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FINANCIAL AGILITY AND RETURN OPTIMIZATION: EVIDENCE FROM INDIA

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Abstract
When internal and external conditions permit, an organization's agility is its capacity to effectively and efficiently divert its resources to value-creating, value-protecting, and higher yield activities.The objective of this paper is to find out the factors that affect the firms' profitability in market downfall. Methodology used to find the relationship between factors affecting company's profitabilityand growth of the firms is correlated. The firms are earning profit during downfall in the sensex and for that factor have been taken to show how those firms earned profit during downfall. It is concluded that the organizations are rising even in the down fall in the market and it shows that these organizations are adapting the changes with the market fluctuations and it is also showed that how firms make changes in the firms what are those factors which play an important role in earning profit for the firm even in the fluctuations in the sensex.
Keywords: Agility, organizational growth, market fluctuation, returns optimization

Introduction

The database of an organisation resides in the managers' and employees' heads rather than in the computer's memory (Mintzberg). Prior to the 1970s, several authors have concluded that a firm's primary competitive strategy was to maximise operational and financial efficiency (De Mayer et al., 1989; Ferdows and De Mayer, 1990; Vickery et al., 1997; Vokurka and Fliedner, 1998). This tactic focuses on economies of scale, or reducing costs by mass producing specialised goods using specialised machinery.Other researchers began focusing more strategically on a firm's flexibility as market or customer demand became more diverse (Vokurka and Fliedner, 1998). This refers to a firm achieving a superior competitive advantage by adjusting internal resources, processes, or products to deal with the anticipated change. According to Swink et al. (2005) and Ebben and Ohnson (2005), a firm's market-based performance benefits from its competitive strategy. However, according to Friedner and Vokurka (1997) and Goldman et al. (1995), these conventional competitive strategies that concentrate on the evolution of internal resources or potential might not be able to help firms survive and thrive as the business environment continues to experience unpredictable changes.

Today's businesses operate in a highly unpredictable, dynamic world that is always changing. In order to thrive in this environment, businesses must adapt or change. The speed with which technology and working conditions are changing puts organisational survival in danger. Few people possess the ability to alter their internal force and exert influence over powerful external forces. Despite the fact that the vast majority of organisations are aware of how important quick responses to unstable market conditions are, they have failed in their attempts to create their own new structures (HabibEbrahimpour, Mona Salarifar, and ArashAsiaei, 2012). To combat changes in the internal and external environment, all organisations should be built to adapt change.

By combining the appropriate resources, knowledge, and associations with speed and surprise, we can readily look for competitive market possibilities for trying something new when we keep an eye on

market changes (Goldman, S. L., R. N. Nagel, and K. Preiss, 1995). The term "agile" was originally used as a management concept in the early 1990s, primarily in reference to rapid manufacturing. After that, academics in many fields, including management, manufacturing, human resource management, and marketing, have become attracted by various elements of agility (Chang, Gong, Way and Jia, 2013; Eckstein, Goellner, Blome and Henke, 2015; Robert and Grover, 2012).In particular, marketing agility is recognised as a feature that enables businesses to detect opportunities, adapt to market changes, and effectively deal with volatile markets. According to HabibEbrahimpour, Mona Salarifar, and ArashAsiaei (2012), organisations are deemed agile if they are able to adjust and adapt to an unpredictable and changing marketplace while permanently meeting customer demands and achieving organisational goals. According to Seo and La Paz (2008), agility is a process that provides chances for a company to identify environmental change and choose how to respond to it quickly and affordably.According to Teece, Peteraf, and Leih (2016), agility is the ability of an organisation to effectively and efficiently shift its resources to value-creating, value-protecting, and higher yield activities when internal and external conditions dictate. As a result, survival in such a volatile environment depends on having the capacity to adjust to unanticipated changes in the global market (Ganguly et al., 2009). By utilising the collective resources of changes to quickly recognise and identify market shift, businesses can increase their competitive capability and hence increase their chances of surviving (Vokurka and Fliedner, 1998; Khan and Pillania, 2008). Enterprise agility permits organisations to handle with external adjustments adequately, making it one of the crucial factors to aid firm in surviving in upheaval contexts (Atuahene-Gima, 2003; overby et al., 2006). Agility is the ability to recognise times for innovation and adapt to such moments and to rapidly alter procedures to capitalize on marketplace circumstances (Kitchens, Dobolyi, Li and Abbasi 2018).
This paper is examining the performance of the organization with the fluctuations in the market. Sensex is taken as a variable to measure the changes in the market and to measure the organizational performance we will take profit for the year 2004-2019 of the five Indian companies.

The rest of the paper is formulated as follow. Section 2 presents a literature review. Section 3 describes the research methodology.Section 4 includes findings and section 5 includes conclusion.

Literature Review

A flexible and quick response exemplifies an aspect of agility, which was described as an organization's capacity to seize market opportunities and adapt to changing market conditions (Goldman et al., 1995).

(Sharifi and Zhang, 1999) defined agility as the ability to handle unforeseen problems, survive in a business climate with unprecedented threat, and seize opportunities presented by change. Businesses with high levels of adaptability adjust to market changes more effectively than rivals (Robert and Grover, 2012).

According to (Dubey, Altay et al., 2018), supply chain agility refers to a company's capacity to modify its supply chain's operations and strategies in response to environmental changes, opportunities, and threats.On this subject, there is a wealth of empirical literature.

According to research by Jing Zhou, Felix T. Mavondo, and Stephen Graham Saunders (2018), marketing agility affects financial performance both directly and indirectly. They discovered that when market upheaval is insufficient, financial performance has a greater capacity for innovation, and

that market turmoil weakens the indirect connection among marketing agility and financial success. According to (Chyan Yang and Hsian-Ming Liu, 2012), enterprise agility is crucial for modern businesses in the dynamic environment of today. Businesses could respond to unpredictable changes better by increasing enterprise agility.

(Mark Jacobs, Cornelia Droge, Shawnee K. Vickery, and Roger Calantone, 2011) investigated the connection between process and product modularity as well as the impact of each on business growth. They discovered that product modularity has a direct, positive impact on manufacturing agility, process modularity, and firm growth performance, and that neither process modularity nor manufacturing agility can predict firm growth performance. In order to increase agility and business performance in manufacturing organisations,

(S. K. Vickery, C. Droge, P. Setia, and V. Sambamurthy, 2010) explore the function of supply chain information technology and supply chain organisational initiative. They discovered that increased agility results in enhanced company performance.The impact of supply chain agility on client service, differentiation, and corporate performance is being studied by (Juneho Um, 2017). He discovered that while supply chain agility positively affects customer service and differentiation, it has no direct impact on business performance; rather, performance may be attained and intervened through enhanced customer service and differentiation.

According to (Amir Ashrafi, AhadZareRavasan, Peter Trkman, and Samira Afshari, 2018), business analyst competencies influence a firm's agility through the quality of its information and its capacity for innovation. They looked at how technical and market changes could be used to temper environmental turbulence. They discovered that business analyst capabilities have a significant impact on a firm's agility through an increase in data accuracy and innovative potential; nevertheless, the impact of firm agility on performance is moderated by both market and technology upheaval.

Confirmatory factor analysis technology is used by (Chyan Yang and Hsian-Ming Liu, 2012) to measure the model and test the theory. They collected data via surveys and looked at the causal impacts of hypothesis testing using structural equation modelling. The validity of the scale is being examined by (Jing Zhou, Felix T. Mavondo, and Stephen Graham Saunders, 2018) using exploratory factor analysis and confirmatory factor analysis. To assess the marketing agility and innovation capability, primary data has been gathered. Structural equation modelling and a t-test are being used by (Juneho Um, 2017) to assess how supply chain agility affects each of the three factors.

Data are gathered through surveys by (Amir Ashrafi, AhadZareRavasan, Peter Trkman, and Samira Afshari, 2018). They measured the effect of business analyst competencies on a firm's agility through data accuracy and inventive capability using partial least squares.

Research Methodology

It is common to consider correlation analysis to evaluate the return optimization in an organization, and it is important to study the individual organization evidence at least at simple level. A good starting point is to look at the covariance between market return and firms return in each firm. Out of several indicators of measuring the growth of the organization we chose profits to determine the growth of the organizations in market fluctuations. Therefore, the coefficient of correlation between market SENSEX and firms profit is calculated from annual observations for each organization. The

data has been collected for the period 2004-2022. The resulting sample consists of 5 organizations. In all the companies, there are variations in the values of the variable over the sample period.

Findings

Table 1 shows the coefficient correlation of all the 5 organizations. In all the firms, the correlations are positive. The mean of the 5 correlation coefficient is 0.903. The balance of probabilities thus suggests a strongly positive association between changes in market and organization return optimization.

In year 2009, market falls with 5935 points and TCS, Infosys and ITC were growing but in diminishing manner with 187.45, 1349 and 143.49 points. ONGC and Reliance were decreasing with the fall in the market with 575.33 and 4197.07 points. In the year 2012, market falls with 2041 points all the firms were still growing in diminishing rate except reliance which were falling with 246 points. And again in the year 2016 where market were falling with 2615 points all the firms were growing with diminishing rate except ONGC which was falling with 1593.02 points.

The result shows that all the companies were growing even in the down fall in the market but the growth rate of the firms was decreasing in comparison to other growing years. It means that companies are adapting the changes with the changes in the market. The changes adapting by the companies for return optimization in different years are:

- They have reduced the cost.
- Thesales of the companies were increased.

And those companies which don't adapt the change faced loss during market downfall.

In the year 2009, 2012 and 2016, there was a downfall in sensex but TCS was growing still. The factors behind the growth of the company are:

- The raw material of the company was reduced in the year 2016, manufacturing expenses were also reduced in the same year and sales were increasing at that time period.
- In the year 2012, the company has reduced the raw material with 5.94 points and sales were increased as well in the same time period.
- In the year 2009, there was reduction in expenses of the company and increase in the sales and that's how the company earned profit even in the downfall in the sensex.

In ONGC, the company bear loss in the year 2016 and 2009 due to not changed with the changes in the market. It earned profit in the year 2012.

- In the year 2012, the company decreased the consumption of raw material and in the same year sales were increased and the company earned profit. Although the adapt changes in the year 2016 and 2009 but wasn't able to earn profit in both the years.

In Reliance, company earned profit only in the year 2016 among all the three years in which the sensex fell down.

- In year 2016, the company reduces cost to earn profit in the downfall in the sensex. In other years of the downfall company reduces costs and increased sales but there would be other factors so the company wasn't able to earned profit at that time period.

In Infosys, the company earned profit in all the three years of the fall in the sensex.

- In 2016, cost was reduced and sales were increased.
- In 2012 and in 2009 sales were increased even in the downfall in the sensex.

In ITC, the company earned profit during downfall in the sensex. Factors behind this are:

- In 2016, company reduced cost and the sales were increased.
- In 2012, sales were increased, no reduction in cost.
- In 2009, company's sales were increased and cost was reduced.

Table 2 is showing the correlation between the sensex and the factors which are responsible in making profit for the companies.

Table 1

Coefficient Of Correlation Between Sensex And Organisations Profit: Individual Company Data

FIRMS	COFFICIENT OF CORRELATION
TCS	0.955
Reliance	0.958
ONGC	0.697
INFOSYS	0.948
ITC	0.956

Table 2

Cofficient Of Correlation Between Sensex And The Factors Affecting The Profit Of The Organisation: Individual Company Data

FIRMS	COFFICIENT OF CORRELATION
TCS	sales-0.966
Reliance	Sales-1
ONGC	Sales-1
INFOSYS	Cost-0.982
ITC	Cost- 1, sales-0.999

Conclusion

When internal and external conditions dictate, an organization's agility is its ability to effectively and efficiently shift its resources to value-creating, value-protecting, and higher-yield tasks. This essay's goal is to investigate the connection between firm expansion and market volatility.

It is concluded that the organizations are growing even in the down fall of the market and it shows that these organizations are adapting the changes with the market fluctuations. There is strongly positive relationship between all the companies taken as a sample in the paper. A very high positive correlation is found in TCS, Reliance, Infosys and ITC and moderate positive correlation is found in ONGC.Factors affecting the profit of the organization during downfallhaving positive correlation withsensex. In ONGC, Reliance and ITC the correlation between the sensex and the factors affecting the profit of the organization is perfectively correlated and in rest of the companies, there is strongly positive correlation between sensex and the factors.

It means the companies are adapting the changes during downfall in the sensex are earning profit and those companies which are not change themselves according the changes in the external environment are not able to earn the profit at that period of time.

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