Proceedings of GLOGIFT 08
June 14-16, 2008
Stevens Institute of Technology
Hoboken, NJ, pp. 533-536

SOME PROBLEMS IN THE STUDY OF MANAGEMENT OF INVESTMENTS AND ORGANIZATIONAL FORMS

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It is an investment led world, the issues of technology, politics, territory and even economy are seen in an enabling relationship with investment. Investment used in a generic sense has almost a 'classical' content, going beyond the template or the dictionary meaning of investment.

It may help to begin with the dictionary definition which reads:

"employ money (in stocks etc.), layout money "

The truth is, one invests with not just with/in money but one invests in relationships in one's future, in skills and indeed in one's self. The propensity to see everything or almost everything in terms of ploughing in resources for returns creates the ***first problem in the management of investment.***

The problem is – what is a resource and how can it be invested with the hope of returns?

One invests emotionally when one makes an extra effort to make oneself agreeable through an extra smile or an extra gesture of a supportive variety. One invests time-wise when one gives priority to something over a whole host of other activities the person could undertake. One invests in relationships where one feels the possibility of bonding. One invests for one's future in hoping that one would get support when one grows infirm. One invests for various reasons – to gain support at times of need, to grow and indeed to seek happiness. The problem is therefore identifying what constitutes a resource; emotion, time, relationship, money, standing or whatever else. Unless one is clear on the meaning of the word resource, one can debate whether time itself is a resource or not.

What constitutes a return?

The moment one does something for someone, one expects at least a recognition of the gesture from that person. Is that a return or is that an acknowledgement? There the problem, therefore, of return. Newton talked of it in his laws on thermodynamics when he talked of every action having an equal and opposite reaction. The strange thing about returns as the word is understood today, in popular parlance, is not that one expects returns in equal measure but **one expects returns many times more multiplied**. One expects it sooner, one expects it larger and above all one expects it qualitatively better. That's the difference between return and investment. Today the quest is for investments paying off in terms of what is called a 'return'. This is a problem in the study of management of investment.

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The problem of trying to understand what constitutes the study of management of investment, as such, and the intellectual baggage of the investigator.

The talk of management of investment assumes that the whole process of investment can be consciously organized or deliberately shaped. The truth is, that whatever else can or maybe shaped, investments certainly cannot. This comes out very powerfully when one realizes that investment has a habit of growing or otherwise, influenced by as many intangible factors as tangible ones. How does one 'manage' such a situation? Managing the imponderable is dealing with the contingent and the unforeseen. Hence it is conveniently assigned to the **domain of risk management**. There are several consultancy firms currently in the business of not only defining risk management but indeed multiplying their business in the process of telling people how to manage it. I quote from the notes circulated by a globally reputed consulting firm that an important element of corporate governance is the risk management process which enables continuous improvement in decision making. It goes on to say (risk management) is a well-defined program that encompasses the culture, processes and structures dealing with the effective management of both potential opportunities as well as adverse effects. If this is the language of financial consultancy firms, poetry writing has found a new breed of patrons. This is yet another problem.

The said company goes on to state that corporate governance is the relationship between the shareholders, directors and management of a company for the benefit of providing oversight of risk and controlled processes administered by management. The companies are reported to be responsible for maximizing shareholder value as well as providing motivating and challenging work environment. Prima facie, it appears somewhat a contradictory objective but these are not the only contradictions of management action. Be that as it may, the problem that remains is that of combining, optimizing returns on shareholders "investments" with providing a simulating environment for the internal customer. The old-timers in management will recall the traditionally referred to Travistock Experiment which established a verifiable decline in performance with the objective conditions of work performance improving.

As the practice of chartered accountancy firms progressively makes inroads into domains of management, the innocence of many a chartered accountants of the time-tested paradigms of management actions make them increasing daring in stating the unobvious. Mercifully, there are many in the tribe of CAs who do not have this kind of vaulting credulousness and there one has another problem of management of investments.

The problem of the domain of research and sourcing information.

Getting down to operational terms, one of the basic problems of any research, is to try to locate **where to start digging**, into an intractable problem. Management of investment is one such situation. A cursory look at the books on investment trends and other emerging markets brings out the appalling absence of reliable data from secondary sources. Sourcing of information remains one the key management problems. The solution can come in various forms. One would be to variously define the time, technology and territory of the domain of study. That at least would make it manageable.

If one were to look at an assortment of geographies in North and West India, one would find that at the best there a less than a dozen countries investing in India. They come in huge volume from Germany and Japan. One could turn the perspective around and look at the 10 most important strategic partners of India in terms of investments. Indeed, an option would be to identify the top sectors in which investments are being made in India. Telecom? Automobiles? Electronics? Or something different? In course of the referencing, one has done to kick-start the study it seems that **index calculation** will be a good point to begin. If the issue remains management of investments and organizational forms one could calculate the two indices "**the index of investment**" and "**the index of organizational structure**". A couple of FDI confidence/ business confidence indices are available and one was still trying to gauge the various methodologies used. The two indices would need two different methodologies. The one adopted by AT Kearney in the FDI confidence index is a straight forward financial effort and should be extended to account for the other concerns which go into the management of investments. Typically, it would mean investment in faith, in the growth of a given instrument.

The experience of a few months ago, in the stock markets of India, rumbling with people withdrawing their money and reinvesting in stocks which they expected to shoot up, is one of the phenomena which neither the bear run nor the bull run can explain.

The only run which can explain it is the 'run of the brand name'. No projects were known to exist with the set up which was inviting the investments and indeed no visible preparation was there either. Yet, people were investing in the presumed growth. Collation of data in such circumstances is a tremendous problem. The RBI and the SEBI data apart the emphasis seems to be on mandatory disclosures which carefully hide the vital elements.

Another vantage point of perception is that, the government and trade institutions, alike encourage in inter-regional investment. BRICs countries are supposed to be a rich domain for drawing such rich investment. The truth is that the biggest industry in the world today is which marked with little disclosures and is relatively little talked of in stock markets. The reference is to the **armaments industry**. More profits are there than in any manufacturing, the clandestine market is flourishing and growing, and yet how many armament manufacturing companies are listed and available for investment?

Therefore not withstanding the crescendo in the favour of management of investment- whether inter-regional, global or indeed the actual physical shifting of personal fortunes from one stock exchange to another, the truth of the matter is that that which is known of investment channels and promotions has more than its match in what is unknown to the public in terms of highly thriving areas of investment.

Here again there is a problem in studying the management of investment .It seems therefore ,as a token, **the deficiencies in the knowledge in the working methods of the unknown** have to be assigned a delta value, if one is to really characterize the problems of investments as such ,in a total value mode.

When this is matched by the humdrum problems of research in terms of availability of data, the prejudices of ethnic biases ,developing a typology the extant organizational structures of enterprises which are attracting the investment or are the objects of mergers and acquisitions becomes a difficult task. Assessing their efficacy is by the same yard stick even more complicated.

Going back to the adage that truth is stranger than fiction, a study of management of investment does not lead to automatically to the deductions that the top investing companies, globally are the top investors in India.

In a strange way, the world of investment is driven more by corporate entities than by sovereign concerns.

It is not surprising therefore that sovereign guarantee or funds takes different forms at different times and a cohesive national position is not always decipherable. When this is put in a universal context of unavailable data efforts at research become a puzzle wrapped in an enigma.

This links up closely with concerns of organization structure. Since the web of tasks leads to job designs and configurations of job designs to organization design, organization structure is neither an implicit nor explicit entity but a category in its own right.

It is identifiable yet is can not be 'touched' as it were. It is not surprising therefore that some view organization structure as a configuration of activities that is typically enduring, evolving and persistent. The one defining characteristic of organization structures its ability to throw up patterns.

Variations in looking at organization structure are therefore understandable. Some see structures as formed configurations of rules, procedures and frame work. Others see it as a process of interaction. But in either case a pattern is discernible. The notable features of this situation are that wittingly or unwittingly it gets linked upto the strategy (defined or otherwise) that an organization is pursuing. The linkage between structure and strategy is intimate and symbiotic. This is how the issue of management of investment gets linked up with that of organizational forms.

Understanding this relationship is critical to understanding the problems of the Study of Management of Investment.

The extent of differentiation, integration, connectedness or couplings, centralization or decentralization, the levels of hierarchy, the free flow of information or otherwise and other standard issues of organization theory have an impact on organizational memory and longitudinal thinking. Often experiences of the past are quoted to accept or reject a given approach. Further too wide a departure from the ongoing algorithms may cause serious dissonance and indeed possible break down of the system. One thing that is clear, however, is that organizational structures are both givens and get affected by other givens.

The bald truth is that sector wise, **investment figures, of certain identified countries, including India, tends to be highly speculative** and even if one were to be sure, verifying them would be an improbable task. The reliability of the source is forever a problem. Like every other issue the problem becomes deeper as one gets more involved. Is a financial institution an investor or is it merely a repository of faith? In India it is no longer fashionable to talk of financial development institutions as indeed it was not so long ago.

As of now, there is a propensity to study the long term trends in the global capital markets but it is more from the point of view of business opportunities rather than anything that has to do with a research perspective on management of investment.

Indeed, management of investment has a high impact on the way human resources are handled and indeed how human resources handle investment. Cross-border considerations create complexities in organizing investment and need to be understood before finance can move in any direction. After all the statistics have been tabled and regressions made, people have to trust each other. Personal likes and dislikes play a key role in interpreting data. While this can be esoteric enough, enmeshing parallel models of taxation, technology transfer and indeed the structure of the exchange rates can give to investments quite an unpredictable direction. The will impact the organisational forms Much has been written on the dynamics of inter cultural ergonomic but that at least is a problem which has been flagged. The issues are large, the territory largely unmapped but somewhere the journey has to begin. Perhaps a good point is to get into any discussion on investment, focussing on what one wants and not how much the other party makes.