

## **BOOT MODEL: AN ALTERNATIVE OF BUSINESS MANAGEMENT**

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### **Abstract**

Boot Model, an alternative of PPP ensures the necessary of investments into public sector for more effective public resources management. Boot promotes necessary investments into public sector and more effective public resources management; promotes higher quality of public services; and granted the opportunity to obtain a long-term remuneration. In general practice, large number of private sector expertise and experience are utilized in PPP projects implementation. Factors like globalization, MNCs, Multiplex, Banking, IT Park and E-Governance are working as true stakeholders to replace with BOOT.

**Keywords:** BOOT, PPP, MNCs, Risk Factors, Business Management

### **Background**

The beginning of the 21<sup>st</sup> Century has been marked by intense global economic adjustment in the theories of international economy and practice of global business management. It brings empirical thinking to bear on real world practices. Several models and theories of liberalism, realism, Idealism, Neo- Marxism, and globalization have brought major changes in the world business. The imperative of corporate citizenship, ethics of business, legal environments, international business, foreign direct investment, international trade, regional integration, global technology management, human resource management, supply chain management, and international accounting; all are increasingly important. BOOT Model emerged out of chaos, competition, private entity and process of agreement and disagreement in late nineties.

BOOT stands for Build-Own-Operate-Transfer, now an integral to Business Management. BOOT technically stands for financial system where large number of selected private enterprises enters into an agreement for concession between public and private sectors. It thereby becomes a model for designing, restructuring, operating, communicating, and even convincing facilities. Such process occurs frequently between public and private sectors. Adoption of BOOT Model therefore is an alternative to business management that helps to organize, disseminate and plan various types of business operations. In today's world of globalization and economic liberalization, BOOT Model remains a powerful instrument where large number of multinationals and transnational agencies work as parallel bodies to promote global business. Such processes assure for better representation of BOOT Process of operation management. In the simplest language, BOOT Model is based on concessions, lending banks, supportive business, complicity, collusion, participation, pool, confederation, federation, and freemasonry. These are incentives for private firms so that the business runs successfully. In such case, the Corporate Social Responsibility (CSR) remains the major parameter to support Public Private Partnership (PPP), E-Governance, E-Administration, E-Law, technology, E-Disha, E-Kosh, E-Post, E-Sampark, E-Suvidha, ICT Solution, and SMART Move. Thus, BOOT assures for cost effective management to see that the investment gives expected returns in business despite political, technical and financial complications.

BOOT traditionally called as BOT (Build Operate Transfer) which is being adopted by large number of companies across India and the world. The prominent examples include: Ranbaxy, Maruti Udyog Limited, Nokia Corporation, Microsoft, Flip Kart, Reebok, Amazon, International Limited, Sony, Nestle, etc. Besides, large number of other firms and companies too are inclined to accept BOOT Practices. These include:

Pepsi-co (Fastest growing Coke Company), Toshiba (Electronic), Tata Consultancy (IT Business), Atlantic Data Group (Market Research), Idea, BSNL, Vodafone (Telecom), Ingram Micro (IT Hardware) and DHL Express (Logistics).

**Evolution of BOOT**

In fact, BOOT Process often called as the Child of ‘China Model’ was initially adopted in 1970 under Map Zedong. Mao’s leadership for commitment and dedication became the lesson for the whole world. Napoleon long back said about Mao: ‘Let China sleep’, when she awakens, she will shake the world’ which became a reality in 1980 so called the earliest phase of globalization. BOOT was redesigned in 1990 following the resurgence of globalization which supports free, competent, borderless, hassle free, technologically supportive and ‘Single Window Business’. Later on, several counties like South Korea, Taiwan, Malaysia, Singapore, Thailand, India, Turkey, and Brazil also adopted the BOOT Practice. Soon, it became an important guideline in various e-business polices across the world with prime goal to recover the cost of investment and maintenance.

Large number of projects and joint venture in India co-opted with BOOT. The prominent tones include: Airports Authority of India (AAI), Salt Lake City Center, Kolkata; Reliance Metro Project, Mumbai; Trivandrum City road improvement project, Viability Gap Funding (VGF) scheme, Water Park-cum-Entertainment Center, Eastern Metropolitan Bypass, Kalyani-Dum Dum Expressway, and Larsen & Toubro. These projects are being supported through global banking, multinationals, technology expertise, and reduction burden on public finance. Thus, BOOT Model, despite challenges, limitations, risk burdens and unpredictability of reruns, is definitely the best option in Business Management. Hence, it is important to under the alliance and coordinated bodies applied to BOOT. The following table gives a broad views of BOOT Model on a simplest formula.

**Table: BOOT Model- A Broad View**

SL. No.	BOOT Coordinat ion	Features
1	BOO	BOO (Build Own Operate): Mobile Phone Networking, where benefits comes through private companies. Scheme involves large amount of finance and long payback period.
2	BLT	BLT (Build Lease Transfer): Private entity builds a project, ownership with shareholders and finally transferred to government at agreed price. So, no risk of loss occur. Large number of banking sectors like SBI, ICICI, HDFC, AXIS, etc, are stakeholders. Even aviation companies like Air Asia, Spicejet, Indigo, GoAir, Vistara, etc can also be placed under such category.
3	DBFO	DBFO (Design Build Finance Operate): Best alternative of BOOT, there is no actual ownership transfer, risk factor till end, long contract is unsuitable, private companies as accountable bodies for construction-renovation, cash flows serve to repay the investment and reward its shareholders.
4	DBOT	DBOT (Design Build Operate Transfer) function when client has no knowledge of what the project entails, company to design, build, operate and then transfer. Refinery construction is the best example.
5	DCMF	DCMF (Design Construct Manage Finance) like prison or public hospitals, private entity is entrusted to design, construct, manage, and finance a facility, based on the specifications of the government
6	BOT	BOT (Build Operate Transfer), a model used to finance large projects, typically infrastructure projects developed through PPP. It is normally Large-Scale and Greenfield Infrastructure Projects.
<b>Source:</b> <a href="https://en.wikipedia.org/wiki/Build%E2%80%93operate%E2%80%93transfer">https://en.wikipedia.org/wiki/Build%E2%80%93operate%E2%80%93transfer</a>		

## **BOOT: Theoretical Propositions**

There are several theories related to BOOT Process. Marxists do not support BOOT as the mode of production and division of labour are solely determined by state controlled economy. The impact of economic liberalization and globalization have changed the socialist model into a liberal economy partly under supervisor of PPP. Democratic victory over socialist economy since 1990 and emergence of Perestroika (restructuring) and Glasnost (openness) during Gorbachev in Russia has supported BOOT Theory. Even large number of countries like Hungary, Romania, Bulgaria, Poland, Czech Republic, Slovakia, etc have incorporation towards PPP Model where European Union Play an important role. Another example is China Economic Model. China, presently world's second largest economy followed by USA, continues to remain a rising economic power since the early phase of globalization in 1990s. China's economic policy based on diversification of resources, labour management, well built infrastructure, technology transfer and import-export policy became the guiding for India and the world. China's Economic Model of Global Development has been inspiring to India and the world including large number of western powers. So is the case of several third world countries which are pursuing BOOT Theories. Even Neo-Liberal, Neo-Realists and Neo-Marxist are also supportive to BOOT Model.

Very basic and fundamental issue as how far the effective governance and the role of PP can work as powerful tool, remains an important to understand BOOT Process. As such various approaches also emerged to decide the suitability of BOOT in Business Management. A great scholar Oliver Hart, Nobel Prize Winner and British-born American economist, currently Professor of Economics at Harvard University, has supported BOOT Model. Hart's arguments that BOOT is using the technique of 'incomplete contractual approach'. Hart arrives at conclusion that BOOT Model may not be feasible in certain conditions where the investment remain combine with PPP. A country like India offers an ideal example where large number of private investors and especially the unorganized sectors are at great risk due to poor non trained supply of manpower, lack of competency, administrative corruption, mismanagement of funds, and political scams. Ironically, even large number of organized sectors like Maruti Suzuki, Reliance, Nestle, Nokia, Sony, etc are also facing problems due to liquidity of public finance companies which are on the verge of erosion. Money laundering, bank frauds, and disinvestment of public funds are now serious challenges. Thus, BOOT Model seems to be in dilemma to tackle the complications of PPP. Global impact of Covid-19 has deeply undermined the Indian and global economy.

Another scholars like Bennett & Lossa (2006), Martimort & Pouyet (2008), Hoppe (2013) and Chumutz (2020) have also explored the pros and cons of BOOT Model. In fact, the Consortium of Business with specific design and implementation continue to remain at high risk especially the large projects associated with planning, operation, construction and management. However, the investment of risk factor like government policies, fluctuation of bank interests, supply chain process, high rate of compatibility, environmental risks, social insecurity and economic mismanagement.

## **Parameters of BOOT Model in Indian Context**

BOOT is not limited to corporate business only, rather its applications have expanded beyond the boundary of traditional societies by encompassing industrial, economic, technical, professional and business circles. Let us briefly highlight the major parameters of books with reference to globalization, multinationals, E-Governance (Smart Polices), Hi Tech Parks, PPP and Corporate Banks.

### **1. Globalization**

BOOT is often called as 'Brain Child' of Globalization, a boon in disguise for Indian economy, has been promoted by market forces and economic liberalization in late nineties. India, a great financial advocate claims to have a major global market in

large number of segments. It briefly include: agriculture, insurance, banking, industry, education, bio technology, engineering, medical science and dozens of other sectors that have been potentially benefitted. Non state actors like NGOs, MNCs, TNCs, etc paced with ICT have significantly boosted India's economy, financial status, global trade and distributions of goods and services. Despite odds and challenges looming ahead, Indian economy continues to remain beneficial in exploring new avenues. Application of BOOT is found fit for negotiations, bargaining and compensation. In fact, India has been duly benefited from strong institutional capacity of multilateral trade agreements from China, Japan, USA, UK, Germany, and large number of other counterparts.

## 2. Multi-national Corporations (MNCs)

The phrase, "small is beautiful", refers to a world where human values, including the loss of community feelings, caste hierarchy, religious identity and cultural values. Indian experience about multinationals is marked by certain ambivalence that remains crucial in the context of BOOT integration. Today's India not only needs to change the hidden face of multinationals but redefining and re-structuring the nature of working of IMF and WTO Institutions that are created to build a stable and co-operative global monetary system with sole objectives of promoting International Economic solidarity.

## 3. Public Private Partnership (PPP)

PPP a corporate body, the most important annexure of BOOT, is carried in support of foreign players as active agents of globalization. It is now an integral part of infrastructure developments. While considering the financial worries of public sectors and budget allocation, PPP helps to ensure economic growth in rural India. As per conservative estimate, some over 60% PPP Projects are rural based that help to promote the spirit of Panchayati Raj and local administration. Large number of infrastructure multinational projects pass through Indian villages whereas PPP Projects run by *Swadeshi* and foreign companies, have strong base on urban conglomeration of India. Thus, the Rural Urban Matrix in India is a unique example of PPP Model. Countries like Malaysia, China, South Korea, Japan are leading investors in PPP projects in India's rural catchments. The coordination and compensation of BOOT with PPP is a successful example.

## 4. Other Tools of BOOT

BOOT Model also incorporates alternative stakeholders. It briefly include: **Hi-Tech Parks** as now the major tourist and business destinations. Examples include: Electronic Cities (Bangalore, Hyderabad, NOIDA, Trivandrum, Lucknow, Bhopal & Mumbai), IT Parks (Faridabad, Kolkata, Hyderabad, Kochi, Goa and Thane), and Multiplexes (almost every major city of India). In most **Big Bazars**, the process of bargaining, Sale, Heavy Discount, Free Membership and 50:50 Formula are the best example of BOOT. Another example is the **E-governance** that can be attained in four steps: Information or Cataloguing, Transaction, Vertical Integration & horizontal integration. Widespread Application of Digital Governance though ICT, Enriching Digital Democracy (E-Vote, Media, Political Parties), and Prospects for Electronically Integrated Legislature, Judiciary, Executive & Bureaucracy are important parameters of E-Governance Model. Rich Demand of Rebooting the Government in E-Model, revolution in the field of *E-Seva*, *E-Khazana*, & *E-Panchayat* and Gateway for MNCs and TNCs-Ideal to Promote Globalization are increasingly significant in the direction of Booting applications.

## Findings

BOOT Model and its application can be called as a bargainer, communicator and negotiator in professional business management. During the age of globalization and rising competition in international market, booting process continues to adjust with market conditions, labor management, available resources, infrastructure, demand and supply of goods and services. As an alternative of PPP where large number of

private stakeholders receive concessions but the rising unaccountability, nature of contracts, banking frauds, financial irregularities and changing character of corporate sectors in India do not really support the BOOT Model. In India, large number of companies failed to coordinate with public utility funds and thereby reducing the scope of BOOT. Factors like payment and repayment obligations, assured Infrastructure & services, long & short term Agreements, should be given due consideration before handling and dealing any business. The best alternative is to construct 'BOOT-Public Finance Model' based on transparency and accountability to see the real spirit of Business Management.

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