



IIMS Journal of Management Science

Vol.6, No.1, January - April 2015

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Earnings per Share or Book Value: Superior Value Driver in Equity Valuations

Asheesh Pandey

ABSTRACT

In this paper, we evaluate the efficacy of two value drivers namely, earnings per share and book value for developing stock price forecasts using two performance evaluation criteria: 1) root mean squared error and 2) Thail inequality coefficient. We employ data for 13 sectors of BSE 500 from 1991 to 2010. We conduct our analysis in two phases. In phase one, we find that price to earnings is the better stand alone price multiple than price to sales in the Indian context. In the next phase, we show that the combination of value drivers does not significantly improve price forecast vis-à-vis stand alone multiples. Our findings are extremely relevant for equity analysts and portfolio managers who are continuously involved in equity evaluation and developing global asset allocation strategies.

Keywords: Price to Earnings, Price to Book Value, Relative Valuation, DCF, Price Multiples, Equity Valuation, Value Driver

JEL Classification: C51, C52, G11, and G15

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Why Happiness is Critical for Individual Performance?

Bala Subramanian R. and M.G. Jomon

ABSTRACT

Positive psychology is one of the recent developments of psychology. Instead of focusing on illness, positive psychology focuses on the positive human functioning. The field has been receiving greater contribution from Martin Seligman, Mihaly Csikszentmihalyi, Barbara Lee Fredrickson and Ed Diener since early 1980s. Happiness is one of the major focuses in this field. Ever since its inception, research scholars have studied happiness in organisational contexts, keeping it both as input and output variable. This paper is an attempt to find answers to the research question 'why happiness is critical for individual performance' by doing a literature review. The key findings are that happiness provides physiological, psychological and social resources (as discussed by the broaden and build theory) for performing the job and thereby satisfies the individuals' three innate needs (as discussed by self-determination theory), and it also counters the job demand (as discussed by the job demand-job resources model). As an outcome, propositions and a model are derived. The limitations of the available literature and future direction of research has been outlined.

Keywords: Happiness, Individual/Organisational performance, Job resources, Job demand and Physiological/Psychological/Social resources.

JEL Classification: M12 Personnel Management

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Incentive Modelling in Reverse Supply Chain Network of Indian Automotive Battery Industry: A System Dynamics Approach

P. Chandiran and K. Surya Prakasa Rao

ABSTRACT

The purpose of the paper is to explore the dynamics of formal incentives offered by manufacturers to retailers to return old products and buyback price offered by unauthorised recyclers, which is deterrent to formal reverse flows in the supply chain and to suggest suitable incentive mechanism to maximise the returns. A system dynamics approach is used here to model the reverse supply chain network to capture the dynamics involved in volume of returns of used products, the buyback incentives, the external recycler's buyback prices and role of channel partners. The model provides policy guidelines in terms of appropriate incentive policies and other appropriate interventions to improve the volume of used product collection from retailers. The product return rate is better if the organisation react very fast with respect to any actions initiated by unorganised recyclers. It is not possible to stop returns to unauthorised recyclers but one can improve the returns in the formal channel by improving the incentive mechanism. The current model is not designed to incorporate decay in value of the returned products and it does not include the effect of state legislation on returns. The model incorporates the cause and effect relationship in a competitive market, the real costs involved in collection and disposal and delays involved in decision making. The dynamic model can be best used even for other industries, which are into practice of reverse supply chain.

Keywords: Reverse supply chain, Recycling, Incentive modelling, System dynamics, Buyback price.

JEL Classification: L6, M11, Q53

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Macroeconomic Determinants of Crude Oil Price: Evidence of Long – Run Relationship

I. Krishna Murthy

ABSTRACT

Rising crude oil prices is the matter of concern for the whole economy, the study of the determinants of crude oil prices is very important to understand the macroeconomic relationship between crude oil and other macroeconomic indices. In this study several macroeconomic variables, viz. gold prices, commodity index CRB, S&P 500, dollar index, GDP of G7 countries, demand for crude oil, OPEC and non-OPEC supply, etc., are considered to study the crude price behaviour. Factor analysis is used to reduce the data variables; ~93% of information is used to identify the crucial factors. In this study Gold price index, CRB index and S&P 500 are identified as suitable factors to study the crude price (WTI). Econometric techniques Engle–Granger causality test and Johansen's co integration procedures are used to find the co-integration between the crude oil price and aforementioned macroeconomic indices. After selecting the suitable lag length by using the AIC and BIC information criterion, the VAR model is used to determine the direction of causality and for forecasting of crude prices. Finally the casual relationships are validated by the directed acyclic graph (DAG) from the causal analysis software TETRAD IV that confirms the co-integration between the crude price and other macroeconomic factors.

Keywords: Co-Integration, Factor Analysis, VAR, Causality.

JEL Classification: E30, E37, F62

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A Study on Agile Scrum Engineering Practices

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ABSTRACT

Agile development has gained popularity in recent years and there is an increasing trend of following the agile principles and practices in many industries and organisations particularly in the software industry. In agile projects team development and employee development are given preference. Today's business, political and economic environment is very much dynamic, and customers are adapting their software requirements to adjust with this new environment. In particular the software needs to cater to the change in business environment due to the current economic down trend situation. This research is the first step of an endeavour to embark on a comprehensive study of the Agile Scrum method with specific focus on IT industries. An overview of the agile from various literatures would be a value addition to the knowledge community. This study should also provide a record for future developers to get new ideas, methods to develop software and also helps to choose the right methodology. This study in general aims to contribute to the agile body of knowledge. We used both quantitative and qualitative analyses to carry out this research. A qualitative design, consisting of few case studies, was used to test the theoretical model. Data was gathered from nine IT projects using questionnaires and surveys of project stakeholders. Cross-case analysis was carried out on the project factor in the theoretical model.

The empirical data analysis showed that specific organisational culture parameters correlate with effective use of an agile scrum method. Each agile method has its own engineering practices, which ensure success of the corresponding agile projects but following the best practices from other similar agile methods is the need of the hour, which will ensure more success.

Keywords: Agile, Agile methodologies, Software Development.

JEL Classification: M15

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Performance Evaluation of Indian Mutual Funds using Data Envelopment Analysis

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ABSTRACT

The purpose of this paper is to evaluate the performance of Indian mutual funds using the data envelopment analysis (DEA) technique. Mutual funds can be broadly classified into three categories, i.e., equity based, equity ELSS based and balanced and debt based. For our purpose, we have chosen fifteen mutual funds from three such sub-categories, i.e., equity based, equity ELSS based and balanced or hybrid, which are having track record of above five years. Monthly returns of these mutual funds are collected from secondary sources. Maximising return with minimisation of risk is kept as the basic objective functions in this analysis. In the input side of this analysis, we have kept three types of risks [std. deviation, beta and average expense ratio (ER)]. The outcome of this analysis shows how different parameters influence the risk and return in the case of mutual funds. DEA is particularly useful in multi-criteria methodologies where the sample size is quite large. This paper is a different attempt to evaluate the performance of mutual funds through an interesting alternative method to understand the performance pattern and other dimensions which will help in valuation of these financial instruments. It also provides a mean for evaluating asset management practices in India. The outcome of this research will be helpful in improving the regulation of mutual funds for regulators, evaluating the investment alternatives and designing the compensation structure for portfolio managers.

Keywords: Mutual funds, Treynor's ratios, Sharp ratio, Jensen's alpha, Value analysis, Efficiency frontier, DEA.

JEL Classification: G11 and G23

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'Way to Organisational Development'- Interpreting the Role of Spirituality Using System Dynamics

Mridula Sahay and Shulgna Sarkar

ABSTRACT

Ancient civilisations have sustainably contributed to the field of spirituality. Discussions on common platform and research in the area have been ongoing since ages. Yet lately, there has been a worldwide explosion of interest in the term 'spirituality'. During the era of uncertain changes and turmoil, what many organisations are focusing on is 'spirituality'. The paper aims to understand role of spirituality in organisational development. System dynamics has been used as a tool to study spirituality as an initiative in organisations. The paper is based on extensive literature review and provides a conceptual base and also shares the importance of spirituality. The paper also shares how spirituality contributes to organisational development by using causal loop diagrams. The paper describes the various spiritual techniques and elaborates its role in individual development as well as organisational development using system dynamics as a tool.

Keywords: System dynamics, Organisational development, Casual loop diagrams, Culture, Performance, Workplace.

JEL Classification: L29

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Benchmarking of Quality of Supply in Electricity Distribution Utilities- A Case Study of Private Franchisee in Karond Area of Bhopal City

S.K. Khatik and R.V. Saxena

ABSTRACT

The process of benchmarking helps in revealing areas where a particular utility's performance is lacking and gives directions for further improvement of processes. It gives detailed examination to identify any causes that are bringing down performance. It gives a clear assessment of strengths and weaknesses, and hence a utility can formulate a better corporate strategy to improve its performance. The purpose of benchmarking is to help in improving the effectiveness of process and delivery of services.

The benchmarks aim to bring improvements in electricity distribution by providing performance measures that will (1) help utility managers to better understand their company's strengths and weaknesses and direct improvement efforts and (2) help public officials, investors, lending institutions, etc. India's private and public utilities, which are undergoing structural reform, offer many success stories in performance enhancement. Mumbai has been served by private utilities and enjoys international standards of reliability and low technical losses. There is progress in other utilities and states also such as Ahmedabad Electricity Company, Calcutta Electric Supply, the states of Orissa, Kerala, Karnataka and Maharashtra. In the Karond area of Bhopal in MP, Agrawal Power Pvt. Ltd. (APPL), who took over distribution franchise of the area in Oct, 2007, has also made substantial progress in reducing losses and increasing the collection efficiency.

Keywords: Benchmarking, Utility, Performance, Efficiency, Consumer service, Metering, Billing, Collection.

JEL Classification: H-11, H-32, H-59, G-32, R-19

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Trusteeship – Gospel for Corporate Social Responsibility

Ananda Das Gupta

ABSTRACT

Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption. Trusteeship is the concept of universal consequence and which itself, a new alternative to honestly correct the ills of social accumulation and at the same time gives those with managerial and entrepreneurial expertise to use the same for the good of the society. Accepting trusteeship and translating it into reality will cast great responsibility on those who will undertake experiment, but in the ultimate analysis it will be worth and in the national interest. Corporate social responsibility as understood today has almost all the elements of Gandhiji's trusteeship. Like Gandhiji's concept of trusteeship, corporate social responsibility calls upon business to give back to society. CSR enjoins business to take into consideration the needs and aspirations of the stakeholders.

Keywords: Trusteeship, Corporate Social Responsibility, Stakeholders, Gandhian economics

JEL Classification: H-Public Economics

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