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Corporate Governance, Board Characteristics and Firm Performance: Evidence from Sri Lanka

Pradeep Dharmadasa*, Pamarathne Gamage** and Siriyama Kanthi Herath***

From various theoretical perspectives, the governance literature asserts that board characteristics play a catalyst role in enhancing firm performance. This paper examines the association between board characteristics and the firm performance using publicly listed companies in the Colombo Stock Exchange (CSE). Data for the study were obtained from the published audited annual reports of 189 companies. Hierarchical regression showed that larger boards had a negative impact on firm performance. Moreover, a positive association was found between board independence and firm performance. However, neither CEO duality, family directors, interlocking directorate nor board diversity were found to be significant in increasing firm performance.

The Profitability and Size of Indian Companies: An Empirical Analysis

Inder Sekhar Yadav* and Phanindra Goyari**

Using alternative measures of firm size and profitability for an unbalanced panel of 3,437 non-financial public and private companies comprising of 10 Indian major industries listed in NSE and BSE from March, 1989 to March, 2009, the present paper first examines the relationship between firm size and profitability and second the relationship between profitability and firm size, degree of vertical integration and level of demand at dis-aggregated and aggregated levels. Applying GLS method, panel fixed effect and random effect models are estimated. All the alternative size measures are found to be significantly and positively, determining the profits at the aggregated level. Rate of return on net fixed assets is found to be the most satisfactory measure of profitability. Evidence showed that the sales as size variable were probably the least subject to measurement bias. Further, evidence confirmed that vertical integration and demand factor positively influenced the profitability. However, results for individual industries varied and the relationship between firm size and profitability cannot be generalized.

Private Label Brand Choice Dynamics: Logit Model Involving Demographic and Psychographic Variables

Abhishek *

Research on private label brands started with focus on explaining the choice of private label brands by simple demographics variables which later expanded into work on attitudinal and behavioral characteristics of customers. However, all these studies have not tried to integrate demographic and psychographic variables to achieve a higher explanatory power, even though researchers have suggested that such a combination is likely to have a higher explanatory power. This paper, after a review of literature, identifies the variables for private label brand proneness. This is followed by mathematical explanation which provides the mathematical model using discrete choice modeling. The paper also provides operationalization of integrated model in current Indian retail scenario and concludes with explaining the limitations.

Success and Constraints of Group Lending Programs: Evidence from the Working of Micro-Credit Institutions in Odisha

Anugya Sarap*

There has been rapid growth of microcredit institutions in Odisha since the last few years. But these institutions are beset with a number of problems including deterioration in the quality of groups and rising number of defaulters, thereby contributing to institutional unsustainability of groups as well as weakening the services rendered by these groups. This paper analyzes the salient features of group lending programs based on joint liability contract that are operating in low income areas. It highlights how they help the lender in shifting the monitoring and enforcement costs to the borrowers. The borrowers by contrast, monitor each other's activities in which loan is utilized, repayment pattern of loans and exert pressure on delinquent members and/or help the needy members through reciprocal action. The embedded relationship among the members helps in maintaining group solidarity, repayment of loan, and enforcement of contracts.

Abnormal Returns in Cross-Border and Domestic Acquisitions by Indian Firms: Impact of Method of Payment and Type of Target Firms

Neelam Rani*, Surendra S Yadav** and P K Jain***

The objective of the present paper is to investigate the influence of method of payment employed (cash, stock) in financing the acquisition, and to analyze the impact of the type of target firm (listed, unlisted) acquired on acquirers' return in cross-border acquisitions and domestic acquisitions separately. A disaggregate analysis has been conducted to examine the impact on acquirers' return in cross-border acquisitions and domestic acquisitions during the period 2003-08. The results indicate that the acquisitions, financed with cash, generate positive abnormal returns for cross-border acquisitions as well as domestic acquisitions. This could be a signal in favor of 'asymmetric information hypothesis and free cash flow hypothesis'. The returns are higher in the case of cross-border acquisitions, however, the difference is statistically significant during event window of two days (-1,0) only. The acquirers of the firms listed cross-border experience average abnormal returns of more than three percent (statistically significant) for event window of 11 days (-5, +5) whereas acquirers of domestic listed firms observe losses of more than 1% during the same period. Moreover, the difference in mean CAR is statistically significant. However, the acquirers experience (statistically significant) negative abnormal returns for the post-event window of 19 days (+2, +20) in all acquisitions.

Predicting the Conflict-Style Intention to Manage Relationship Conflict: An Exploratory Extension of Theory of Planned Behavior

Swati Alok*, Jayashree Raveendran** and M G Prasuna***

Past research has suggested a tendency for employees to respond to the relationship conflict through dominating and obliging style. However one may ask what motivational factors influence employees to opt for these styles. Ajzen's Theory of Planned Behavior (TPB) (1993) is a model which explains the link between cognitive processing and social influence on intentions. The purpose of this paper is to test the efficacy of TPB in relationship conflict among software employees. The five variables of the TPB comprising attitude, Injunctive Subjective Norms (ISN), Descriptive Subjective Norms (DSN), Conflict Efficacy (CE) and Structural Assurance (SA) have been studied in relation to obliging and dominating style. By developing relationship vignettes, salient beliefs towards conflicts were elicited and questionnaire was designed. SEM for 133 responses has been used for testing path suitability and significance. Overall, TPB explained about 38% and 42% of the variance in behavioral intention to opt for obliging and dominating style respectively.

Industry Dynamics in Stock Returns: Evidence from Indian Equity Market

T G Saji* and S Harikumar**

This paper attempts to look for further evidence on the relation between industry specific variables and stock returns by using Indian data for the period 2002-2010. Unlike other researches in the area, the study used industry level data on five sectors namely: Energy, FMCG, Information Technology, Pharmaceuticals and Automobiles. Data availability and diverging business cycle sensitivity constitute the rationale behind the selection of industry groupings. Empirical methodology involves a multi-factor modeling using step-wise regression procedure. Max R-based Regression methodology identifies capital intensity, liquidity conditions and share of export earnings are the prime industry variables affecting stock returns. Results also indicate that stock returns of different sectors behave differently under same economic conditions which confirm the potentials of industry allocation for the diversification of investment risks.

Bhaktivedanta Hospital: Serving in Devotion

P B Srikanth* and Manish Singhal **

There has been a growing need for responsible leadership among firms, social organizations, policy makers, educators and the general public at large. This may be attributed to highly publicized scandals or instances of management misconduct leading to eroded public images of leaders. The paper attempts to present a case of Bhaktivedanta Hospital, based on the concept of "Serving in Devotion", driven by the vision of its founder Radhanath Swami. Specific initiatives of the hospital focus on the needs of body, mind and soul with a broadminded approach to traditional and modern medicine. Apart from providing modern amenities to cater to chronic illnesses, it also provides a unique spiritual care through a dedicated palliative care department that trains nurses to deal with the terminally ill patients and their families in its hospice. The case discusses how institutions can be built and sustained on strong foundation of its values. Organizations can learn how to create an institution to serve to deal with the problems of today's society in terms of systems, ideologies and role modeling. The lessons for implementation have for practicing managers is largely focused around driving ethical and value driven leadership.
