

CHAPTER - 8

RESULTS AND DISCUSSIONS - I I

This Chapter deals with the analysis of the information obtained from personal interviews with the senior executives of the firms with the help of a questionnaire and / or direct conversation. We tried to contact as many firms as possible. In the beginning, the questionnaires were mailed to all the 60 firms with an earnest request to fill in the same with the assurance that all the informations will be kept strictly confidential. We had given a code number to each questionnaire and the firms were not supposed to write even their names. Despite all this, we could get the questionnaire back from only one firm. Some of the firms suggested for personal visits and interviews. Not only it was a very costly proposal to visit all the firms personally but also getting an appointment for interviews was a serious problem on account of their busy schedule. In some of the cases despite of my visit to the firm, questionnaires could not be filled in on account of one or another reason and assurance were given that the duly filled in

questionnaires will be mailed soon. In this process out of 60 firms visited we could get the quantitative data for 35 firms but qualitative data only for 9 firms. However information so collected proved to be very useful in supporting the quantitative analysis. The results of the qualitative analysis are presented below.

8.1.0 Nature of the firms studied :

- (i) Of the total of 9 firms studied 4 firms were independent firms, 2 were divisions of a large foreign corporations where the rest 3 were the headquarters of multinational firms.
- (ii) Out of these, 6 firms were Multi-divisional i.e., M-form firms¹ whereas 3 were Unitary i.e., U-form firms.
- (iii) Only 5 firms were having foreign collaboration of which 2 were having only technical collaboration whereas 3 were having both technical and financial collaborations.

8.2.0 Performance index :

The results of the interviews revealed that the firms had multiple performance indices :

8 firms had production as the performance index whereas 4 firms sales and 8 firms profits.

8.3.0 Uncertainties :

3 firms faced uncertainties due to technological progress, power, fiscal policies, political decisions and financial crisis, 4 firms due to competition, 2 firms due to labour problem and 5 firms with the availability of raw materials.

8.4.0 Products :

4 firms were producing only one product whereas 2 products in 1 firm, 4 products in 2 firms and 10 products in 1 firm.

8.4.1 By-products :

Only one firm was producing 2 by-products to supplement their income and diversify their product structure.

8.4.2 Demand for the products :

5 firms felt that the demand for their products as 'certain' whereas 3 firms as 'considerably certain' and 1 firm as 'somewhat certain'.

8.5.0 Pricing :

In 1 firm products were priced following average cost pricing, 1 firm full cost pricing, 2 firms mark-up pricing and 5 firms competitive pricing. In the case of 1 firm the government was also fixing the price of the product, for example, levy sugar.

8.5.1 Pricing philosophy :

The philosophy of price in 2 firms was 'less sales but high price' and in 5 firms it was 'low unit price but more sales'.

8.5.2 Sub-optimal pricing :

4 firms felt that the prices of their products were kept at a lower level (sub-optimal level) than what it can get. That is the prices of their products could still be increased without affecting present revenue flow.

8.6.0 Competition :

6 firms were facing price competition, 5 firms were facing competition in the quality of the

product, 5 firms faced non-price competition including synthetic substitutes.

8.6.1 Degree of competition :

1 firm felt that the competition in its business was to 'a little degree', 2 firms to 'some degree', 5 firms to 'a considerable degree', 1 firm to 'a high degree' and 1 firm to 'a very high degree'.

8.6.2 Competitive position :

1 firm protected its competitive position with sub-optimal pricing, 9 firms by improving the quality of the products and 3 firms by increasing sales promotion efforts. 4 firms felt that they were relatively better placed in price competition, 5 firms in the quality of the products and 4 firms in non-price competition.

8.7.0 Growth policy :

The growth policy was adjudged by the high accumulated retained earnings in 1 firm, high rate of growth of assets in 5 firms, high rate of growth of sales in 4 firms, high growth rate of

production in 3 firms, high growth rate of profits in 1 firm and high growth rate of employment in 1 firm.

8.8.0 Flexibility of advertising and other sales efforts :

During 'good times' advertising expenditure was ranked the first for the flexibility in 3 firms, ranked as the second in 1 firm whereas during 'bad times' it was ranked as the first in 4 firms. In the case of sales force during 'good times' it ranked first in 1 firm, second in 2 firms. In the case of sales commission and other incentives during 'good times' they ranked as the third in 1 firm whereas they ranked as the third in 1 firm during 'bad times'.

8.9.0 Flexibility in the volume of staff :

4 firms agreed that the hire and fire policy helped in maintaining the high degree of flexibility in the volume of staff.

8.10.0 Objectives of the firm :

The respondents were asked to rank a given set of 21 objectives of the firm. It was

found that 5 firms ranked 'growth of the firm' as the first, 2 firms the second. Other goals which get the first rank are : maximum market share, and customer satisfaction. The objectives getting second rank are : growth of the firm, maximum sales revenue, maximum production, maximum market share, maximum profit and product quality. As regards maximisation of profits it gets only second and third ranking by 2 firms each. None of the firms has ranked it as the first objective. Maximum dividend was poorly rated, as the highest rank was the seventh by 3 firms. The results of the analysis are given in Table-8.1.

8.11.0 Management of Economic Leverage variables :

First the concept of Economic Leverage was explained to the respondents and then they were asked to specify, for a given set of Economic Leverage variables, whether these variables were increased or decreased during 'good and bad' times to stabilise / smoothen the income performance of the firms. The results of the analysis showed that during 'good times' two Economic Leverage variables - assets and expenditure on machineries- were preferred to by all the 9 firms as stabilisation measures. Whereas variables like employees' welfare expenditure and

Table-8.1 : Ranking of the Objectives of the firms.

Rank	1	2	3	4	5	6	7	8	9	10	11	12	13
Goals													
Growth of the firm	6	2			1								
Maximum sales revenue		2	2	3							1		
Maximum production		1	1	1	3	1		1		1			
Maximum market share	1	1	2	1		2	1						
Maximum profit		2	2	1		1		1				1	1
Maximum dividend							3		2				
Minimum costs			2					1				1	2
Customer satisfaction	2				2	2		1					
Employee welfare				1		1	3			1	1		
Research & Development				1	1								
Product quality		1			1	1				1		1	
Business diversification										2		1	
Overall efficiency								2	1	1	1	1	
Financial stability				1		1				2	2		
Resource conservation								1		2			
Management Development													
Diversification of product structure								1	1				
Price stability									1		1		1
Social responsibility									1				
Solving environmental degradation													
Smooth running of the firm					1		2					1	1

- table continues -

- table continued - (8.1)

Rank Goal	14	15	16	17	18	19	20	21
Growth of the firm								
Maximum sales revenue								
Maximum production								
Maximum market share								
Maximum profit								
Maximum dividend	1							
Minimum costs	1							
Customer satisfaction								
Employee welfare								
Research & Development		1	1					
Product quality								
Business diversification					1	1		
Overall efficiency		1						
Financial stability								
Resource conservation			1					
Management development				1				
Diversification of product structure		1						
Price stability					1			
Social responsibility						1		
Solving environmental degradation								
Smooth running of the firm	1							

research and development expenditure get second rank. 5 Economic Leverage variables - investment outside, loans and advances, bonus and wages, managerial perquisites and office modernisation expenditure - rank third having been preferred to by 7 firms as income smoothing measures during good times.

During 'bad times' the highest preference was accorded to a decrease in loans and advances and outside investment as a stabilisation measure, whereas 6 variables - employees welfare expenditure, bonus and wages, managerial perquisites, research and development expenditure, expenditure on machineries and office modernisation expenditure - rank third. The results of the analysis are presented in Table-8.2.

8.12.0 Feasibility of the management of Economic Leverage variables :

The respondents were asked to rank the Economic Leverage variables in an order of the feasibility of their deliberate creation and management during 'good times and bad times'. They were given 5 point scale ranging from 'not at all feasible' to 'a very great extent feasible'. The

Table -8.2 : Management of Economic Leverage
variables.

Variables	Number of firms increasing during good times	Rank	Number of firms decreasing during bad times	Rank
Assets	9	1		
Capitalisation of costs			2	7
Outside investment	7	3	7	2
Loans and advances	7	3	8	1
Public service expenses	6	4	5	4
Employee welfare	8	2	6	3
Bonus and wages	7	3	6	3
Managerial perquisites	7	3	6	3
Expenditure on machineries	9	1	6	3
Sales discounts	1	8	3	6
Sales promotion expenses	3	6	4	5
Research & Development expenses	8	2	6	3
Office modernisation expenses	7	3	6	3
Deferred revenue expenses	2	7	2	7
Capacity utilisation	4	5	1	8
Price incentives	1	8	1	8
Customer service expenses	1	8	2	7
Product line or mix				
Volume of staff and workmen	1	8		

results of the analysis are presented in Table-8.3 which suggests that :

- (i) most of the firms found that the management of the Economic Leverage variables is feasible,
- (ii) this feasibility ranges from 'to a little extent' to 'to a considerable extent',
- (iii) as regards to the relative feasibility during good times and bad times it was found that these variables are manageable to 'a little extent' during bad times whereas during good times they could be managed even upto 'a considerable extent.
- (iv) not only that the number of observations in 'not at all feasible' category are insignificant but also get least preference as a measure of stabilisation as given in Table-8.2.

Variables like capacity utilisation, price incentives, customer services, expenditure, product line, volume of staff and workmen and capitalisation of costs were not studied quantitatively in Chapter-7. However these variables were studied qualitatively in the present Chapter-8. The results of the analysis supports the main hypothesis. It may now be inferred, that most of the firms were of the opinion that the Economic Leverage variables could be deliberately

Table-8.3 : Feasibility of the management of Economic Leverage variables.

Variables	Feasibility of the management of EL variables														Total
	not at all		to a little extent		to some extent		to a considerable extent		to a great extent		to a very great extent				
	G	B	G	B	G	B	G	B	G	B	G	B	G	B	
Assets			3	4	1		5								13
Capitalisation costs			2	5	2	1	4								14
Outside investment			2	8	3		3								16
Loans and advances			2	9	7										18
Public service expenses			1	8	6		2								17
Employee welfare expenses			2	7	5		2								16
Bonus and wages			1	6	5		2								14
Managerial perquisites			1	6	7		1								15
Expenditure on machineries	1	1	1	2	2	1									8
Sales discounts	1	1	5	6	4	1	1								19
Sales promotion expenses			2	5	4	1	1			1					14
Research & Development expenses			1	5	6										12
Office modernisation expenses			1	1											2
Deferred revenue expenses			1	2	1										4
Capacity utilisation	1	1	1												3
Price incentives	1	1													2
Customer service expenses	1	1													2
Product line or mix	1	1													2
Volume of staff and workmen															
TOTAL			6	6	26	74	53	4	21		1				191

G = good times ; B = bad times

created and managed to smoothen the income streams of the firms.

NOTES

1. The questionnaire has been appended at the end of this thesis.
2. The components units of U-form firm are divisions which perform particular functions (sales, finance, production etc) for all the product lines of the firms.
3. M-form firm is composed of 'operating divisions' or 'quasi-firms' which perform all the functions of each single product and are responsible head office, which both supervises the operating decisions of the quasi-firms and allocates capital funds.