REJUVENATION OF PUBLIC SECTOR PROCUREMENT THROUGH FRAMEWORK AGREEMENTS: A CASE STUDY FROM THE UK

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INTRODUCTION

In the North West Region of England, innovative councils have found ways to deliver better services and best value at reasonable costs through a variety of ways, including streamlining their procurement processes, working in partnership, pooling buying power, establishing partnerships and framework agreements with the private sector, building internal capacity and capability, using current stock and assets to catalyse community regeneration, reconfiguring and modernizing operational portfolios, raising capital through asset sales (for example, non-operational properties) and co-locating services in shared multi-service centers (ConEx, 2007).

Framework arrangements in different shapes and forms have been introduced in order to aggregate demand, build trust and create markets where significant spending power can be used to influence and encourage new technologies and products with higher environmental specifications, and to stimulate the markets (e.g. for recycled products or high recycled material contents).

The paper presents the definition of Framework Agreements, and the benefits of adoption of Framework Agreements especially by the public sector clients. The concept of Aggregation of demand and supply used within the development of Framework Agreements is introduced. Towards the end of the paper, an example of a Framework Agreement established within the North West is presented.

INNOVATIVE PROCUREMENT

Although, many attempts have been made to define innovation within the industry (Asad et al. 2005), the definition given by Ling (2003) could be considered as the most comprehensive in the construction industry context. He defined innovation as implementation of a new idea to a construction project with the intention of deriving additional benefits, although there might be some associated risks and uncertainties. The new idea may refer to new design, technology, material component or construction method used in a project (Asad et al. 2005).

There are a number of lessons about industrial innovation in general that can be learnt from the change that occurs in the construction industry. Most studies of technological and organizational change focus on what are considered to be rapidly changing sectors of the economy, such as microelectronics, automobiles, aerospace, some industries, the banking sector, etc. But it is important to understand innovation in construction for three reasons (Gann 1994):

- Construction is of great economic significance, producing between 6 and 10 percent of GDP in most advanced economies.
- Construction produces half of Gross Fixed Capital Formation - the buildings, factories and infrastructure essential for other economic, and social activities.
- The industry has a broad social responsibility to produce safe buildings and structures which have minimal impact on the natural environment.

However, it is generally accepted that, implementing innovative processes, whether related to new product development or enhanced project delivery, may result in failure of all the hard work without any motivation and efforts from the people actually responsible to carry out those processes. It is very true for the construction industry, which is generally considered as slow to adopt new management techniques and information and communication technology. However, the author observed during the case studies reported here, that as far as adopting innovative procurement strategies and partnering concepts are concerned, the case study participants were keen to move from adversarial relationships to more collaborative ones. The basis of all these innovative relationship models is the concept of partnering, resulting in the development of trust (Latham 1993; McDermott et al. 2005), and long-term collaborative and integrated relationships among different organisations throughout the supply chain (Khalfan et al. 2001).

Cox and Townsend (1998) define this relationship as follows: Partnering is a long-term commitment between two or more organisations for the purpose of achieving specific business objectives by maximising the effectiveness of each participant's resources. The relationship is based on trust, dedication to common goals and an understanding of each other's or one another's individual expectations and values. Expected benefits include improved efficiency and cost effectiveness, increased opportunity for innovation, and the continuous improvement of the quality of products and service.'

In the UK, the National Audit Office (NAO) report, 2001 has endorsed the public sector moving away from lowest cost and adversarial approaches towards the newer forms of procurement. In particular, it calls for the entire supply chain, including clients, to be integrated. Through Achieving Excellence (HM Treasury, 1999), the Government had already committed all government departments.

- To work with industry to reduce waste in all aspects of construction procurement and management.
- To enter co-operative relationships with their suppliers to ensure an open and mutually productive environment.
- To ensure an integrated supply chain.

At the same time, Building Down Barriers (Holti et al 2000) has investigated the Ministry of Defence Prime Contracting procurement policy, another innovative procurement route. While concerned with project specific partnering, it suggested that there was some semi true evidence that the members of the successful project teams had kept together and moved on to other projects with other clients. The response of the department of health to Achieving Excellence came through NHS Estates. They established NHS ProCure 21, a strategy for Supply Chain Management and Integration that involves developing long-term relationships with those companies that will be their major suppliers of products and services.

One of the main purposes of the government to push towards the above mentioned new partnering arrangements is to motivate organisations within the construction industry to take advantage of the long term relationships with public clients that would result, not only in business benefits for them, but also in a better performing industry. According to one of the reports published by OGC (OGC 2006a), procurement decisions about construction projects should always be taken on the basis of value for money over the life of the facility and not on the initial capital cost alone. Another guide, OGC's Best Practice briefing *Value for money evaluations in complex procurements* (OGC BP 2002) explains that in order to take account of all the factors when making an investment decision all central government departments have to demonstrate their compliance with the best practice for getting value for money. According to the OGC reports (OGC BP 2002; OGC 2006b; OGC 2005), the procurement strategy determines the most appropriate procurement route, including the contract strategy, to fit the project objectives and current circumstances. For every construction project the client should consider the design, construction, operation and maintenance of the facility as a whole, together with provision of funds. An integrated procurement route should be adopted to deliver the project, where all of these aspects have been considered together.

The new *Achieving Excellence* targets, agreed by Ministers in December 2002, require projects to demonstrate a significant improvement in performance against quality, cost and time targets. In order to achieve this aim, it is essential that all procuring bodies move towards proper integration of the design, construction and operation functions. This will require a move to fully integrated teams, early supply team involvement, incentives payment mechanisms, continuous improvement processes, and joint commitment to achieve best whole-life value.

The current initiative by many local authorities under the guidance of central government is to develop the framework agreements in order to achieve best value for the government expenditure.

3.0. FRAMEWORKS – DEFINITION, BENEFITS, GROWTH

Transforming Local Government Construction: The power of Framework Agreements (ConEx 2007) defines the framework and its benefits as follows:

3.1. DEFINITION

Frameworks have been described as agreements to provide goods, works or services on specified terms. They are sometimes subdivided into Framework *Arrangements* and Framework *Agreements*. In *Arrangements* there is no contractual commitment on either side for the provision of any particular quantity, though they may prescribe the terms and conditions of the eventual contract which will apply when goods or services are purchased. *Agreements*, on the other hand, incorporate commitments to purchase a volume or value of goods or services.

3.2. BENEFITS AND EFFICIENCIES

Performance measurement in the frameworks examined generally follows the pattern of the Construction Industry Key Performance Indicators. Some of the local authorities with established systems of measurement compare their results with published national averages. Their early results tend to show overall percentage increases, which are at their greatest in the area of service quality. Client satisfaction levels in particular tend to show dramatic early rises. In establishing new and much higher levels of expectation, the longer running schemes have found it challenging to sustain the same level of improvement. In an industry often criticised for its safety record, improvements in efficiency of health and safety audits represent another valuable gain. For example, performance management in Hampshire has measured them at 37%.

3.3. TIME

The speed of project delivery is regularly improved with reduced procurement time, savings in design and construction time. Hampshire quotes 90-day savings in procurement time for a project when a framework call off arrangement is compared with single project procurement subject to European directives. Design time savings can approach 40% with corresponding cost benefits. Additional government funding can sometimes come unexpectedly late in the year for particular initiatives, but may only be accessible to authorities in a position to proceed quickly. The lead times associated with traditional procurement often take too long. North Tyneside found itself able to profit where it could allow its contracting partner to commence on site before full scheme documents were available in the confidence that an acceptable price could later be agreed.

3.4. ECONOMIC BENEFITS

Economic benefits may be obtained in cashable form or reinvested in product quality or a mixture of both. Programme based procurement creates opportunities to develop relationships with suppliers for product developments to be applied to a series of projects. Both Hampshire and Manchester have derived efficiencies in this way. Cashable efficiencies emerging as measurable cost savings are derived from three main sources:

i) Tendering

A single framework tendering exercise costs less than tendering several projects, individually, which may be handled under the framework. Manchester has assessed the saving in its schools frameworks at between 1% and 2% of the capital cost annually. By including the savings made by contractors on bidding for jobs they do not win, Birmingham has estimated that it is saving between £6.0m and £8.0m per year on a programme valued at £150.00m.

ii) Supply Chain and Programme Procurement

The Birmingham Construction Partnership illustrates this by an example of procuring security doors for its housing projects saving some £750k on an order valued at £5.0m. It employs reverse e-auctions to purchase certain materials and components for its programme. By involving the supplier in the design of aluminum windows, North Tyneside was able to reduce the cost by 30%. In general, savings of 20% and upward are being achieved on individual elements procured in this way.

iii) Risk

Economies attributable to shared risk management represent a further significant source of efficiency. Norfolk Property Services have estimated that this represents a major component of the overall savings it makes.

iv) Overall

Economies are at their greatest where the benefits of supply chain engagement can feed through the framework. Hampshire has assessed the overall benefit as a saving of 10%. On a programme of Nursing Care Homes, this was independently benchmarked as a reduction of £150/m2. Norfolk Property Services put the figure at around 12% on secondary schools and 4% on primary schools and small works. North Tyneside pre-partnering costs exceeded budgets by around 10%. They were afterwards assessed as some 6% below the budget cost.

4.0. AGGREGATION

One of the underlying principles of Frameworks is Aggregation, which is one of the key mechanisms promoted in potential efficiency gains. On one hand, aggregation of **demand** (coordination) requires:

- Analysis of historic demand to provide management information on purchasing practices and trends;
- Drawing together information on common or similar requirements – within an organisation and with other organisations
- Assessing the potential for collaborating with other business units within an organisation, or with other organisations, and agreeing to present these requirements in a coordinated way to the market.

Aggregation of **supply** (consolidation), on the other hand, means a single supplier, or a small group of suppliers, responding and contracting to deliver the service. Although aggregation of supply is a likely market response to aggregation of demand. Aggregation of demand does not always lead to aggregation of supply.

Aggregation issues should be considered as early as possible in any project that involves procurement (OGC, 2002). The potential advantages of aggregation are:

- Better management information through aggregation of demand
- Greater leverage
- Lower prices through reduced production costs
- Lower transaction costs
- Better management of the market
- Better management of the supply chain.

On the other hand, there are some possible drawbacks of aggregation:

- Need for highly skilled procurers and contract managers
- Distorting the market and missing out on innovation
- Invisible supply chain.

5.0. CASE STUDY

The local authority studied is one of the UK's largest councils with a capital construction spend £250m per year. Until recently all the Council's construction spend in the education sector went through the traditional tendering process, often based solely on the lowest cost. Due to the pressure from Central Government to meet efficiency targets, the Council needed to deliver large programmes of education related projects in line with the overall efficiency drive, and began to look at the benefits of the partnering approach to procurement. The benefits of such a way of working were obvious through establishing framework agreements. In December 2003 Education Framework was established to include three contractors. The Framework was developed to deliver proposed educational programmes from £0.5m - £5m, which would result in approximately £36m / 15 projects in the first three years extendable to five.

5.1. OBJECTIVES:

The council has following objectives to achieve through framework agreement for educational establishments:

- Regeneration / sustainable communities
- Improve levels of educational attainment
- Achieve savings on tendering and procurement costs that can then be filtered into the project
- Deliver educational projects across the city (to time and to budget)
- Best value in project delivery
- Minimise project delays
- Make efficient use of construction spend

5.2. BENEFITS

The six criteria below summarize the expected major benefits and outcomes of partnered framework arrangements and the comments against them in this section relate to the actual performance of this framework to date, together with any other issues worthy of comment.

5.2.1. SAVINGS ON TENDERING/ PROCUREMENT COSTS

The process of agreeing on a Target Cost for individual projects with the Constructor Partners helps in achieving savings in the pre start on site stage by avoiding the need to go through a traditional tender process. Agreeing early on succinct cost plans with the Constructor partners is how they play their part in achieving these savings. Reviewing projects has allowed a cost competition to be established which enables the client to produce an informed budget. This allows the project team to be more certain in moving the scheme forward with a more robust cost plan.

In the context of this case study the framework was also able to show 6% savings in cost on a newly built primary schools compared with sector average. Applying this 6% to the cumulative £63m value of work in this framework, it shows an aggregated saving of £3.8m, which is more than half of the cost of a new primary school.

5.2.2. TIME SAVINGS ON PROGRAM

The adopted processes are achieving savings in time in terms of the avoidance of traditional tendering methods. The works on site have been started earlier with the net effect of the client being able to occupy buildings earlier than expected. Again it is the close working relationship with the Constructor Partners that provides these benefits. This could reflect a saving in time at this stage in the region of 10% - 15%. When this factor is related to a school operational timetable it equates to a project being completed between half a term and a full term earlier.

This sometimes has to be countered by the need to consult further with the end user often requiring several project team meetings during the concept and detailed design stages. The positive outcome is that the project team can reach a consensus on agreed solutions and deliver key outcomes set out in the brief.

5.2.3. LESSON LEARNED AND ROLLED FORWARD WITHIN THE DELIVERY TEAM

The processes of adopting a partnering ethos to carry out construction provide the opportunity to share information among all partners and consequently develop the lessons learnt to benefit future projects. A number of Special Interest Groups (SIGs) have provided a vehicle for the sharing of knowledge between the partners gained from previous projects within and beyond the framework. The most recently formed SIG is the Site Manager's group, where site managers from all three constructor partners get together with Capital Program Division project managers to share their experiences, challenges, and solutions much to the benefit of future projects. This is an 'added value' output that could only be achieved through collaborative and partnered working. Another benefit of this SIG is that, via the site managers, the ethos and culture of collaborative-partnered working can be better communicated down to site-based operatives.

In addition a Quality Management Group led by the Framework Manager including representatives from each partner, has been established to ensure quality assurance across the framework. The Group meets on a regular basis and conducts workshops at key stages of the project, validating design and installation.

5.2.4. PERFORMANCE MANAGEMENT

The Performance Management process on this framework has now reached a position of maturity. Having initially set up the KPI system, engaged people into the scoring process and then, beyond that, into the right ethos of 'positive analysis and assessment' of the scores, the partners now look pro-actively at the 'issues behind the numbers' and then act together in correcting the negatives and applauding the positives. Overall, the average performance of the framework has moved to 'good' from last year's 'high end of satisfactory / bordering on good'.

5.2.5. FEWER DELAYS

The results experienced from the performance of the Framework have indicated that there are fewer delays throughout the life of a project. As reported above and as a result of collaborative working, delays happen only in exceptional circumstances.

5.2.6. ADDED VALUE

The Framework is certainly allowing the Partners to work in a more collaborative atmosphere with a better understanding and a more focused aim to achieve the end goal, i.e. a project delivered on time, within budget, to the quality required, and additionally the scope for achieving continuous improvement and added value. Increased non-cashable benefits are also being evidenced, e.g. involvement with pupils and staff during 'design festivals'. Building cross-section of partners, these festivals allow pupils to engage in a range of activities that positively contribute to the 'Every Child Matters' agenda.

6.0. SUMMARY

This framework concluded the end of its initial three year contract period at the end of December 2006, but following an evaluation exercise, a recommendation to extend the framework contract with all three partners for the optional additional two year period was subsequently approved by the council's treasurer. The following are the real benefits achieved through the Framework Agreement mentioned in the above case study:

- Costs normally incurred in processing documentation through a traditional tendering route are reduced by working closely with the partners during the pre start on site stage.
  Benefit: Cost savings at this stage have been as high as 1% - 2% of overall project value. Per £1million of capital works equates to a saving of £10K-£20K

- Partners work together to develop an achievable project cost model. This process ensures that the protracted tendering process is no longer necessary and the project can begin earlier
  Benefit: Time savings of up to 15% have been achieved on projects through this method of working

- Collaborative team working is a very positive formula in ensuring that delays are now an exception rather than rule. Discussing issues and agreeing on actions in an open book environment ensures greater certainty of outcome.
  Benefit: To date all the jobs under Education Framework have been completed on time and within the budget.

The paper introduced the concept of Framework Agreements currently used by some public sector clients in the UK for acquiring services from contractors, subcontractors and suppliers on a long term basis. The paper also presented the benefits of adoption of Framework Agreements especially by the public sector clients. The concept of Aggregation of demand and supply used within the development of Framework Agreements was also introduced. Towards the end of the paper, an example of a Framework Agreement established within the North West was presented as a case study to reflect on the positive benefits achieved by the Framework Agreements in terms of delivering 'best value' services that meet the demands of local residents and also needs the standards set by nationally recognized benchmarks i.e. Gershon, 'Constructing Excellence' and the National and Council's Procurement Strategy.

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Appendix 1

Aggregation of demand enables Frame working

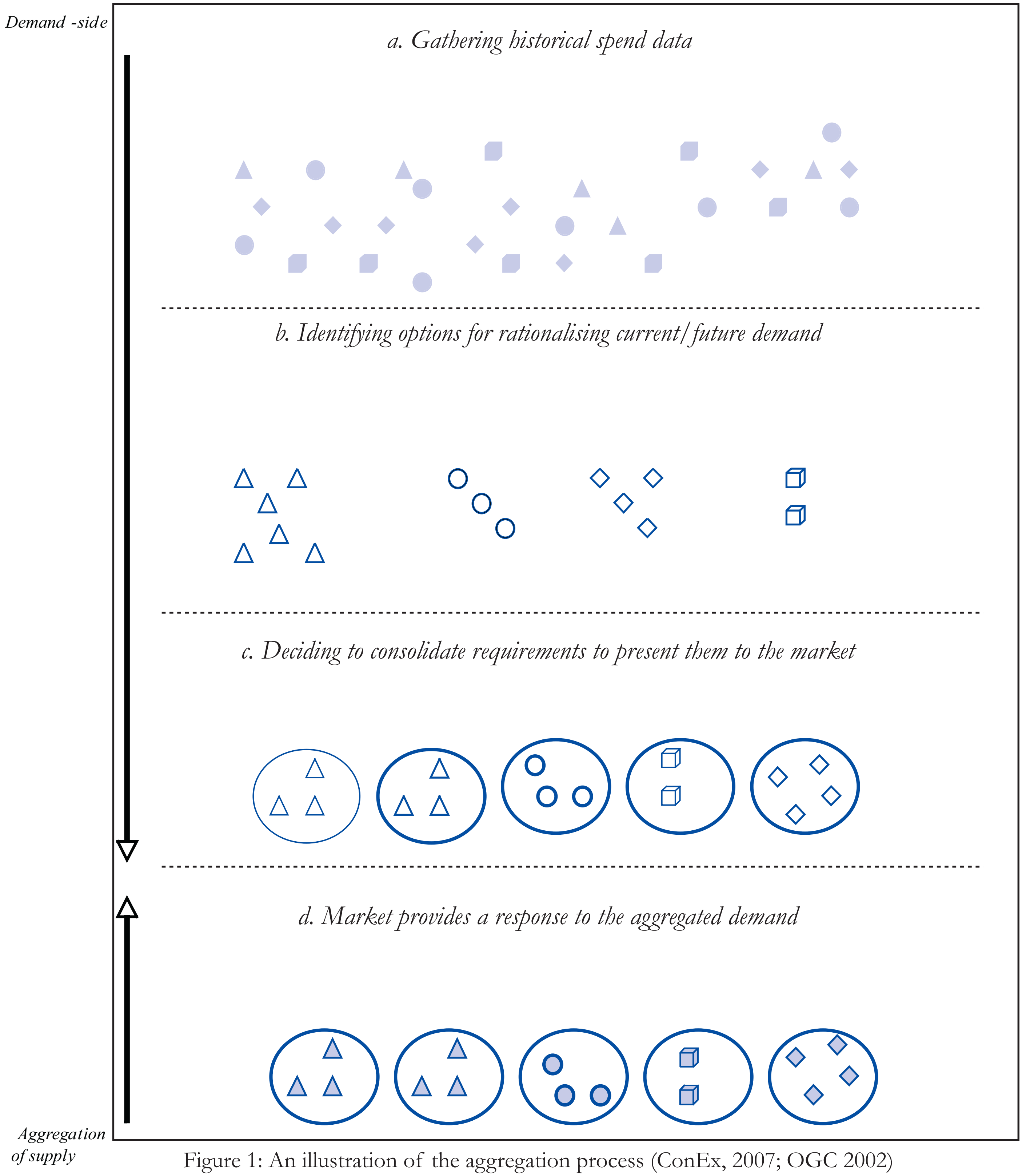

Figure 1: An illustration of the aggregation process (ConEx, 2007; OGC 2002)

Case Study

TATA-CORUS DEAL: CHALLENGES TO FINANCING

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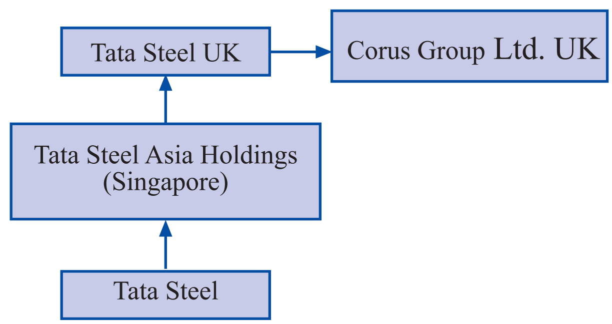
INTRODUCTION

The first two quarters of the fiscal year 2007-8 had been the most challenging quarters for Tata Steel. After over a year of preparation and a sleepless night of bidding for Corus for making Tata Steel from the fifty-sixth to the fifth-largest steelmaker in the world, the company on January 31, 2007, had won the bid. It had offered a hefty 608 pence per share to outbid its rival CSN by a fair margin. The CFO of the company Koushik Chatterjee now had the target to complete the acquisition of Corus Group Limited through its wholly owned subsidiaries, Tata Steel Asia Holding Pvt Ltd and Tata Steel U.K.

The all cash value of the deal on the date of announcement was about $ 12.9 billion (Rs 53,850) crore). The company had decided that the acquisition would be funded by Tata Steel UK's (a 100% subsidiary of the company) debt of about $ 6.14 billion and equity contributions of $ 4.1 billion from Tata Steel India. A further $ 2.66 billion was to be raised overseas as bridge finance, or a short-term loan. The contribution from Tata Steel was put into Tata Steel's subsidiary, Tata Steel Asia Holdings (Singapore), which invested the money in Tata Steel UK, the investment vehicle for the Corus acquisition.



The basic objective of Chatterjee was to raise the required resourses in the most cost-effective manner for Tata Steel/ Tata Steel Asia Holdings Pvt Ltd., and well within the ability of the Tata Steel group to service the total investment. He also wanted that the company should remain in Investment Grade in the long-term and the funding strategy should be such that it focuses on EPS accretion.

It was not only the financing of the acquisition, which was a challenge before Chatterjee, but also the financial risks associated with high-cost debt, appreciating rupee and cooling down of metal prices. Adding to his worries a steep rise in mortgage rates and defaults in the US had led to an increase in volatility in the international financial system. This had affected the availability of funds for the company and there were chances that the pricing for refinancing would have been stiffer.

The bridge loan taken in the initial phase of acquisition was to be refinanced. Though liquidity was never a problem, but the cost of fund was much higher than expectations. The steel industry was on the upswing and the company had posted 28% rise in the first quarter net profit, yet sudden unforeseen developments could not be avoided. For instance, the cash value of the Corus deal had increased to $ 12.9 billion from the initial $12.1 billion due to an increase of $ 800 million in the working capital for the Anglo-Dutch steel maker. Including all the debts and extra costs, the acquisition was estimated at $ 13.7 billion (Rs 57,190 crore) by the end of July 2007.

ABOUT THE DEAL

History of the Acquirer: Tata Steel

Tata Steel formerly known as TISCO (Tata Iron and Steel Company Limited), is a steel company based on Jamshedpur, India. It was established by Indian Parsi businessman Jamshedji Tata in 1907 (he died in 1904 before the project was completed). In an industry infamous for its cyclic nature and a history of rise and fall of economies pivoted on steel, Tata Steel managed to adapt itself to every circumstances including challenges of rapid technological change, to retain its strategic dominance in the Indian market and to finally evolve into a multinational with aspirations for a global positioning.

Its main plant is located in Jamshedpur, Jharkhand, though with its recent acquisitions, the company has become a multinational with operations in various countries. In the year 2000, the company was recognized as the world's lowest-cost producer of steel. The company was also recognized as the world's best steel producer by World Steel Dynamics in 2005.

Financial Position

As per financial results given in Annexure II, the company's turnover in fiscal year 2006-07 was Rs. 19,763 crores (consolidated turnover was 27,437 crores). The company's operating profit (PBT) in the same year was Rs. 6,368 crores while its PAT was Rs. 4,222 crores.

For the quarter ended June 30,2007 Tata Steel posted a 29 per cent rise in net profit. The reasons were two fold: better realization in the average price of steel and currency valuation gains on foreign borrowings. Net profits rose from Rs. 953.41 crore in the June quarter last year to Rs. 1,222.11 crore in the current year. Average price realized on sale of steel improved roughly by Rs. 5,350 per tonne thereby generating additional revenue of a little over Rs 550 crore, which is more than the increase in net profits.

The company had gained Rs. 686.43 crore on account of unrealized exchange differences on foreign currency borrowing and a realized loss of Rs. 133.41 crore on foreign currency deposits, mainly in relation to the acquisition of Corus, giving to a net gain of Rs. 553.02 crore.

Total steel production for the quarter dropped marginally to 10,64,832 tonnes against 11,08,514 tonnes, sales were also down to 10,40,963 tonnes against 11,15,066 tonnes. The export turnover was lower at Rs. 362.01 crore against Rs. 456.94 crore.

The Acquired: Corus Group

Corus Group plc, normally referred to simply as Corus, is one of the world's largest producers of steel headquartered in London. It was formed from the merger of Dutch Hoogovens N.V with British Steel PIc on 6 October 1999. British Steel was in turn established in 1967 with the merger of 12 British national steel plants. However, ever since the inception of Corus, it was in the net of some or the other conflict or chaos.

There was no unanimity of the decision amongst the Dutch and the British. The year following the merger witnessed a loss of £ 1.152 billion. Then in 2003 when Philippe Varin took charge as CEO, the condition of the Company improved. Varin was instrumental in reducing the costs by £ 600 million as well as improving the share price from

40 pence to 390 pence when Tatas came.

Financial Position

Corus revenues for the year 2006 and 2005 were £ 9.73 billion and £ 9.15 billion, respectively. Its EBITDA margins were 10% for 2006 and 15% for 2005. That for the quarter ending March 2007 was 9.4%. The operating profit for 2006 was £ 0.45 billion a reduction of £ 0.19 billion compared with 2005 due to continuing high, or increasing, input costs which, were not wholly recovered in selling prices nor offset by manufacturing efficiencies. For Corus, the high operating cost had been the principal factor affecting its profitability and the reason for its low EBITDA (earning before interest, taxes, depreciation and amortisation) margin at about 9-10 per cent vis-a-vis 14 percent for its European peers.

The Strategic Mantra

Tata Corus deal was backed by several strategic reasons. Tata had plentiful supplies of raw material and ability to make semi-fished steel and Corus ideally located in a developed market, had the capacity to make high-end steel and had decent distribution capabilities. Equally, Corus product profile remained top drawer with construction, automotive and even steel used in the aerospace industry, in its portfolio.

For exam, Corus controlled 14 percent of the European auto market, something that Tatas loved to get their hands on. The essential strategy for Corus acquisition was to ship iron ore and low cost crude steel to Corus plants in Europe, which had proprietary technologies to turn this low cost steel into finished product, which could be sold at a hefty premium to some of the largest steel buyers in Europe. The acquisition provided the company technological edge in varied product range and wider geographical markets another strategy to hedge against price cyclicality.

Issues Related to Financing of the Deal

Financing this deal was the biggest fund-raising effort by any Indian company. The company planned for long term financing pattern for the net acquisition consideration for $ 12.9 billion from the following sources:

Equity capital from Tata Steel	$4.10 billion
Long-term debt from consortium of banks	$6.14 billion
Quasi-equity funding at Tata Steel Asia Singapore	$1.25 billion
Long-term capital funding at Tata Steel Asia Singapore	$1.41 billion
Total	**$12.90 billion**

Equity Capital from Tata Steel

By April 17, 2007 as part of Tata Steel's contribution, the company had already invested the following as part of its equity commitment:

- *International generation*-Rs 3,000 crore ($ 700 million).
- *External Commercial Borrowings*-Rs 2,170 crore ($ 500 million): The issue of $ 400 million was oversubscribed and the company exercised the Greenshoe Option of $ 100 million. The loan had a door –to door maturity of 7 years at a coupon of Libor plus 45 basis points.
- *Funds from the preferential issues of equity share to Tata Sons* - The issue comprising equity shares of the face value of Rs 56 crore at an average price of Rs 499.7 per share, which provided a total amount of Rs 2,770 crore ($ 640 million).

In this way the company had already raised $ 1.84 billion and planned for further funding through following sources:

- A rights issue of equity shares to the shareholders in the ratio of 1: 5 at a price of Rs 300 per share (of Rs 10 each), which would involve issue of equity shares of the face value of Rs 122 crore and would provide an amount of Rs 3655 crore ($ 862 million).
- A simultaneous but un-linked rights issue of convertible preference shares in the ratio of 1: 7

having a coupon rate of 2 per cent with conversion into equity shares after two years at a price in the range of Rs 500 to Rs 600 per share as may be determined at the time of the issue. This issue would provide a total amount of about Rs 4,350 crore (about $ 1000 million).

- Tata Sons would stand-by to take up the unsubscribed portion of both the above issues in fulfillment of its support to Tata Steel for the Corus acquisition.
- A foreign issue of an equity-related instrument up to an amount of $ 500 million (about Rs 2,100 crore, including the premium) in such form as may be considered appropriate.

By the end of July 2007, it was realized that cost of acquisition would increase by about $ 800 million in order to cover some extra costs and to take on the working capital of the Anglo-Dutch steel maker, the company decided to increase the contribution from Tata Steel /Tata Steel Asia Holdings Pte Ltd from U.S $ 6.7 billion to about U.S $7.4 billion. It was planned to cover the increase by increasing the amount of the Rights Issue of 2% Convertible Preference Shares (announced earlier) from Rs 4,350 crores up to about Rs 6,000 crores.

On August 7, as a part of the $ 7.4 billion infusion commitment, the company raised $ 725 million through the issue of foreign currency convertible alternative reference securities (CARS), which was oversubscribed by more than two times. The CARS issue included a green shoe option of $ 150 million, which was exercised by the company the next day. With the green shoe option, the total size of the Foreign Currency CARS increased from $ 725 million to $ 875 million. The CARS had an option to be either converted into qualifying securities in the form of depositary receipts with restricted rights of withdrawal representing underlying ordinary share with differential rights as to voting or ordinary shares at an initial conversion price of Rs 876.6225 per share. It carried one percent coupon and the effective YTM at 5.15 per cent. The outstanding CARS, if any, at maturity shall be redeemable at a premium of 23.3419 per cent of the principal amount. The company decide to make an application to list the CARS on an overseas stock exchange.

Long-term Debt from Consortium of Banks

The break-up of non-recourse debt financing arranged by a consortium of banks (led by Citibank, ABN Amro, Standard Chartered and other relationship banks) amounting to $ 7.1 billion directly at Tata Steel UK is as under:

- $ 3.26 billion five year amortization (including guarantees for interest on loan of 0.04 bn) term loan.
- $ 2.93 billion seven-year amortization (minimally amortized) term loan.
- $ 0.98 billion five year revolving credits facility.

On July 20, 2007, Fitch Ratings assigned Tata Steel U.K (BBB-' (BBB minus)/Stable, TSL) and the new intermediate holding company for the Corus Group Plc ('BB'/'B'/Stable; CS) with assets in the UK and Netherlands- a long- term Foreign Currency Issuer Default Rating (IDR) of 'BB' Fitch has also assigned a 'BB+' instrument rating to the $ 7.1 billion of senior secured bank facilities issued by Tata Steel UK. The Fitch Outlook on the Long-Term IDR was Stable.

The ratings reflected Tata Steel UK's strong market presence in the UK and European construction and automotive sectors, which is underpinned by its established distribution network. While Fitch did not expect that Tata Steel to supply Corus with either steel-making raw materials or semi-finished steel products from India over the next one to two years, the ratings took into account the strengthening of Corus's business profile by way of higher production capacity, efficiency/cost reduction measures, and a higher value-added production capacity , efficiency/cost reduction measures, and a higher value-added product mix. As per Fitch the expected strengthening of the group's business profile was, however, offset by a significance increase in post-acquisition debt levels with starting net leverage of around 3.2x based on Fitch estimates, with only gradual de-leveraging expected over the next two years of the transaction.

Key risks to the future performance of Tata Steel UK were considered as the potential cyclicality of steel prices, although Fitch expected these to remain at favorable levels over the next 12-18 months, together with further raw material price pressures (particularly in iron ore). While the new Tata Steel UK facilities are legally non-recourse to Tata Steel, Fitch recognized the strong management and strategic ties between Tata Steel and Corus, and had factored in a degree of parental support into Tata Steel UK's ratings.

Bridge Loan

The balance amount of $ 2.66 billion had been raised in the form of bridge finance in Tata Steel Asia Singapore, and discussions are under way to raise these funds through appropriate instruments.

INCREASE IN THE BORROWING COST

However, the scenario in the financial markets started changing in the first quarter of fiscal 2007. The entire calculation of the company to acquire Corus had been fuelled by cheap money because interest rates had been very low in recent years. In other words, the company was planning to take the benefit of an arbitrage between the credit markets and the market for corporate assets i.e to borrow from one to buy in another. But the ground now started shifting below the feet of the company, as borrowing costs in the credit markets started inching up. The contagion that started off in US sub prime mortgages (a note on the same is given Annexure I), or housing loans given to borrowers with poor credit histories, started spreading. US Fed chairman Ben Bernanke told the US Senate on 20 July that losses in this business could reach $ 100 billion, which is far more than anybody but the most rabid pessimists expected when the trouble started. Credit spreads started widening. They were up 27 % since June 1,2007.

How did this affect the company? Since the structure of the deal was unclear till is actually implemented, the company had to initially depend on short-term loans from banks – or bridge loans amounting to $ 2.66 billion. There loans had to be paid off, the moment long-term debt is raised from banks and the bond markets.

Alternative before the Company

In order to finance the bridge loans in the present scenario, the company has three alternatives:

High-yield Loan and Bond Issues

The company may decide to issue bonds or borrow from the syndicated loan market. Selling high yielding debt to investors had previously been among the easiest jobs in the capital market but now the company was likely to work much harder. Investment bankers testing the market to raise about $ 1.5 billion for seven-year period suggested that investors are demanding an interest rate of 214 basis points above Libor. Ravi Kapoor, who advises clients on international bond issuances at Citigroup Global Markets India Pvt Ltd, said it is a bad time for a company to raise money from the overseas markets. "Companies should delay any plans to raise money through overseas equity or bond issues. There is no certainty in this market. It is advisable to wait and watch till there is some stability in the market," he added. Raising a loan at such a spread would increase the Total Debt/EBITDA at a level higher than 3x. Therefore, the company might find this route of substituting bridge loan by loan term debt as challenging. On the other hand, many investment bankers were of the view that if we look at acquisition financing, the requirement of Indian corporate is very small compared with global corporations. According to them, though the subprime woes had made the credit markets jittery, there is enough headroom for Indian companies to raise such amount even now.

Short Term Debt / Commercial Paper

Fitch Ratings had assigned a National Long-term Issuer Rating of 'AAA (ind)' to Tata Steel Limited (TSL) in the first week of August. Simultaneously, it had also assigned a rating of 'F1+(ind)' to its Rs 5 billion Short Term Debt /Commercial Paper programme. The company may plan to refinance the bridge loan by a short-term debt for a period of 3-6 months till the time the bond market stabilizes. However, the short-term debt will meet the liquidity needs of the company in the immediate but then the interest rate of commercial papers varies between 7-12%. Therefore, the company may have to take a short-term approach to long term financing and later shift to long term debt.

Support from Tata Sons

The company may finally bank upon its parent company Tata Sons for providing debt/equity support. But Tata Sons has already committed to subscribe in full for its allocation of shares, and of any unsubscribed portions, in the proposed rights issues of equity and convertible preference shares by Tata Steel. However, the form of any further support, if required, is not certain and it may be noted that Tata Sons presents itself as an investment holding company and prefers its affiliate companies to operate independently. As a result, not only the likelihood of support but the form and timing of such may also be too uncertain.

Objectives of the Company

- To maintain debt-equity ratio at a level close to 1. The company aimed that consolidated debt-equity ratio should not exceed 1 after these issues. The current debt equity ratio is 0.3. Even if the ratio went beyond 1 for the time being, the company aimed at bringing it below 1 in the near future.

- To increase the equity capital in stages during the three financial years 2007-08 to 2009-10 thereby checking immediate dilution of equity and to reduce the burden of servicing in the times to come.

- To keep the post-tax cost of this total financing package on completion at a level of less than 5 percent per annum.

Issues for Debate and Discussion

- A takeover of a giant like Corus by a smaller company has its own implication for shareholders. When would the fruits, if any of such an act be visible and where would it leave the shareholders?

- Having looked at the various routes the company has taken to finance the buyout, one has to see if there are any other less costly sources of finance or other alternatives. Could the acquisition be financed through other sources e.g. ADRs/GDRs?

- Why did Tata Steel incorporate a subsidiary in UK to acquire Corus? Were there any financial or strategic benefits associated with it?

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Annexure 1

US SUB PRIME CRISIS

Since February 2007, panic started sweeping the sub prime mortgage sector of the US. It first came into notice when Britain's largest bank by market value, HSBC, fired the head of its North American operations after its bad-mortgage-related debt rose to $ 6.8 billions and decided to set aside a total of $ 10.5 billion to cover U.S bad home loans. The fear then intensified when New Century Financial, the second biggest sub prime lender is America, failed. Since then, 22 lenders had declared themselves bankrupt in short span of two months.

What exactly is this sub-prime crisis and why should it affect Leveraged Buyout Deals like Tata Corus?

Mortgage or housing loans offered by banks and housing finance companies are subject to capital adequacy norms, requiring them to back the risk in lending with adequate amount of capital. In order to pursuer more aggressive and riskier growth path, these banking companies start selling their loans through a process called securitization (a financing technique to pool together and repackage illiquid financial assets into marketable instruments). Legally, it involves sale of financial assets to a Special Purpose Vehicle (SPV), which repackages such assets into Pass Through Certificates (PTCs).

In order to make this pool of illiquid housing loans more marketable certain new attributes are added to them by offering credit enhancement – by providing that, say the first 5% of default in the pool will be paid for by the seller or by a third party offering credit insurance or through guarantees, cash collaterals or credit tranching. Such pools known as Collaterized Debt Obligations (CDOs) — are rated by credit rating agencies based on the past repayment history and the value of underlying collateral. In this way, the banks and mortgage companies enhance their return on equity without constantly raising capital by becoming originators of mortgage loans and selling down their assets at a profit to other investors—typically mutual funds, insurance companies, hedge funds, etc.

Typically the CDOs are divided into tranches ranging from investment grade — representing borrowers with a good credit history and loans with high security coverage — to less than investment grade, also called sub-prime CDOs and sold at varying yields to investors with different risk appetites. The sub-prime woes in the US are a result of the excesses in the system caused by pushing the balance between risk and return beyond prudent levels. Aggressive US banks were offering attractively priced mortgages to sub-prime borrowers in the hope that the boom in the real estate market will continue and the security cover will be more than adequate when repossession and sale becomes essential on loan default caused either by rising unemployment or firming interest rates.

The prospectus of being able to quickly sell these loans as CDOs at a profit prompted banks to lower lending standards. Once the real estate prices started correcting and interest rates firmed up, the holders had to mark-to-market the asset-backed securities incurring considerable losses and the credit enhancers/insurers who had taken leveraged bets while underwriting these risks had to suffer huge losses. Aggressive repossession of housing assets and subsequent sale in an already weak housing market caused a further slide in real estate prices thus jeopardizing the asset coverage of CDOs.

How serious can be the consequences of the sub-prime crisis for the leveraged buyouts like Tata Corus? Tata is expected to raise billions of dollars in these months to refinance the bridge loan of $ 2.66 billion through a mix of five year, seven year and seven-year revolving trench. In the present circumstances, raising a leveraged loan and high-yield bond financings has to be postponed or restructured, as investors have grown wary of riskier securities. The credit spreads have also widened and the pricing of the deal could go as high as 175-225 bps above Libor.

This is because banks and financial institutions are the main investors in the syndicated loan market and they are aware of companies' credit risks. In contrast, funds invest in the bond market and trade in corporate paper. So whenever there is a panic in the market, they react adversely. Accordingly, raising money in the high-yield junk bond market will also be difficult.

Annexure 2(i)

Profit and Loss Account Tata Steel Ltd.

Rs Crore (Non-Annualised)

	Mar. 2002	Mar. 2003	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007
Income						
Sales	8277.38	10516.72	12656.73	15870.77	17136.8	19772.13
Other income	84.23	64.09	134.6	159.52	261.95	484.29
Change in stocks	-11.38	15.03	80.31	289.55	104.91	82.47
Non-recurring income	68.02	99.24	182.46	277.98	163.96	189.82
Expenditure						
Raw materials, stores, etc.	2476.34	2984.9	3458.85	3641.75	3762.03	4645.06
Wages and salaries	1097.6	1217.72	1349.59	1291	1351.51	1454.83
Energy (power and fuel)	719.18	787.75	724.62	778.3	897.57	1027.84
Indirect taxes (excise, etc.)	929.56	1107.12	1261.38	1467.3	2060.48	2360.84
Advertising and marketing expenses	70.93	87.19	81.9	86.18	80.75	64.71
Distribution expenses	578.53	695.77	748.44	936.68	1004.32	1117.45
Others	1164.53	1623.74	1990.73	2311.34	2365.79	2654.41
Less: expenses capitalized	42.76	60.79	151.84	204.82	112.62	236.02
Non-recurring expenses	244.84	43.43	41.44	30.05	41.14	14.67
Profits/losses						
PBDIT	1179.5	2208.25	3548.99	6260.04	6215.93	7424.92
Financial charges (incl. lease rent)	403.15	362.52	256.96	211.28	175.7	251.87
PBDT	776.35	1845.73	3292.03	6048.76	6040.23	7173.05
Depreciation	524.75	570.94	625.11	618.78	733.96	804.72
PBT	251.6	1274.79	2666.92	5429.98	5306.27	6368.33
Tax provision	46.7	262.48	920.7	1955.82	1799.89	2146.18
PAT	204.9	1012.31	1746.22	3474.16	3506.38	4222.15
Appropriation of profits						
Dividends	149.39	333.01	416.25	821.37	820.43	1104.33
Retained earnings	55.51	679.3	1329.97	2652.79	2685.95	3117.82

Source: CMIE, Prowess

Annexure 2(ii)
Cost Analysis Tata Steel Ltd

Rs Crore

	Mar. 2002	Mar. 2003	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007
Costs as percent of gross sales						
Raw materials, stores, etc.	29.48	28.59	27.29	22.8	22	23.47
Raw materials	22.46	19.36	17.45	10.66	13.87	15.76
Stores and spares	4.79	4.86	3.78	3.91	4.31	5.43
Packaging expenses	0	0	0	0	0	0
Purchase of finished goods	2.23	4.36	6.06	8.22	3.83	2.28
Energy (power and fuel)	8.69	7.49	5.73	4.9	5.24	5.2
Wages and salaries	13.26	11.58	10.66	8.13	7.89	7.36
Plant and machinery repairs	4.88	439	4.41	4.01	3.64	2.97
Other operating expenses	4.37	4.33	5.08	5.15	5.04	5.08
Insurance premium	0.09	0.11	0.1	0.08	0.12	0.15
Indirect taxes	11.23	10.53	9.97	9.25	12.02	11. 94
Excise duties	10.87	10.19	9.63	8.68	11.7	11.65
Depreciation	6.34	5.43	4.94	3.9	4.28	4.07
Change in stock of finished goods	0.58.	-0.35	-0.59	-1.68	-0.66	-0.39
Selling and marketing expenses	0.86	0.83	0.65	0.54	0.47	0.33
Advertising	0	0	0	0	0	0
Marketing	0.86	0.83	0.65	0.54	0.47	0.33
Distribution expenses	6.99	6.62	5.91	5.9	5.86	5.65
Provision for doubtful/bad debts	0.49	0.88	0.7	0.08	0.04	0.06
Other repairs	0.15	0.14	0.15	0.23	0.32	0.21
Amortization	0	2.2	1.82	0.75	0.31	0.77
Miscellaneous expenses	4.17	3.51	3.57	4.35	4.46	4.34
Less expenses capitalized	0.52	0.58	1.2	1.29	0.66	1.19
Financial charges	4.87	3.45	2.03	1.33	1.03	1.27
Interest	4.87	3.27	1.91	1.26	1.02	1.27
Other financial charges	0	0	0	0	0	0
Lease rent	0	0.18	0.12	0.07	0.01	0
Tax provision	0.56	2.5	7.27	12.32	10.5	10.85
PAT (NOI, NNRT)	0.85	8.49	11.62	19.32	18.22	18.02
Gross sales	100	100	100	100	100	100
Gross sales (Rs Crore)	8277.38	10516.72	12656.73	15870.77	17136.08	19772.13

Annexure 2(iii)
Foreign Exchange Transactions Tata Steel

Rs Crore (Non-Annualized)

	Mar. 2002	Mar. 2003	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007
Foreign exchange earnings	599.61	1332.15	1501.31	2189.89	2110.19	2103.89
Export of goods (FOB)	580.75	1313.23	1496.56	2183.79	2051.2	1957.76
Services rendered	2.74	0	0	0	0	0
Dividend received	2.16	0	0.23	0	0	0
Interest received	4.47	13.35	0	0	16.08	58.2
Other forex earnings	9.49	5.57	4.52	6.1	42.91	87.93
Foreign exchange spending	806.75	798.2	981.91	1700.73	2060.8	2767.73
Raw materials (CIF)	478.38	514	570.36	878.12	1226.82	1592.25
Stores and spares (CIF)	110.35	121.51	139.11	231.98	216.96	290.81
Finished goods (CIF)	5.99	21.45	57.78	117.74	122.09	24.04
Capital goods (CIF)	80.69	32.93	38.81	294.79	181.43	295.05
Royalties and tech. Knowhow Fees	42.82	26.88	101.71	81.53	94.07	123.55
Interest remittances	61.61	45.81	36.95	27.21	26.21	82.23
Dividends	9.25	12.53	12.44	34.66	106.82	160.37
Travel	0	0	0	0	0	0
Others	17.66	23.09	24.75	34.7	86.4	199.43
Net foreign exchange Earned	-207.14	533.95	519.4	489.16	49.39	-663.84
Sales (net of internal transfers)	7598.36	9792.91	11921.57	15870.77	17136.08	19772.13
Raw material purchases	1928.2	2064.91	2243.97	2026.02	2472.14	3134.44
Purchase of fixed assets	534.95	451.23	960.33	1978.36	1527.58	2007.68
Exports as % of sales	7.89	13.6	12.59	13.8	12.31	10.64
Raw material import as% of raw material Purchases	24.81	24.89	25.42	43.34	49.63	50.8
Imported capital goods as % of purchase of fixed assets	15.08	7.3	4.04	14.9	11.88	14.7
Growth (%)						
Sales	5.54	28.88	21.74	33.13	7.97	15.38
Exports	-20.13	122.17	12.7	45.87	-3.64	-0.3
Raw materials purchases	61.66	5.01	6.97	-2.16	23.71	29.26
Imported raw materials and Stores	9.26	7.95	11.64	56.4 7	30.06	30.43

Source: CMIE, Prowess

Annexure 2(iv)
Liabilities Tata Steel Ltd

Rr Crore {Non-Annualisedl

	Mar. 2002	Mar. 2003	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007
Net worth	4435.46	. 3186.02	4515.86	7059.92	9755.3	13949.09
Authorised capital	440	440	440	600	660	. 1750
Issued equity capital	368.37	368.37	369.58	554.07	554.07	581.07
Paid-up equity capital	367.97	369.18	369.18	553.67	553.67	580.67
Preference capital	0	0	0	0	0	0
Bonus equity capital	81.35	81.35	81.35	. 265.83	257.93	257.93
Reserves and surplus	4067.49	2816.84	4146.68	6506.25	9201.63	13368.42
Free reserves	2176.32	2016.14	3346.11	5716.93	8402.88	12580.26
Share premium reserves	1763.4	1019.75	1019.75	835.26	835.26	2201.46
Other free reserves	412.92	996.39	2326.36	4881.67	7567.62	10378.8
Specific reserves	1891.17	800.16	800.57	789.32	798.75	788.16
Borrowings	4708.86	4225.4	3382.12	2739.68	2516.15	9645.33
Bank borrowings	441.33	219.54	141.52	212.02	119.96	442.26
Short term bank borrowings	441.33	179.54	141.36	125.39	56.49	442.26
Long term bank borrowings	0	40	0.16	86.63	63.47	0
Financial institutions	961.74	873.26	608.8	208.47	0	0
Govt./Sales tax deferral borrowings	1444.54	1525.5	1460.88	1501.25	1609.27	1650.26
Debentures/Bonds	1268.33	1080	815	550	462.5	175
Fixed deposits	107.33	114.42	101.58	55.3	33.41	20.98
Foreign borrowings	371.99	388.52	235.16	196.23	278.07	7347.62
Borrowings from corporate bodies	14	2	18.71	15.68	12.36	8.69
Commercial paper	99.6	0	0	0	0	0
Other borrowings	0	22.16	0.47	0.73	'0.58	0.52
Secured borrowings	4058.18	3667.63	3010.16	2468.18	2191.74	3758.92
Unsecured borrowings	650.89	557.98	372.05	271.52	324.41	5886.41
Current portion of long term debt	407.55	114.56	95.87	152.45	474.2	381.59
Total foreign currency borrowings	1160.2	1129.09	743.27	0	0	0
Deferred tax liabilities	1624.13	1676.74	1690.56	1607.41	1716.4	1718.96

	Mar. 2002	Mar. 2003	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007
Curent liabilities and provisions	2041.19	4173.38	4345.38	5288.6	5269.51	6782.33
Current liabilities	1647.82	1881.02	2163.79	2640.04	2835.99	3670.26
Sundry creditors	1491.7	1694.49	1937.86	2325.17	2534.03	3145.99
Interest accrued/due	48.13	46.04	43.8	30.15	24.29	47.11
Creditors for capital goods	0	0	0	0	0	0
Other current liabilities	107.99	140.49	182.13	284.7	277 .67	477.16
Share application money	0	0.03	0.01	0	0.01	147.07
Advance against WIP	0	0	0	0	0	0
Provisions	393.37	2292.36	2181.59	2648.56	2433.52	3112.07
Tax provision	174.84	476.16	131.38	283.88	250.04	448.681
Dividend provision	147.11	295.19	368.98	719.51	719.51	943.91
Dividend tax provision	0	0	0	0	0	0
Other provisions	71.42	1521.01	. 1681.23	1645.17	1463.97	1719.48
Total liabilities	12809.64	13261.54	13933.92	16695.61	19257.36	32095.71
Contingent liabilities						
Bills discounted	80.86	90.57	176.82	383.35	390.75	383.99
Disputed taxes	0	0	701.12	0	392.84	563.11
Letters of credit	0	0	0	0	0	0
Total guarantees	134.54	164.54	164.39	351.79	177.66	2869.7
Future lease rent payable	49.78	33.2	12.17	4.23	2.7	1.93
Liabilities on capital account	198.48	264.62	1106.83	1100.96	1963.34	2308.71

Source: CMIE, Prowess

Annexure 2(v)

Assets Tata Steel Ltd.

Rs Crore (Non-Annua/ised.)

	Mar. 2002	Mar. 2003	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007
Gross fixed assets	11742.44	12393.79	13269.47	14918.72	16427.44	18362
Land and building	976.65	998.83	1023.9	1099.48	1431.24	1611.88
Plant and machinery	10195.73	10923.64	11202.27	11673.64	13531.96	13943.32
Other fixed assets	239.91	270.24	279.66	367.13	400.7	409.77
Capital WIP	330.15	201.08	763.64	1872.66	1157.73	2497.44
Less: cumulative depreciation	4198.74	4849.99	5411.62	5823.88	6577.63	7351.04
Net fixed assets	7543.7	7543.8	7857.85	9094.84	9849.81	11010.96
Revalued assets	0	0.54	0	0	0	0
Investments	912.74	1201.56	2201.42	2463.25	4069.96	6106.18
In group/associate cos.	723.14	794.2	813.7	1389.7	2886.64	3967.44
In mutual funds	201.75	393.5	1384.14	1034.03	1143.11	2111.55
Other investments	-12.1 5	13.86	3.58	39.52	40.21	27.19
Marketable investment	427.62	866.31	1867.48	1786.85	2339.53	3996.29
In group/associate cos.	417.96	475.15	474.18	743.66	420.74	1187.26
Quoted investment	427.62	432.8	315.69	312.9	312.9	312.72
Market value of quoted investment	401.23	789.3	2031.69	1952.43	3807.22	2979.19
Deferred tax assets	233.78	836.52	850.6	777.99	759.4	970.02
Inventories	1021.59	1152.95	1249.08	1872.4	2174.75	2332.98
Raw materials and stores	556.15	581.52	618.99	952.76	1150.2	1225.96
Raw materials	212.15	262.3	292.82	603.7	707.54	720.52
Stores and spares	344	319.22	326.17	349.06	442.66	505.44

	Mar. 2002	Mar. 2003	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007
Finished and semi-finished Goods	465.44	571.43	630.09	919.64	1024.55	1107.02
Finished goods	429.19	556.78	620.81	887.22	1000.62	1078.08
Semi-finished goods	36.25	14.65	9.28	32.42	23.93	28.94
Receivables	1888.39	2153.59	1368.26	2008.19	1846.54	3762.09
Sundry debtors	1073.66	958.47	651.3	581.82	539.4	631.63
Debtors exceeding six months	186.93	124.55	39.57	33.65	49.55	27.49
Accrued income	0.1	2.89	0.2	0.2	0.2	0.2
Advances/loans to corporate bodies	75.44	163.93	136.51	692.06	323.72	378.58
Group/ Associate cos.	0.76	107.72	134.51	690.06	321.72	376.58
Other cos.	74.68	56.21	2	2	2	2
Deposits with Govt./ Agencies	94.79	164.54	187.42	299.71	337.83	308.15
Advance payment of tax	187.67	425.66	39.83	44.02	75.02	70.85
Other receivables	456.73	438.1	353	390.38	570.37	2372.68
Cash and bank balance	220.45	373.12	250.74	246.72	. 288.39.	7681.35
Cash in hand	158.54	172.75	156.09	149.63	149.64	194.34
Bank balance	61.91	200.37	94.65	97.09	138.75	7487.01
Intangible/DRE not Written Off	988.99	0	155.97	232.22	268.51	232.13
Intangible assets (goodwill, etc)	0	0	0	17.4	15.24	29.6
DRE not written off	988.99	0	155.97	214.82	253.27	202.53
VRS expenses not written off	988.99	0	155.97	214.82	253.27	202.53
Total assets	12809.64	13261.54	13933.92	16695.61	19257.36	32095.71

Source: CMIE, Prowess

Annexure 2 (vi)

Interim Results Tata Steel Ltd

Rs Crore (Non-Annualized)

	Quarter Mar 2007	Quarter June 2007	Half Year Sep 2006	Half Year Mar 2007	Annual Mar 2006	Annual Mar 2007
Income	5098.72	5030.13	8389.01	9649.19	15470.26	18038.2
Net Sales	4980.44	4197.58	8101.6	9450.42	15215.5	17552.02
Other Income	79.77	832.55	255.16	178.51	254.76	433.67
Non-recurring income	38.51	0	32.25	20.26	0	52.51
Deferred tax credits	38.51	0	32.25	20.26	0	52.51
Export income	480.42	0	1002.89	955.02	2051.2	1957.91
Expenditure	3155.55	2836.4	4910.43	5872.93	9330.69	10783.39
Raw material/Trdg. goods	971.17	829.5	1658.41	1913.65	3024.38	3572.06
Raw material stores and spares	860.71	743.48	1429.26	1692.2	2368.3	3121.46
Purchase of finished goods	110.46	86.02	229.15	221.45	656.08	450.6
Change in stock	65.41	-77.09	-68.86	-13.61	-104.91	-82.47
Personnel cost	429.66	376.59	666.11	790.72	1351.51	1456.83
Power and fuel	241.53	232.78	454.09	467.6	819.17	921.69
Freight/Distribution expenses	298.68	246.14	533.16	584.29	1004.32	1117.45
Other expenses	1070.46	890.49	1572.57	2020.62	3183.45	3593.19
Non-recurring expenses	78.64	337.99	94.95	52.77	204.61	
Other extraordinary expenses	0	283.41	0	0	0	0
Profits/Losses						
PBDIT	1943.17	2193.73	3478.58	3776.26	6139.57	7254.84
Interest	44.81	79.99	77.06	96.84	124.51	173.9
PBDT	1898.36	2113.74	3401.52	3679.42	6015.06	7080.94
Depreciation	229.36	211.24	390.87	428.42	775.1	819.29
PBT	1669	1902.5	3010.65	3251	5239.96	6261.65
Total tax provisions	565.5	680.39	955.75	1083.75	1733.58	2039.5
Corporate tax/Direct taxes	601.01	513.81	978	1098.01	1579	2076.01
Fringe benefit tax	3	4.5	10	6	27	16
Deferred tax	0	162.08	0	0	127.58	0

	Quarter Mar 2007	Quarter June 2007	Half Year Sep 2006	Half Year Mar 2007	Annual Mar 2006	Annual Mar 2007
PAT	1103.5	1222.11	2054.9	2167.25	3506.38	4222.15
YOY Growth (%)						
Net sales	21.46	7.65	9.23	21.18	4.94	15.36
Total expenses	12.8	21.39	15.93	15.27	8.71	15.57
PBDIT	38.61	33.7	4.45	34.42	0.6	18.17
Interest	130.03	173.1	18.81	62.35	-33.35	39.67
PBDT	37.32	31.17	4.17	33.82	1.67	17.72
Depreciation	18.67	8.25	12.92	-0.12	25.26	5.7
PBT	40.35	34.32	3.13	40.09	-1.08	19.5
PAT	40.91	28.18	4.33	41.02	0.93	20.41
PO P growth (%)						
Net sales	11.42	-15.72	3.89	16.65		
Total expenses	15.35	-10.11	-3.62	19.6		
PBDIT	6.01	12.89	23.83	8.56		
Interest	-13.88	78.51	29.19	25.67		
PBDT	6.59	11.35	23.71	8.17		
Depreciation	15.22	-7.9	-8.88	9.61		
PBT	5.5	13.99	29.74	7.98		
PAT	3.74	10.75	33.71	5.47		
Profitability (%)						
PBDIT /Sales	39.02	52.26	42.94	39.96	40.35	41.33
PBDT /Sales	38.12	50.36	41.99	38.93	39.53	40.34
PBDT /Sales	34.41	47.23	38.11	35.43	35.26	36.67
PBT/Sales	33.51	45.32	37.16	34.4	34.44	35.67
PAT/Sales	22.16	29.11	25.36	22.93	23.04	24.06
Capital	580.67	609.17	580.67	580.67	553.67	580.67
Reserves	0	0	0	0	9201.63	13368.42
Earnings per share (basic)	19.01	20.23	36.41	0	63.35	73.76
Earnings per share (diluted)	19.01	20.23	36.41	0	63.35	73.76

Source: CMIE, Prowess

Annexure 3

Balance Sheet of Corus Group Ltd

Group performance in the period Summary

*** From continuing operation, unless stated	2006	2005	2004
Revenue and deliveries			
Turnover:			
UK	2,780	2,653	2,544
Rest of Europe	5,100	4,801	4,365
Rest of World	1,853	1,701	1,464
	9,733	9,155	8,873
External Deliveries (rnt):			
Steel	20.9	19.8	20.9
Aluminum	0.2	0.1	0.1
	21.1	19.9	21.0
Earnings			
Operation profit before restructuring and impairment costs and profit on disposals	449	673	585
Restructuring and impairment costs charged against operating costs	(35)	(60)	(46)
Profit on disposal credited against operating costs	43	30	78
Operating profit	457	643	617
Net finance costs	(168)	(96)	(111)
Share of post tax results of joint ventures and associates	24	1	21
Taxation	(119)	(116)	(119)
Profit from discounted operations	35		3193
Profit after taxation from all operations	229	451	441

Source: Corus 2006, Reports and Accounts

MULTIPLE VOICES: AN INTRODUCTION TO BILINGUALISM

Reviewed by **Wajdan Raza**
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Bilingualism, the fastest growing subject in linguistics, is the most happening phenomenon in South Asia in general and in India and Pakistan in particular. This reading not only helps us understand why Urdu language, which is spoken by majority of Karachiites as native language, has pushed its boundaries as national language of Pakistan across the country by endangering over 300 regional languages or dialects but also reminds us why these languages need immediate protection from language attrition or language death. From a Pakistani point of view, Multiple Voices is worth-reading for those interested in understanding the rich linguistic tapestry of Pakistan. It educates us as to how and why bilingualism or multilingualism is deeply entrenched in our communities and to make language policies for the welfare of nations.

Multiple Voices: An Introduction to Bilingualism is written by Carol Myers-Scotton, who has contributed to the study of bilingualism over a long period of time. With a sociopolitical focus, this easy-to-understand book consisting of 449 pages provides detailed discussions of the grammatical and cognitive aspects of bilingualism. Owing to its coverage of multiple perspectives on bilingualism, the book is expected to serve students of linguistics and scholars in a variety of disciplines. Carol proposes it as a textbook for upper-level undergraduates or beginning-level Master's degree students (p. x).

Chapter one introduces terms and concepts, which are used for the passionately discussed phenomenon of bilingualism in the chapters to follow. The author also addresses questions that are likely to interest the reader. She argues that the study of bilingualism is warranted because it investigates the competence of humans, i.e. their "genetic potential" (p. 12), to become bilingual and the human experience of living with two or more languages.

In chapter two, she begins by answering some basic questions about what language is and how it is perceived. In the course of answering these questions, the author discusses mutual intelligibility and sociopolitical factor as criteria generally used to identify two languages as the same or different and cites a lot of actual examples from all over the world to illustrate her discussion. She also exemplifies the role of religion in the creation of two languages in South Asia: Urdu and Hindi. The rest of the chapter examines various questions about dialects, including how standard dialects are identified, how the term dialect is understood and used, how dialects differ from one another, and how regional and social dialects are identified.

The next chapter identifies social factors that motivate bilingualism and highlights various considerations that go into assessing a speaker's proficiency in bilingualism. The author defines bilingualism as "the ability to use two or more languages sufficiently to carry on a limited casual conversation" (p. 44) and identifies and explains two sets of conditions under which bilingualism is promoted, namely close proximity and displacement conditions.

In chapter four, three models of community organization are discussed, which the author uses to explain various contexts of multiculturalism in which speakers either maintain their L1 or shift to L2. In the context of horizontal multiculturalism, in which speakers are generally monolingual and "live in their own geographic spaces" (p. 71), they are likely to keep their L1 and even "resist bilingualism" (p. 72). On the other hand, in communities with vertical multiculturalism, in which people come in contact with speakers of other languages, they are likely to shift to L2 or become "very proficient" in it if it is the "urban lingua franca" (p. 72) In communities that are organized in terms of social networks, horizontal multilingualism is a possible outcome if people have "strong ties within their home network" (p. 73). In networks with weak ties, people tend to learn L2 in order to connect with L2 speakers. Similarly, in communities where ethnolinguistic vitality is high, speakers are likely to maintain their L1. In the rest of the chapter, the author discusses in detail the notion of diglossia, the domains in which the languages of a bilingual community are distributed, actual cases of language maintenance and shift all around the world, language shift by young speakers to a dominant language, and the separation of cultural maintenance and language maintenance.

The next chapter, which may be pertinent to the divisions of India and Pakistan, discusses how ideologies and attitudes are relevant to the decisions that individuals and nation states make about whether they want to be bilingual or monolingual. While both attitudes and language ideologies are viewed as "assessments" that are held unconsciously, the latter are generally constructed and are more likely to be brought to consciousness because of their reference to group interests. In her discussion of the link that language attitudes and language ideologies have with nationalities, the author views language as "an important part of the collective awareness of a group" (p. 111). Because of its status as a visible language and its instrumental basis, language users as well as nation states can "mobilize to protect or advance their language" (p. 112). The author explains that the existence of a separate language does not necessarily mean that it will be used to claim a separate nation state.

Chapter six is on the social motivations for language use in interpersonal interactions. The fundamental claim supported in this chapter is that by using a certain linguistic variety, speakers indicate "both their view of themselves and their relationships with other participants in the conversation" (p. 143). The author talks about the indexical nature of linguistic choices that speakers make and explains that such choices are pragmatically significant since they are based on "the social and psychological features or attributes" (p. 149) that are associated with the language speakers choose to speak. The author also points out that the social meaning of linguistic choices that speakers make generally comes from the situation of language use. In the next three sections of this chapter, the author discusses various findings from studies associated with the Matched Guise Test, the Accommodation Theory, and the Markedness Model to show that speakers communicate social meanings when they switch from one dialect or language to another. The author concludes by contrasting the Accommodation Theory and Markedness Model with Conversation Analysis. While the first two use a deductive method of analysis, the third uses an inductive one. Analysts who work within the first two frameworks bring to their analyses speaker motives and intentions whereas those who work within the third framework reject them. The author raises the question of how Conversation Analysts "view cognitive resources" (p. 174).

Chapter seven deals with the issue of how cultural differences affect intercultural communication in bilingual and multilingual contexts. The author discusses with real examples from studies of Asian and African cultures that classify societies on the basis of whether they are predominantly individualistic or collectivistic, whether they are high- or low-context cultures, and whether people form relationships of equality or structure hierarchy. Collectivistic and high-context cultures both favor indirectness in speech as a way to maintain harmony whereas individualistic and low-context cultures favor directness in speech as it allows individuals to express their opinions. Cultures are also classified in terms of how much equality or hierarchy individuals emphasize in their relationships. Culturally induced language behavior also involves politeness, which is conceptualized differently in different cultures. To show how culturally defined politeness affects one's language behavior, the author explains how requests are made differently in Western and non-Western cultures. The author also discusses how the power differential is differently viewed and used in language and how cross-cultural conflicts are managed in different cultural groups.

Chapter eight focuses on lexical borrowing in bilingual contexts. The author defines lexical borrowing as "incorporating words from one language (the donor language) in another (the recipient language)" (p. 211) and talks about two categories of borrowings, namely cultural and core. When a language borrows words for objects and concepts that do not exist in it, such words are viewed as cultural borrowings. Core borrowings take place when a language borrows words whose equivalents already exist in the language. The author identifies and explains three types of indirect borrowings: calques (loan translation), loanshifts (borrowed words that are given a different meaning in the recipient language), and loanblends (words that are created by blending words from the donor and recipient languages). The author then discusses the phonological and morphological integration of borrowed words into the recipient language and various hypotheses of why nouns are the most frequently borrowed category. Finally, the author makes the point that borrowed words are "evidence of earlier cultural contacts" (p. 230).

Chapter nine addresses the question of what happens to grammars in bilingual contacts. After defining and illustrating several technical terms, the author discusses codeswitching. She defines codeswitching as "the use of two languages in the same conversation" (p. 239). The author then introduces the Matrix Language Frame (MLF) as a model for classic codeswitching, a bilingual phenomenon which involves "elements from two (or more) language varieties in the same clause, but only one of the varieties is the source of the morphosyntactic frame for the clause" (p. 241). Classic codeswitching is contrasted with composite codeswitching, a bilingual phenomenon "in which even though most of the morphosyntactic structure comes from one of the participating languages, the other language contributes some of the abstract structure underlying surface forms of the clause" (p. 242). Crucial to the MLF model is the distinction between content morphemes and system morphemes. Content morphemes are words that assign thematic roles; verbs and nouns are identified as "prototypical content morphemes" (p. 245). System morphemes are words that do not assign thematic roles; prototypical system morphemes are "all affixes and function words that stand alone (e.g. determiners and clitics)" (p. 245). It also discusses about two groups of researchers wanting to investigate bilingualism.

Chapter ten surveys bilingualism from the psycholinguistic perspective. Carol points out that, while the question of "how the bilingual's languages are organized in the mind" (p. 197) remains unsettled, the more current position holds that "bilinguals have two distinct memories and semantic systems" (p. 297). On the theme of bilingual activation, she states that, while in the past it was viewed that a bilingual's languages were not activated simultaneously, a generally agreed-upon view now is that both languages are always activated to varying degrees. The author also points out that findings from lexical decision tasks suggest that bilinguals have simultaneous, rather than selective, access to their languages. The author discusses how various models of language production vary in their answer to the question, "At what level is the phonological form of a word... in place?" She finally discusses the effects of aphasia on bilinguals and the patterns of language recovery.

Chapter eleven begins by addressing two questions about "the relation between childhood language acquisition and later L2 acquisition" (p. 324). The author views as normal those bilinguals who learn to speak two or more languages when they are young because children are genetically predisposed to "acquire human languages" (p. 325). She supports the argument that humans are equipped with an innate ability to acquire language by alluding to the evidence that shows that "children all over the world go through similar stages when they acquire the grammatical systems of their specific languages" and that both monolinguals and young bilinguals "go through similar stages of acquisition" (p. 326). The author states that "actual exposure to a language in use" (p. 326) is necessary for children to acquire the language and that bilinguals may face a different socio-cultural context of language acquisition from that faced by monolinguals. The author also discusses the questions of whether being an early bilingual is an advantage or a disadvantage and whether early acquisition affects some systems the most.

Chapter twelve is on language policy and globalization. In the introductory section, the author discusses the rise of the nation state and the problems resulting from fixing national borders. She also addresses the question of who plans language policies and discusses the problems faced by language planners. The author identifies four main sociopolitical developments today that relate to language policy: immigration, education for immigrants and indigenous minorities, the rise of English as an international lingua franca, and the formation of the European Union. She points out that the issues of language rights and endangered languages come up within the context of these four sociopolitical developments. In the succeeding sections, she discusses status planning, corpus planning, and acquisition planning. The discussion of status planning includes problematic language situations in Canada, Australia, Cameroon, India, and South Africa. Similarly, the discussion of corpus planning includes examples of language reform carried out in Asia and Turkey. In discussing acquisition planning, the author points out two potentially contradictory situations that acquisition planners can face. First, they are aware of the link between national economic development and literacy rate and of a commonly held belief among educators that it is easier to make children literate through their L1. Second, language planners are also aware that education in the official language promotes in minority children a sense of belonging in the nation. In the last section of this chapter, the author places English, French, and German in a diglossic relationship with other European languages within the context of the European Union.

Chapter thirteen is very brief, and it reminds the reader of the main themes covered in the book. The author concludes by listing "five most important points" (p. 414) that the reader is expected to take away from the book.

There are several features that add to the value of Multiple Voices. One of them is that each chapter begins with a real story of a person from a different part of the world whose life is linked to bilingualism or multilingualism. These stories not only serve as an interesting beginning of a chapter but also help to show that bilingualism is a real human phenomenon with socio-cultural and socio-political consequences. Another feature, which is valuable to students in particular, is that important concepts and terms are put in bold so that the reader would pay attention to them. Another feature that I view as helpful is that each chapter ends with a summary and a list of terms and concepts that readers, particularly students, would do well to remember. In addition, I found the use of rather informal tone of voice interesting, as illustrated by these examples: "Just for your information, there are two sets of signs that are relevant to your life." (p. 145);" "That is, for each of you, unmarked choices would be considered not only expected, but also appropriate, for certain interaction types in your community and marked choices would be unexpected, given the interaction type" (p. 179); "Your author (Meyers-Scotton, 2001; 2000) offers another explanation for creole formation..." (p. 285). The use of pronoun 'you' and pronominal adjective 'your' in these sentences can create a friendly image of the author, which may foster learning particularly in beginning-level readers. In addition, the writer provides in easy-to-understand language detailed discussions of various topics and issues in bilingualism with abundant citations from past and latest studies.

While these features add to the value of the book, a few more would have enhanced its usefulness as a textbook. A set of study questions at the end of each chapter would be good particularly for beginning-level students. Also, a list of further studies would benefit particularly those who wish to acquire a further and more detailed knowledge of certain aspects of bilingualism. In addition, it would be useful to have a glossary of important terms and concepts covered in the book. Perhaps, the author would consider these suggestions for the second edition of the book, which I hope will come out soon given its high value both as a text and resource book.

To conclude, I view Multiple Voices: An Introduction to Bilingualism as a very valuable addition to the pool of books on the study of bilingualism. Given its multidisciplinary approach, the sufficiently elaborated discussions of bilingual topics and issues, and the inclusion in these discussions of many relevant and up-to-date studies, this book is an excellent choice as a textbook for a bilingualism course. This book will also serve well students, instructors and scholars who are interested in any of the many aspects of bilingualism.

HOW TO GROW LEADERS: THE SEVEN KEY PRINCIPLES OF EFFECTIVE LEADERSHIP

Reviewed by **Amber Raza**

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John Adair transformed the understanding of how leadership work with the pioneering book Not Bosses But Leaders. How to grow leaders: The seven key principles of effective leadership explore in an authoritative way what we know about leadership and leadership development. There is a revolution underway. We are moving fast in some areas and slower in others - from management to business leadership. As the market for good leaders, increases, programs for leadership development are in demand. Many of these are old management development programmes renamed, and others are full of confusing theories and unproductive approaches. This book aims to set the record straight, focusing the body of knowledge on leadership, identifying the seven key principles of leadership development, and answering key questions on how to select, train and educate leaders at the level of team, operational and strategic leadership. A vital addition to the debate on leadership from a true expert, this book also considers the global challenge and long term issues involved.

From strategy and selection to training and culture, organisations that take a holistic approach to growing leaders will be the most successful. John Adair believes leadership exists on three broad levels; strategic, operational and team; this nomenclature is now beginning to catch on. Furthering the point is a common fallacy that all an organization needs is a strategic leader at the helm. The secret of business success is excellence of leadership at all three levels.

The seven principles are a simple framework for you to apply in your context. Each one is easy to state and associated with your common sense. Emphatically speaking, the seven are complementary; you should expect some added synergy if you apply them as a whole.

PRINCIPLE ONE: DEVELOP A STRATEGY FOR LEADERSHIP DEVELOPMENT

As stated earlier, leadership exists on different levels. At the team level, the leader is in charge of 10 to 15 people. At the operational level, the leader is responsible for a significant part of the business, such as a business unit, division or key functional department. Invariably operational leaders have more than one team leader reporting to them.

At strategic level, the leader – often the CEO – is leading the whole organisation. Strategic leadership – a phrase that the author coined in 1970 – is actually made up of two Greek words: stratos, a large body of people, and the -egy ending which means leadership. Therefore, strategy is the art of leading a large body of people.

The key to achieving sustainable business success is to have excellence in leadership at all three levels, and these leaders need to work harmoniously together as the organisation's leadership team.

The most common and expensive error that organisations commit is to focus on leadership development of their more senior managers, so that becomes their entire "strategy". In doing so, they completely ignore their team leaders. Yet it is the team leader who is closest to the customer in connection with the same, the book reiterates that strategy embraces all three levels.

There is a useful distinction to be made between strategic thinking and strategic planning. You should see your leadership development strategy – evolved and guided by a small steering group – as part of your overall business strategy. It should be longer term (five to ten years). Don't let the 'urgent' deflect you from the important. Lastly, a strategy should have more than one element to it.

PRINCIPLE TWO: SELECTION

In the fifties, if someone was "a born leader" nobody thought that the person in question could do anything about it. As a saying of the day had it, "leaders are born and not made".

We don't think the same now. In the sixties, a breakthrough made at Sandhurst which proved that leaders can be trained and developed. The other half of the truth, however, is that people do vary in their relative amount of leadership potential. Since it is not easy to develop leaders, why not hire people who are halfway – or more – there already? Instead at least make sure that when you recruit from outside or promote from inside, you know how to select those with a high potential for growing business leaders, for it is leaders that will grow your business rather than just administering it.

Furthermore, there are no psychological questionnaires specifically for assessing leadership that have stood the test of time, but there are some proven group methods that are worth having in your repertoire when selecting team leaders. For instance, most organisations can improve their powers of detecting leadership at more senior levels simply by becoming crystal-clear about the differences between being a leader and a manager and most would benefit by updating their interviewing and assessment techniques.

As the author believes, a person may be appointed a manager at any level, but he or she is not a leader until the appointment has been ratified in the hearts and minds of those who work with them. If few managers in the organisation are receiving that kind of accolade, it means someone failed to apply the principle two when they appointed the person.

PRINCIPLE THREE: TRAINING FOR LEADERSHIP

To train implies instruction with a specific end in view; to educate implies attempting to bring out latent capabilities. In reality, there is no hard-and-fast line between training and education. Both can be considered as training.

As part of strategic thinking, you should identify your business training needs in the leadership context and prioritise them. Keep in mind, training is going to cost your organisation time and money. You need courses or programmes which produce good leadership. The author advices that training should be sequential, which means that the first level to look at is your team leaders, alias first-line managers. No leadership role should be given without some form of training - as it is morally wrong.

If you outsource your in-company leadership training education to providers, make sure that you retain "ownership" and overall control, so that the programmes fit in with your strategy and organisational ethos. Delegation never means abdication.

PRINCIPLE FOUR: CAREER DEVELOPMENT.

People grow as leaders by the actual practice of leading. There is no substitute for experience. What organisations can do is to give people opportunities to lead. The trick here is to give a person the right job at the right time. It should be the kind of leadership role that is realistic as well as challenging for the individual concerned. No stretch, no growth.

If your organisation is serious about applying this principle, it should, for example, have a conversation once a year with each leader or would-be leader in which it should outline two or three options it has in store to offer the individual greater career progression. Equally, the individual should say what they aspire to do. They may, for example, want to move out of a specialist role to a more generalist (leadership) one.

Fitting together this jigsaw of hopes and expectations is the name of the game, which should be a win-win one. A strategic leader in the making – possibly as your successor – will need experience in more than one functional area of the business; if you are an international company in more than one country.

PRINCIPLE FIVE: LINE MANAGERS AS LEADERSHIP DEVELOPERS

In the midst of the Battle of El Alamein in 1942, Montgomery found time to telephone General Horrocks, one of his top operational leaders and a newly-appointed corps commander, and gave him a tutorial on leading at that level. The reason being Monty had observed that Horrocks had been reverting back to being a divisional general. All good leaders are also teachers. Developing the individual entails one-to-one meetings at regular intervals to offer constructive criticism as well as encouragement or support.

Above team level (and some would say even at team level) all leaders are "leaders of leaders. Good leaders will use their one-to-one opportunities – formal or informal – to share their knowledge of leadership in a conversational but effective way. It is, if you like, the apprentice approach to learning leadership, and its necessary condition is mutual respect. It is that mutual trust or respect that makes us both eager to learn and ready to teach. You need a system of setting objectives and appraising performance – part of action-centred leadership – but it will not be complete unless it is seen as a channel for two-way learning.

PRINCIPLE SIX: CULTURE

Armed forces do grow leaders. They select and train men for leadership. They have placed a high value on leadership since the 18th century. They have a culture where leadership is valued at all levels. The motto of Sandhurst expresses the ideal that is expected from every officer: Serve to Lead.

Values are the stars your organisation steers by and together they define your distinctive ethos. Make sure your culture comes to place a high value on "good leadership and leadership for good". In the final analysis, it is culture that grows leaders, so it is vital to review it and make changes where necessary.

Corporate culture should also encourage a climate of self-development in leadership. Organisations only have 50 percent of the cards in their hands, the other 50 percent are in the hands of the individual. There may be no leadership courses available to you, but you can still learn leadership. Books are the best method, together with reflection on your own experience.

PRINCIPLE SEVEN: THE CHIEF EXECUTIVE

In Effective Strategic Leadership (2003), the author identified for the first time the seven generic functions of a strategic leader. One of them is: to select and develop leaders for today and tomorrow. In other words, as CEO, you own the problem of growing leaders. Personnel or training specialists are there to advise and help. They can assist you to formulate and implement your strategy, but you are in the driving seat. If not, don't expect any forward movement.

Apart from taking responsibility for the strategy, you should also be leading from the front. You should be known to talk about leadership on occasions – not often but sometimes and always effectively. You should visit any internal leadership courses and show your support for them. If you care about leadership, so will the organisation. Incidentally, it is also a chance to get your message across, as well as an opportunity to practise the skill of listening. Organisations today need listening leaders.

In summary, developing future leaders is not a mystery. We know the laws of aerodynamics that undergird successful and sustained leadership development. The seven principles identified are the foundations you are looking for.

Why do it? The answer is simple. You have great people working in your organisation. Do they not need great leaders? For, as John Buchan once said: "The task of leadership is not to put greatness into people but to elicit it, for the greatness is there already."

YEDITEPE INTERNATIONAL RESEARCH CONFERENCE ON BUSINESS STRATEGIES June 13-15, 2008

Amber Raza

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Interest in research on business strategies has been growing at a considerable speed. The rapid economic, political and social changes witnessed in the business world, globalization, international hyper-competition, growing concern for corporate governance, as well as ethical and socially responsible company practices are among the major forces to explain this increasing interest. Keeping the need of time in mind Yeditepe University, a private university, situated in Instamul, Turkey, organized an international Research Conference on Business Strategies.

The conference provided academicians, scholars and policy makers an opportunity to interact with each other and to create a professional network with participants coming from different parts of the world.

Ninety-five abstracts were received by the organizers, which were short listed to fifty for presentation at the three-day conference.

After registration and formal introductions, a plenary session was conducted where Prof. Dr Gunuz Ulusoy-Executive Board Member, talked about Innovation and Competitiveness in the business world. Subsequently, the formal proceedings started in four concurrent sessions, with eight papers in each session. A session chair headed these sessions.

PAF-KIET was represented by Ms Zeba Shareef and Ms Amber Raza. On the first day of the proceedings, Ms Shareef presented a paper on "Implementation of Models to Measure the Performance of Mutual Funds". While Ms Raza presented her paper on "Personality Testing and Selection-Planning for Future" on the second day.

On the final day of the conference, Ms. Amber Raza was a session chair of the management session. In this session, two papers were presented by Erol Inelmen on "Managing Innovation based on a System Thinking Approach: A survey on Three Institutions" and Omer Livvarcin "Using Strategy Vector Model to Define the Strategic Role of Corporate Governance".

As a culmination of the conference a cruise was arranged on the Bosphorus also known as the Istanbul Strait, which divides the five thousand year old city in east and west.