacturing its components rather than marketing strategies and diversification. Could it be that “Campa” is more productive in manufacturing its components than Shimano because of the above-mentioned reason? In many forums on the Internet, you can find lively discussions among cyclists about which brand they prefer and why. Why is “Campa” not able to be as successful as Shimano but only almost as successful as Shimano?

6. IB creates pull and push effects that are critically important in directing the marketing strategy. As already mentioned in this case study, consumer demand creates the pull effect whereas the components producers as well as the OEMs are in charge of the push effect, in trying to stimulate the demand of the end customer. In the simplest case, there are four stages to run through a push-pull network: (1) The components producer (Shimano) pushes its components in a B2B situation towards the OEM, who, in a B2C situation (2) offers the final product including the branded components to the end customer. Another way to initiate end customer demand is to ‘push’ the components directly to the user (3). In this B2B2C constellation, the components producer demonstrates its product as Shimano does in the Tour de France. In terms of the pull effect, the end user requires the components of the producer incorporated in the products of the OEM (4). In the case of Shimano, various opportunities to attach the pull and push interface exist. Figure.3 shows that there are a number of parties included in the IB network. The interface for push and pull can be set at various different opportunities. Based on Shimano’s case, until which interface is it profitable to push? What are the alternatives to locate a pull? How did Shimano stimulate its consumers –OEMs, retailers and end customers? What are the other alternatives to stimulate demand?
7. The bicycle market in Asia has been shown to be very different from that in Europe, although the ultimate purpose of owning and riding bicycles is the same everywhere, that is, a means of transportation. Market history on the one hand is solely dependent on economic development whereas on the other hand it can be traced to various other factors. The Tour de France constitutes one such crucial factor. Finally, the IB strategy worked for Shimano. What were the other factors that were responsible for the development of the European bicycle market? Think of publicity of products in the United States, for example. Imagine there wasn’t such an event as the Tour de France. Would it have been possible to create the same awareness for cycling as a sports activity in Europe?



What are the steps Asia could have taken to stimulate interest in biking as a sport?

8. Shimano broadened its brand awareness by diversifying. As mentioned earlier in this case study, Shimano established itself further in the business through fields such as golfing, fishing, rowing and snowboarding. All of them function with the same mechanisms as those invented for bicycle components. Snowboards and canoes, for example, are equipped with the Shimano clip-in binding system. The bicycle chain mechanism could be transfused in reels. The idea was simple. It was all about transfusing the established image, publicity and brand awareness to other sports instruments. Give two reasons for the success of this strategy. How is it that the IB strategy also functions in these business fields? What could be the possible reasons for other outdoor sports instrument producers borrowing components from Shimano? Assuming that Shimano rowing components can be ranked as average, what effects will it involve?
9. Shimano reached a high level of popularity because of its technological innovations and standards and its outstanding quality. Most people were convinced about equipping their bicycles with Shimano components because of the fact that the winning racers in Tour de France used Shimano-equipped road bikes. Another proof of Shimano's convincing quality was the numerous patents compared to other components producers such as Campagnolo. Shimano's advancements in technology and its convincing quality were the comparative competitive advantages it enjoyed in order to be the best in the bicycle market. Nevertheless, Shimano could face one problem: new technologies can barely be realised in the future. Innovative technology cannot always be utilised because some components such as pedals, saddles, gear shift levers or handle bars will reach a certain standard at some point in time. The question that arises now is whether there are any parts of the bike left where technological innovations can be applied. Will the IB strategy of Shimano be disused if it is not able to generate this comparative advantage in the future? What can Shimano do in the future to stay in the market as a leader?
10. In addition to the numerous components producers, several bike manufacturers that produce whole bicycles also exist. Among them are Fischer, Kettler, Hercules, Giant, Look, Bellesi or Bianchi, just to name a few. Their concept is to manufacture bicycles out of parts from bicycle components producers such as Shimano or Campagnolo against the background of knowing the customers' requests. They purchase Shimano's parts directly from the producers to either offer them separately in their shops or to directly incorporate the parts in the bikes they sell. As soon as a Shimano-branded component is incorporated in a bike, the name of the corresponding part has to be mentioned in the name of the

bicycle. Bicycles then are called “Bianchi 928 Carbon Ultegra Compact” for example, whereas the frame is called 928 Carbon, the clevis is branded Bianchi FF9, gearshift, control unit, brakes and other parts are made by Shimano branded Ultegra. In this case, as well as in most other cases, Shimano take precedence over all other components. On the one hand, this justifies the mentioning of the brand in the bicycle’s name. On the other hand, the component brand overshadows the name of the bicycle manufacturer. Discuss whether a retailer can offer Shimano-branded parts without incorporating it in their bicycles and as separate parts in their shops. In addition to the bicycle market, there are many other components suppliers. People often prefer to buy products because some components are being produced by certain suppliers. Bearing that in mind, to what extent is a bicycle applicable for promoting an IB strategy? What arguments can you think of?



# Case Study 4 The Feudal Lords of Lahore's Stock Exchange

**Noor Mohamed<sup>1</sup>**

**Arif Hassan<sup>2</sup>**

*International Islamic University Malaysia*

**Abstract:** The case provides a good example of the challenges that an expatriate manager may face abroad. In the backdrop of the socio-cultural and political realities, the case presents the experience of a Malaysian expatriate who was appointed as a CEO of a joint venture brokerage company in Pakistan. The CEO was assigned the task of infusing vitality and turning around this loss-making company. The CEO experienced several shocking cultural differences and unethical and clandestine practices in the organization. The chief architect behind all these feudal and corrupt practices was the man who had been working as a General Manager for a long time. The Malaysian CEO patiently studied the organizational culture and practices and introduced several cultural and structural changes. He also tried to plug holes in the daily operations and put an end to the corrupt practices seemingly going on for some time. That sounded the alarm bell to the Pakistani GM and through political manoeuvring, he was able to create a situation where the Malaysian CEO had to leave the country in a huff thus stalling all the change process initiated by him.

---

## INTRODUCTION

It was a chilly windy night when Emirates Air Boeing 747 landed at Karachi International airport on 1 March 2004. This was Mr Anwar Islam's first trip to Pakistan. He quickly cleared customs when he showed his Malaysian passport without having to open his luggage for inspection by the customs. Only then did the value of the Malaysian passport dawn on him.

He was greeted by his local escort holding a placard of his name. The person introduced himself as James Kauthar. Sensing Anwar's curiosity, James said "I am a Muslim, my mum's Irish and dad, an Omar Sharif look-alike is a retired army colonel." James was the local liaison person who was entrusted with the task of showing

---

<sup>1</sup> Graduate Student, Management Centre, International Islamic University Malaysia  
Email: [yo\\_bro786@yahoo.co.uk](mailto:yo_bro786@yahoo.co.uk)

<sup>2</sup> Professor & Deputy Director, Management Centre, International Islamic University Malaysia  
Email: [arifh@iiu.edu.my](mailto:arifh@iiu.edu.my)

Anwar the ropes and advise him on all local matters. He looked like Salman Khan, the Bollywood movie star, fair and dashing with a tinge of blonde shine in his hair. He was in his early 30s and had a MBA in Finance from Nottingham University.

Anwar checked in for the night at the Marriott after a sumptuous meal of mutton briyani and salivating kurma. He had to catch the first flight to Lahore, Pakistan's second largest city, where he was to manage Apex Brokerage Limited (ABL), listed on the Lahore Stock Exchange (LSE) as the Chief Executive Officer (CEO).

He landed at Lahore and was met by the General Manager of ABL, Mr Dawood Abas. Dawood immediately recognised Anwar as the Kuala Lumpur office had despatched Anwar's particulars to the Karachi Stock Exchange (KSE) for clearance by the authorities. KSE oversees all of the exchanges in Pakistan. Dawood had been with ABL since 1995, starting as a clerk, with no paper qualifications and working his way up to his present position. Dawood was in his late 30s and spoke with a strong accent unlike James who was more polished and spoke more like an Englishman than a Pakistani.

Anwar Islam's Malaysian office had entered into a joint venture with a Dubai based company which had acquired a brokerage in Lahore and Anwar was entrusted with turning around the brokerage. For the year 2003, Pakistan had the highest growth in the equity market in Asia and the joint venture firm known as Emirate Global Investment Limited or EGIL chose Pakistan as its first overseas venture.

ABL was an average sized family-owned firm with a staff strength of 43, all males. It had a track record of losses since its inception in 1995. Anwar was befuddled that it could have survived this long with continued losses until he learnt the rationale for the losses.

### **A MEDIEVAL SOCIETY?**

Anwar was given VIP treatment and thought that it was a welcoming gesture until he reached the four storey building with a single lift. The persons in the lift were ushered out by Dawood who uttered "Chalo, Chalo" and they were the only two persons left in the lift while the driver, who was carrying Anwar's briefcase walked up to the office on the fourth floor. Though Anwar had no knowledge of Urdu, he knew that 'Chalo' meant 'get out' and it dawned on him that he was in a medieval society that practised class discrimination. "Oh dear Lord," he said to himself, "it is going to be a monumental task to re-engineer this firm."

The first week was spent meeting local peers in the industry and understanding the workings of the local brokerage industry. The working culture in ABL was autocratic with Dawood single-handedly managing ABL in all decision making involving all of the departments. Though there were department managers, they merely carried out the daily line operations and were never consulted on any departmental issues.

Meetings were held on an ad-hoc basis, gauged by perusing the minutes. A meeting was held and Anwar noticed that it was more of a monologue with Dawood barking orders and the managers furiously writing down his 'edict'. Surprisingly there were

no meetings involving all of the lower level staff, that is, the clerks and junior officers. The managers would pass down any new policies and procedures issued at the meetings to the clerks and officers.

ABL had quite a number of legal cases involving payment of monies from delinquent clients dating more than ten years and there were three defamation cases against the company. The solicitors came and gave a briefing on some of the major cases; all of the cases were handled by a single legal firm.

### CLASH OF CULTURES

Anwar called James Kauthar, who was based in Karachi to fly in for consultation prior to instituting changes as he knew that the first rule in global management is understanding local culture, taboos and sensitivity.

James advised, "Mr Anwar, Lahore is in Punjab, the wheat basket of Pakistan; here people are class conscious and the culture of the Zamindars, the land owners, is carried over to the office environment. Please make changes gradually."

Anwar proposed a main working committee comprising all department heads and a number of sub-committees involving junior officers and clerks. The committees were created as a Total Quality Management (TQM) exercise to introduce changes but in reality it was a "Trojan Horse" strategy to change the organization's culture subliminally in the minds of the staff.

This created a big brouhaha as some members resented their sub-committee heads. Apparently, as James advised Anwar later, he had appointed some *Mohajirs* (Migrants) as sub-committee heads and the locals, *Lahorees* detested them. It was all right to work alongside in the office but never to take orders from them.

A passage down history should help understand the social dynamics. Pakistan was created in 1947 after carving out Muslim majority regions from the Indian subcontinent. The creation of Pakistan was a result of a long political struggle for independence from British rule. However, the partition of India resulted in communal riots between Hindus and Muslims resulting in large scale migration of Muslim populations from other regions in India to Pakistan. They were called Mohajirs (Migrants) and that identity still continues in Pakistan. Furthermore, in 1971, East Pakistan, now known as Bangladesh, ceded from Pakistan in a bloody war of independence with military assistance from the Indian army. There were some Urdu speaking populace based in Bangladesh, called Biharis who were labelled as traitors by the locals. After independence, the Biharis were kept in refugee camps and subsequently deported to Pakistan for settlement.

On becoming aware of this social dynamics, Mr Anwar dismantled the sub-committees and maintained the main committees as the entire department heads were locals, native to Lahore.

He proposed written inter-departmental policies and procedures to be drafted by the respective department heads with clear delineation of job scope and authority. He could sense that Dawood was not pleased with the new policies as this would undermine

his authority. Anwar knew that he had to slowly introduce changes at ABL and not 'rock the boat' too vigorously. He made sure that Dawood was given a pompous title, 'Head of TQM Program' to soothe his fragile ego.

### **CHANGES, SLOWLY BUT SURELY**

Initially, most of the recommendations made by the committees were on trivial matters such as office punctuality while major issues like authority limit on issuance of cheques were never discussed. Anwar suspected that the hidden hand of Dawood was pulling the strings of the committee heads. He reviewed the recommendations and made written comments suggesting critical areas for the committee heads to explore, thus purging covert interference from Dawood.

The signatories of cheques were expanded to a few tiers whilst previously only Dawood and a few department heads signed the cheques. The act of signing cheques gave ceremonial authority and prestige and by introducing additional signatories, Anwar's intention was to remove the clout of authority that Dawood had over all staff.

Anwar initiated a sports club and participated in cricket. Though he found cricket too tepid to his liking, yet he played along as cricket was not a game in Pakistan but a almost a 'religion'. All of the organizational changes showed an improvement in the office as he noticed a change in the demeanour of the staff; they smiled readily and were more confident in their response to his queries, whilst previously they would put on a stoic look.

He socialized with all levels of staff, having weekly luncheons with all segments of the hierarchy to obtain their feedback. This act of socializing was a totally alien concept and he knew that the local brokerage community was monitoring all of his actions to ensure that he has not broken any taboos. James said, "The local community has closed one eye to your extreme actions, Mr. Anwar because you are a foreigner. You can even get away with murder," he said with a guffaw. As a foreigner, Anwar was aware he could plead ignorance but he ensured that he never crossed the line to the extent that his actions would create animosity and public odium.

Anwar employed a lawyer, Ghulam and created a legal department to review the 468 legal cases. Ghulam was in his early 30s and had a law degree and a MBA to boost his career. He was full of optimism and this quality was the factor that made Anwar choose him from the 20-odd prospects that he had interviewed. He was a Pathan from the Northwest Frontier, tall and a practising lawyer with one of the medium-sized firms at Lahore. He wanted out of practice because he could no longer tolerate the corrupt practises and rampant shady deals that he had to do at the behest of his bosses. Ghulam soon became Anwar's colleague and best friend during his stay in Lahore.

Most of the cases were resolved with the clients by giving them a steep discount to settle the cases to avoid a long and costly legal process. As these cases had been written off as bad debts years ago, the payment enhanced the company's financial

position. This did not go well with Dawood as Anwar suspected that there was some arrangement where the legal firm might have been giving some 'kickback' from the legal fees paid. Dawood objected vehemently, saying "This is not the practise in Pakistan and that the Bar Association would sue us." Fortunately, nothing of that sort materialised and the cases were reduced to 143.

The three defamation cases were withdrawn by the litigants when Anwar met them personally and apologized verbally as they were offended by the caustic words expressed by the previous owners. These cases were more personal in nature and Anwar's conciliatory approach helped mend their pride. He was, however, cautious not to apologize in writing as this would be an admittance of guilt and could be used against ABL.

There were a few areas that Anwar did not attempt to change. For instance, the losses reported every year were 'doctored' to avoid paying income tax and it was the practice with most of the brokerages in Pakistan. This was unethical but defying this would bring detrimental consequence to the organization and the senior management. Disclosing the actual figure would cause a chain reaction with the other brokerages and the brokers' cartel would ensure that Anwar meets his 'creator' earlier than expected if he were to break with precedence

Overall ABL was now a different corporate institution; it had metaphorized into a more open organization with participation from all levels of staff. Anwar's regular luncheons with the lower level gave him an insight to the workings of the inner circle or the dark side of ABL, that is, the shady deals that Dawood had with the local suppliers.

For example, the stationary supplier was defrauding ABL by short supplying goods such as printing paper etc. One day, Anwar did a surprise check when new supplies came. In local culture, the CEO would never descend to such a lowly level of checking on supplies to the company. Anwar cancelled the business relationship with the existing supplier and engaged another supplier. He did not admonish Dawood or anyone in ABL but put the blame solely on the supplier knowing very well that Dawood was the schemer. He had to do this as ABL was still too dependent on Dawood and could not alienate him until a suitable successor was identified.

Anwar was naïve to think that he could change ABL's organizational culture. Dawood was also undergoing a paradigm shift; all along Dawood was scheming covertly with the local industry moguls to remove Anwar from ABL.

The Association of Stockbrokers in Lahore suddenly issued a draft resolution that all foreign-owned stockbrokers must engage a local as the CEO and foreigners can only be engaged as the Non-Executive Chairman. Draft resolutions are always made into policy and it was just a formality to circulate the resolution amongst the broking fraternity for their feedback. This resolution ran contrary to the investment policies for foreign participation assured by the investment delegation that had visited Kuala Lumpur in 2004. Ghulam had informed Anwar of this rumour where the locals were told that foreigners would soon be taking over the entire broking industry. The local



media picked up this as news fodder and went into overdrive mood and this stoked the local politicians into a xenophobic frenzy.

Anwar's Kuala Lumpur office made an appeal to the Investment Committee from Pakistan that had wooed them in their investment road show conducted in Malaysia. Sensing that this would be a long and protracted matter and as Anwar's personal safety was at risk, the KL office recalled him to KL pending settlement of this pertinent issue.

It does not make business sense for the foreign entity to have a Non-Executive Chairman as he would be unable to make any structural decisions despite the financial investment.

Anwar said good-bye and saw the sad faces in the company. Dawood was a fine actor, maybe he should take up acting as a career as he too looked genuinely sad but Anwar knew that he was the victor. A sly cunning master strategist, par excellence, that was Dawood.

Dawood accompanied Anwar to the airport for the eleven o'clock morning flight and gave assurances that that Anwar's measures would not be altered. Anwar merely nodded his head in acquiesce, and thought maybe he was wrong and that maybe Dawood indeed had changed. It was merely his paranoia and irrational suspicion of Dawood clouding his judgement. Dawood hugged Anwar with tears in his eyes and parted, waving as he sauntered into the First Class lounge of Karachi International Airport.

"Thank you, dear Lord, I have accomplished my task," Anwar said to himself. The flight was delayed for another two hours and as he sat reading the February 2005 issue of the *Fortune* magazine, his mobile rang. It was Ghulam, the lawyer, his colleague and true friend, crying over the phone. He exclaimed "Brother Anwar, Dawood had just issued a memorandum suspending me pending investigations saying that I am in collusion with the new legal firm and taking kickbacks."

Anwar was stunned and could just console Ghulam saying that he would attend to his problem on reaching Kuala Lumpur, knowing very well that it would be a futile attempt.

## DISCUSSION QUESTIONS

1. What management concepts and practices may be learned from this case?
2. What was the main cause of the problems discussed in the case?
3. Explain the organizational culture of the LSE when Mr Anwar took over as the CEO. Was there a need for cultural change? Why?
4. Did Mr Anwar manage the change process effectively? Defend your answer.



Published by



الجامعة الإسلامية العالمية ماليزيا  
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA  
وَبِنَا بَرَسْتِيْ اِسْلَامًا اَبَارًا بَعَثًا مُلْكِيَةً

ISSN 2180-2327



9 772180 232007

<http://www.managementcentre.com.my/journal>