



February Issue 2012

S.P. MANDALI'S
weschool
Welingkar Education

About Us



OUR VISION

To nurture thought leaders and practitioners through inventive education

CORE VALUES

Passion

We Link and Care

Result Oriented, Process Driven Work Ethic

Breakthrough Thinking and Breakthrough Execution

“The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.” - Alvin Toffler

At WeSchool, we are deeply inspired by these words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities need a new approach both in terms of thought as well as action. Cross disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy-the mind's eye needs to be nurtured and differently so.

We school has chosen the 'design thinking' approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

Message from the Group Director

Dear Readers!

Welcome to the First Edition of Samvad. 'Samvad' stands for constructive and synergistic dialogue. We believe in the same philosophy here at WeSchool. To engage in a constructive and synergistic dialogue involving the student community, academicians, the corporate world and the society at large. We constantly strive to create and nurture managers who are thought leaders through inventive and innovative education. This is absolutely necessary since the world has become highly competitive and Innovation is the order of the day. To enable this, WeSchool has set up an ecology that is set to encourage people to put design thinking in action.



**Prof. Dr. Uday Salunkhe,
Group Director**

Today, the rules of the game have changed. We often hear about terms such as globalization, triple bottom line, disruptive innovation, sustainability, social responsibility, ethics, governance and the list goes on. To keep abreast with these dynamic changes, there is a dire need for students to develop a global mindset, increase their awareness, inculcate a holistic thinking approach, and nurture a sense of empathy and ethical perspective while employing business best practices. At WeSchool, all our efforts are towards grooming our students with these qualities and skill sets.

We have always focused to nurture our students as Global citizen managers and believe in the AAA approach towards that direction. AAA is an acronym for Acquisition, Application and Assimilation of knowledge. The approach emphasizes students to learn through application of acquired knowledge and as the next step delve deeper to make meaning of the knowledge acquired and experience by understanding one's roles and responsibilities towards business, relationships & society.

Samvad is a platform to share and acquire knowledge and develop ourselves into Integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

I welcome you to the World of Welingkar.

Prof. Dr. Uday Salunkhe,
Group Director

From the Editor's Desk

Dear Readers,

Welcome to the 1st Edition of Samvad!

New Beginnings – The phrase brings to mind a lot of hope and optimism. Every fresh start is accompanied by the thought of unending possibilities and a chance to live our dreams and create the life that we all believe we deserve to live.

Samvad has also taken its first steps towards a journey that will hopefully help in connecting bright minds, igniting thoughts & converging ideas of the to-be great leaders of tomorrow. We aspire Samvad to be the platform which unites management students of all ages and specializations and gives it's readers a wholesome view of the subject called management. We want Samvad to be a forum where you not only share your views, but also challenge those of others and perhaps open the world to possibilities previously unheard of.

We hope you stay with us, read with us, share with us and grow with us!

In this issue we have discussed many topics, ranging from Social Entrepreneurship to the Eurozone Crisis, and the Attrition in IT companies. The article on Islamic Banking is a must read.

The creation of Samvad has been the result of the contributions of many key individuals. We wish to thank everyone who has been a part of the inception and development of this magazine. We thank our Director Professor Dr. Uday Salunkhe for his constant motivation and support. We thank our friends and colleagues for their valuable suggestions. Above all, we thank the students of WeSchool for their active participation in providing content for our Magazine.

Hope you have a great time reading Samvad!

Best Wishes,
Team Samvad

"In the beginning was the Word, and the Word was with God, and the Word was God."

Acknowledgments

Team Samvad likes to extend their heartfelt thanks to certain key members of the We School family for their special efforts towards the making of this magazine.

We deeply appreciate the constant motivation & encouragement that our beloved **Group Director Prof. Dr. Uday Salunkhe** has always given us. His vision & result orientation has been the driving force in creating brilliant leaders and making WeSchool a name to reckon with, not only in India but also globally. His focus on the core values of Passion, We Link & Care, Result Oriented Process Driven Work Ethic and Breakthrough Thinking has formed the foundation of all the activities that we undertake as students of this esteemed institute.

We deeply appreciate the help and support given to us by both **Prof. Amarkant Jain** and **Prof. Deepa Dixit**. Their expertise and vision helped us to create a better design and format for our magazine, as well as ensure its sustainability.

We thank **Prof. Kanu Doshi** and **Prof. Sapna Malya** for taking time out of their busy schedules & providing valuable inputs while choosing the best articles for the newsletter. Prof. Doshi is a well known C. A. & has an academic experience of over 25 years of teaching Corporate Tax Planning & Financial Management. Prof. Sapna Malya is a Chartered Accountant with more than 12 years of teaching experience.

We appreciate **Prof. Jyoti Kulkarni** & **Prof. Dr. Anjali Joshi** for their help in selecting the best Marketing and H.R. articles respectively. Prof. Jyoti Kulkarni has worked for over 8 years in the Mutual Funds industry. Dr. Anjali Joshi has well over 15 years of teaching experience in the field of Education.

We extend our heartfelt appreciation to both **Prof. Sudhakar Nadkarni** & **Prof. Kaustubh Dhargalkar** for helping us with the design and content of this edition and also for helping us choose the magazine logo. Their constant and quick feedback was of tremendous help.

We thank **Prof. Anand Dev James** for his guidance and insights towards the design layout and the theme of the magazine.

We are indebted to **Prof. Jalpa Thakker** for all her help and guidance in the making of Samvad. Her insight and suggestions have been of tremendous benefit to us. The Samvad Team would truly be incomplete without her.

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radiowe

RadioWE, an InnoWE idea, proposed and conceptualised by first year PGDM student (ex RJ-107.1 AIR FM Rainbow) Sohail Sayani, RadioWE kickstarted this year at WE School Mumbai campus under the guidance of Business Design Prof. Kaustubh Dhargalkar. According to Sohail, this initiative aims to provide an apt platform for college students to showcase their talent and be a source of 'Edutainment' ie. Education with entertainment. RadioWE will focus on study related programs, current affairs, business world updates, promotes in house bands, musicians & other artists, discusses various inter and intra college events, short lectures on academic fundas etc. The content will be stream casted on the college's WiFi network in a Talk Radio format and will be played on loop in elevators. Live shows can be recorded and archived on the web and can be downloaded onto external media players by students and faculty alike. We wish RJ Sohail and his team all the success with RadioWE.



I.M.P.A.C.T. is the acronym for Inter MMS-PGDM Annual Cricket Tournament, & is an inter B-school cricket tournament held for students of the 2 year full time MMS & PGDM courses.

The 20 day event, kicked off on the 12th of March, 2012 at Matunga Gymkhana Grounds, opposite the institute. This year, several Mumbai B-Schools will tough it out to win the coveted trophy. Now in it's 20th year, Impact showcases future managers fighting in a different arena altogether. Can last year winners WeSchool retain its winning streak ?

Log on to www.weschoolimpact.com for live updates.

3rd BMA Marketing Convention 20:20 Convention

The convention, being held on Feb 17, 2012 at WE School focused on the two futuristic that is transforming marketing and allied practices; Social Media and Shopper Marketing. This session was very valuable for practitioners in Ad agencies, retail, CPG marketing, Telecom, Financial services, Hospitality, Durables marketing, Entertainment etc. A fast paced convention, speakers from the industry will share unique marketing principles & mantras which is poised to shape the future of marketing. The aim of this convention was to create a vibrant learning atmosphere. It offered an ideal balance of academicians along with students and professionals with experience that covers a wide range of industries, from packaged goods to services. The core take away for participants was the truly cutting edge, new age marketing concepts that they can apply to their businesses immediately.



A Cerebral Engagement with China

A delegation from Tianjin University of Technology, China visited WeSchool on Thursday, February 9 2012. The delegation headed by the Prof Ma Jianbiao, President, Tianjin University of Technology included Yuan Zhihao, Dean, Schools of Materials Science and Engineering, Wang Jinsong, Dean, School of Computer and Communication and Gao Yongge, Vice-Dean, College of International Education. The delegation is already in talks with University of Mumbai for garnering mutual consent on collaboration in different areas of higher education. China is one of the fast emerging Asian powers and WeSchool leadership would definitely explore the vistas open before it for collaborations in field of education particularly research, experimentation, innovation and technological epiphanies. We believe that international collaborations are going to be the stepping stones in the era of globalization.



Welingkar hosts Global Service Jam 2012

The Global Service Design Jam, an annual global affair, brings together professionals from diverse backgrounds who are passionately interested in designing service and are game for a design-based approach to create a commercially feasible, sustainable and competitive strategy and to bring the same into existence.

In a spirit of experimentation, co-operation and friendly competition, the teams from the world over have to develop services/service- model inspired by a common theme. The theme for the year 2012 was '**Hidden Treasure**'. Around 1200 participants from over 100 cities all over the globe were eagerly waiting to hit the button. The finale was a real treat to be a part of since the initially difficult to comprehend ideas had parlayed into convincing business proposals.

Think big, think different

“An entrepreneur goes through all the hardships ,takes on the challenges life throws at him with only one thing – Courage, Courage and Courage“ , says Venkatesh., MD & CEO, Goli Vadapav. He was on the WeSchool campus to address a group of students from Euromed Management, Marseilles who were at WeSchool as part of the Destination India program. Venkatesh's journey is a depiction of how new ideas take the form of knowledge and concepts, inventions result in new technologies and business models, and innovation exploits inventions to allow for the creation of value through commodities, goods, services and experiences.



NHRD Mumbai Chapter Meet



On reaching the milestone of 25 years service to the country, NHRDN Mumbai Chapter organized the “Silver Jubilee Year Celebrations” on Monday 26th December 2011 from 6.30 to 8.30 pm at WeSchool. On this occasion, the Chapter honored and felicitated all Former National Presidents (Mumbai Based) & Western Regional Presidents & Presidents of Mumbai Chapter. It was attended by 120 delegates.

WE presents the ‘Take Off Challenge’- The championship for scholarship

WeSchool presents another unique yet life changing opportunity for future MBA aspirants. The Take Off Challenge is We School’s initiative to encourage and nurture young, new talents. We provide the eager, young minds a chance to present their big “idea” and in return, WE gives them a chance to win a scholarship for up to Rs.500000/- for the MBA program of their choice, in any B School. This sponsorship will be valid for 2 years. All that the students have to do is:



- In Stage 1, Submit ideas online on the theme ‘More Value for Less Price for More People
- Get FB ‘likes’ for your idea
- In Stage 2, refine your ideas @ WE Innovation Clinic
- Compete to win regional rounds (Exciting prizes like laptops, iPads and smart phones to be won at regional levels)
- Grand finale at Mumbai campus. Win this and get your dream MBA sponsored

For more updates, visit | www.takeoffchallenge.com | www.facebook.com/

Prayaas - A WeSchool Initiative

‘A journey of a thousand miles begins with a single step’ – Chinese Philosopher Lau Tzu

It is an initiative taken by WeSchool towards self empowerment of women entrepreneurs. WeSchool organised a day-long training program on ‘Management of Savings and Credit Group’ at its campus on Feb 5, 2012. The sessions included Swayam Shikshan Prayog’s work and continued with the assessment of group functioning, benefits of SCG, record keeping/accounts, leadership training, interaction with banks and entrepreneurship training. The last session drove the point home by focusing on what everyone was waiting for –the businesses that women can do either singly or as a group and the social issues that could be addressed collectively.



Featured Articles

Social Entrepreneurship : A Catalyst To Social Change

By: Abhay Patil, PGDM (2011-2013), WeSchool



Social Entrepreneurs are people who use business practices and marketing principles to bring about social change. They usually work at the bottom of the pyramid using volumes, large number of customers to compensate for the low prices offered or the low fees that they charge. In terms of example there is an organization like “Friendship” in Bangladesh, which is a floating hospital organization that provides primary and secondary healthcare services to people based in remote river basins and they complement that with programs in education in economic development in microfinance, then we have organizations like Gram Vikas in India that works with communities to bring them fresh water and has a very innovative financing structure that makes the project sustainable.

Social entrepreneurship is the kind of entrepreneurship where profitability meets humanity, where Adam Smith meets the likes of Bill Drayton, founder of Asoka. Most social enterprises are hybrid organizations, this is to say, they operate along business lines and may indeed aim to make profit, but their primary goal is to promote social change. A organization “Dialogue in the Dark “is a for-profit organization, its really the notion that they are using the market mechanisms to bring about social change and the sustainability of their model is built on generating revenue from their activities and using the leverage of the services they provide and the skills that they have to sustain their organization rather than being completely charity dependent.

Entrepreneurship

There is a pressing need for initiatives to bring about social change. The role of the corporate sector to support budding social entrepreneurs, through charity foundations and also to help them form a sustainable framework in terms of business model innovation, leadership, solid business tools and management principles to work on has become very crucial. Charity plays a very important role in maintaining the sustainability of any system. For instance in 2007, the Mata Amritanandamayi Centre in Kerala, India announced an aid package of \$47 million from donations across the globe to help rehabilitate farmers and their families in communities that were devastated by the systemic suicide of farmers. Volunteers in the center are in the process of empowering the first batch of 5000 women from farming families with a means to earn supplemental income.

On global platform foundations like Skoll, Schwab & Ashoka have been instrumental in transforming our world for the better. These organizations identify and cultivate the world's most successful entrepreneurs. Every one of these social entrepreneurs operates with other players in a complex ecosystem with entrenched interests that resist change. One such instance is Gram Vikas, which is supported by Schwab foundation, works to improve the quality of life of poor rural communities in India. Gram vikas has helped more than 48,107 families in 787 villages build low cost facilities for safe drinking water and proper sanitation. As a result every family has a toilet, bathroom and protected pipe water supply; water related diseases have been reduced drastically. All constructions make use of villager's own resources, material and labor, demystifying construction techniques and enhancing their skills.

With such a kind of initiative they are not only helping the people but also setting up a healthy and economically viable ecosystem. Greater recognition that social enterprises could have a role in solving social issues would go a long way. We need to create an environment in which entrepreneurs feel very confident to develop business models to benefit the poor. We need entrepreneurs with a commitment and a passion to make a difference and we need to ensure that regulation or legal structures do not limit this.



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“Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionized the fishing industry.”

—Bill Drayton (Ashoka Founder)

Air India

The Bleeding Maharaja : A Case Study

By: Juhi Kapoor & Divya Bhatia, MMS (2011-2013), WeSchool



The Maharaja once known for his elegance & prestige has fallen prey to sickness, & his majestic reign is at the brink of bankruptcy. AI has become nothing more than a mockery for the world. AI is a victim of mismanagement & extravagance pummeling AI into the mouth of financial crisis. Political interference is the root cause of the abysmal performance of the airline. AI is thrown into a vicious circle of subversion & misdirection. In our case-study we dig deeper into the reasons for AI's pitiful condition. Also, recommendations to refurbish the current state of affairs have been discussed.

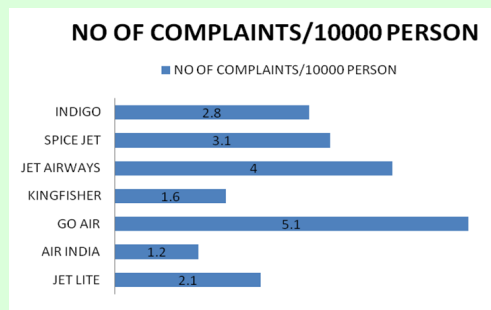
How the Maharaja began its journey

Air India was founded by J.R.D Tata in July, 1932 as Tata Airlines. Operation of airline started on 15th Oct, 1932. On 29th July 1946 Tata airlines become a public limited company under the name Air India. On 25th august 1953 Indian government acquired major stake that nationalized the air transportation industry to provide safe and economic air travel.

- In 1954, Air India Cargo was started which carried all types of goods including hazardous material and live animals
- Air India Regional was started as a low-cost arm of Indian as Alliance Air in 1996. As part of Indian's merger with Air India, it was renamed *Air India Regional*
- In 2004-2005 launched the low cost airline called **AIR INDIA EXPRESS** during the aviation boom in India.

Services of Air India compared to other players:

In a market where competition plays a vital role in travel decisions, Air India's high fare structure and low quality is reducing its chances. With private sector rivals offering cheaper fares and better services. Air India with its high cost structure will find itself pushed to a corner unless its business model undergoes a change. A comparison of services in two sectors makes it evident that private airlines are stealing the show.



Marketing

Reasons that made the Maharaja a pauper:

Financial Crisis

AI today has become financially ill. It has a poor equity base of Rs. 145 Cr and debts of more than Rs. 45000 Cr. Also the merger with Indian Airlines was a debacle which led to cumulative losses of Rs. 13000 Cr. The state owned oil companies are not ready to give any further credit to AI because of the unpaid bills. As a result of the fuel cut, Air India had to cancel several flights. Air India's total fuel dues to oil companies amount to about Rs 2,400 crore. They have decided to now work with AI on cash and carry basis. Also At the time of the pilot's strike, Air India had no option but to abandon 2250 passengers everyday amounting to about 20 Crore loss per day. All these factors converge to one facet, i.e. AI is not listed a sick organization.



Political Influence

JRD Tata was the true visionary of AI, and with the end of his reign, Air India's reign came to an end too. JRD Tata took just Re. 1 per year for his services to Air India. The reasons for his ouster could become a separate topic of discussion which involved political bondages. Nevertheless, once he was out of the picture, political Babus entered and turned the face of Air India. There is too much intervention from the government. The Minister for Civil Aviation pressurized the national carrier to start direct and daily flights from Washington DC, which was economically not viable. Every deal related to AI became a source of kickbacks for the ministers. Right from purchasing of Aircrafts to lease agreements, every penny earned was used for filling up the pockets of imposters.

Inept Management

After JRD Tata, AI couldn't find itself a true visionary to revive the lost charm of this massive Airline. There were definitely some good selections for top positions like that of Mr. Yogi Deveshwar, however the doctrines to be followed were predetermined. Every top level manager was supposed to be a puppet of the politicians. For every new deal, the proposal took a tour of seven desks before finally getting a green signal. This unnecessary delay in process is a key feature in the mismanagement of AI. The lack of accountability & transparency is what knifed Maharaja to death.

Competition

The Indian Railways has the privilege of monopoly in the Indian market because there are no competitors yet. However this privilege is not the prerogative of Air India. Today there are umpteen airline substitutes available to the customer. Air India has made very feeble attempts to fight the fierce competition that came its way all these years.

Air India

Obesity

The obesity pertains to the huge no. of employees that Air India has hired. The ratio of the number of aircrafts to that of the number of employees is 1:280. The ideal industry ratio is 1:130 which is followed by most of the airlines like Indigo, Jetlite, etc. The strength of Air India is 42000 employees which is much above industry standards. There is a huge optimization gap which the Air India has been inefficient to fulfill.



Employee Morale

The Company's goodwill has gone for a toss, with allegations of corruption & unaccountability. Air India's finances are in a deplorable state, imbrued in debts & tons of bills. This has led to lowering the morale of the employees. Air India, today is not even capable of paying the salaries to its employees. Due to the cash crunch, Salaries haven't been disbursed yet. Employees have reached a point where they do not trust the management anymore and have lost all hopes of revival.

Marketing Hiccups

- When losses are on the charts, the one mistake companies usually make is cutting down marketing costs. Cutting down costs is a good decision, but those costs should be limited to operation costs. Air India has decided to axe the marketing costs of the firm, to prevent expenses.
- They don't even have a fully enabled site where online tickets can be purchased. 84% of tickets are sold through private agents who make the tickets costlier where as in case of private airlines 46% of tickets are sold through site.
- Private airlines add marketing incentives such as holiday packages, frequent flier program, in-flight auction, corporate tie-ups giving them an edge over Air India. Also we see ripples of negative publicity all over the place. Word of mouth is defaming the goodwill which was built by Air India years ago.

These aspects are bringing down the once monolithic carrier of India.

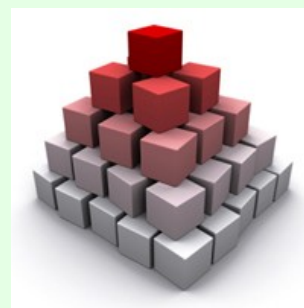
Marketing

Resurrection of the Maharaja: A possibility

With privatization still a question, the resurrection of Maharaja looks only like a dream. However there are certain steps that the government should take for the survival of Air India so that the country can keep the hopes alive for melioration.

•**Overhaul of the entire Management:** The first major change required is a management that can envision a new Air India, with transparent dealings, accountability & efficient approach. The government needs to pick a leader under whose management, Air India will get refaced. A change in management can be done by recruiting team of professional.

•**Restructuring:** It is extremely important to make optimum utilization of the assets of the Airline because the money involved is of an Indian taxpayer. The air line is oversized with many employees not being fully utilized. Also Nariman point head office is not favorably utilized. Many floors of the building are lying wasted unreasonably. So this national wastage needs to be dealt with.



•**Piece meal Approach to Privatization:** The government needs to start privatizing the Airline in parts. Starting with the maintenance & repairing being hived off with. Then ground handling can be done away with. This will also help in downsizing the employees by 15000. The units once hived off will give a positive valuation of about Rs. 8000 crore, which can be utilized to pay off the debts of Air India. Since the government is not in favor of strategic sale of PSUs, piecemeal approach would be a workable option.

•**Open deals:** The government should start being more open about the contracts that Air India is undergoing. This transparency ambit should be inclusive of all the stakeholders. The employees will have more faith in the organization if dealing and contracts are more glass cabined plus the public has the right to know about the happenings of the airline, as their money is involved .



•**Brand Makeover:** Several marketing and tourism initiative should be started by Air India. Their website needs more renovation. There should be a brand redressal campaign by Air India which will boost the image of the brand. Also serious service improvement is required. The touch points with customers need to be worked on.

Air India

Privatization: A big question

Air India is not competitive because the Government owns it. Now, as the company grapples with the worst crisis in its history, there are limited solutions before the government, and privatization is the logical one amongst them. Only after mass privatization of TV and Telecom took place did we see an eruption of TV content and mobile phones?

Effects:

- Privatization will eliminate the Unionists, staff who refuse to work efficiently because they are guaranteed a Government salary after every month. These are the people who have no dedication towards Air India.
- It will take the burden off the Government to run a loss-making company when the net fiscal deficit of the nation stands at around 13% of GDP.
- It will make Air India more competitive as the company will no longer laze around on a big Government cushion.
- As a private carrier, *babus* will not be able to have it their way and 'freeloaders' will be eliminated.

Would it be easy?

The company under fire for claims of corruption, continued safety concerns, a mountain of debt, fraught labor relations won't be attractive. You can't sell an airline when it is at its bottom. No one will pay the good price. Also because of privatization jobs will be shed, salaries will be cut. Approximately 17% of Air India's domestic routes are designed to connect remote areas of the country. If privatized, the airline would not touch these routes because they are not profitable.



Also the difficult part is that the government is not ready to give up. To even a blind man, it would be visible how the government has made it an ego issue, to not give up. It will eventually have to give up because the remains of Air India's legacy need to be protected. It was once the pride of the country. It no longer is. Privatization is the way forward anything else is temporary touch up which will wash away with the torrential rains.

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FDI in India

Dealing with competition: Challenges that FDI in retail pose to Indian retail firms

By: Sunil Shrikant Chaware , MMS (2011-2013), WeSchool

In 1991, the then Finance Minister and current Prime Minister Dr. Manmohan Singh liberalized Indian economy opening the doors of this fledgling market to foreign players. There were fears within people that this change will expose Indian businesses to the foreign players equipped with sophisticated technology, great fortune and their hunger to conquer the Indian business. These fears were rational considering the confined exposure to domestic business houses. However, if we look back at the journey of our country over the past 2 decades we find that the fears were hardly true. Indian businesses not only sustained the competition but they advanced themselves up to the mark not only to earn in domestic markets but to mark their footprint all over the world. E.g. Tata Group, Reliance, Bajaj etc. Reason behind mentioning this here is that Government of India is planning to follow same steps by allowing FDI in multi-brand retailing. The proposal has been sent to PMO by industry ministry. Currently India allows 51% FDI in single brand retailing only. India enjoys organized retail share of only 7% of its total market of US\$435bn. Other Asian countries like China, Thailand, Japan have a considerable, much higher percentage of the organized retail market.

The Indian Government was speculating on a 51% FDI in this sector with following clauses :

- Minimum investment should be US\$100mn
- 60% sourcing of food should be from local farmers
- Half of US\$100mn should be in backend infrastructure like cold storages, soil testing labs etc



Owing to growing consumerism in the country with average incomes rising, it is quite evident that business houses would be dying to invest here. Foreign giants that are expressing their interest are world leaders like Walmart, Carrefour, Tesco etc. These firms have presence all over the world through thousands of stores (owned or franchisee). They have their expertise in store types like hypermarkets, supermarkets, cash & carry stores etc. The government believes this initiative will help reform the farm sector, bring modern technology in the much needed back-end infrastructure, help farmers get better remuneration for their produce and also help improve supplies and generate better employment. Vegetable vendors that collect goods from farmers charge around 10-15% commission. This benefit has been proved by Reliance fresh, Future Group's Food Bazaar, etc.

FDI in India

Mr. Kishore Biyani, CEO of Future Group, is quite positive about these foreign partners coming in. He says ***“We do meet people who come to India. They do meet all retailers, including us and when we look at the interest we find that interest is very high among Asian retailers.”***

Despite above facts, there is a wave of anxiety among fellow Indians. The biggest Opposition party BJP is taking stance against this decision saying that this will have negative economic implications. BJP leader Yashwant Sinha quoted ***“Why do you need foreign direct investment? You need foreign direct investment when you are short of resources. Is it the government’s case that India is short of resources and therefore we need foreign direct investment to come into this field. We don’t buy this theory.”*** He also raised the point that there are thousands of people who are getting self-employment through unorganized sector. Entry to foreign firms would make life of these people difficult.



Yes, there are certain issues this FDI in multi brand retailing will lead to. With these players coming in, Indian retailers like Future Group, D-Mart, Wills Lifestyle etc. will have to pull up their socks to fight competition. Foreign players like Walmart, Carrefour have immense experience of retailing and funds readily available with them, thereby creating tough competition for Indian firms. Therefore, when one gives a superficial thought to this, chance is that the person will tend to think about hurdles to Indian retail firms.

“Every coin has two sides” as the old cliché goes. Things, however, can turn positive for Indian-retailers as had happened post liberalization with many Indian firms like Bajaj Auto, Hero Motorcorp (Formerly Hero Honda), Jindal steel making their mark globally. There are many advantages that these Indian retailing firms enjoy, primarily being their knowledge of the Indian customer, their shopping habits and tastes. India is a diversified nation with food habits and behavioural traits changing after every 100 kms. Indian firms have adjusted themselves with this diverse environment and have made necessary changes in their design of the shop, product promotion and advertising. E.g. In Sangli Big Bazaar you will get unpacked oil which may not be available in Tier I & II cities.

Marketing

Customer knowhow, however, is not the only advantage domestic firms have. They have their well established dealer network, their knowledge about logistics and supply chain related issues in a developing country. In India, a manager has to keep track of external issues along with internal matters. This is the area where foreign retailers may stumble upon. Looking at the future prospects in rural area, ITC has already begun its “**e-Choupal**” scheme to mark its footprint in rural areas. Reliance retail already has 850 stores all over the country, Spencers has established itself with 220 stores in 45 cities and success of Future Group, (largest retailer in country with 360 Big Bazaar & Food Bazaar Stores) is very well known. There are several other chains like more, Sahakar Bazaar who are performing very well.

There is an unorganized sector in the country enjoying great share of consumer pockets as against their organized competitors. The shops, also called Mom & Pop shops, can come together to face the competition using the means like uniting their funds and sharing responsibilities & outcomes.

They enjoy several exclusive advantages over organized sector:

- Credit facility
- Home delivery
- Vicinity to the home
- Emotional attachment with customers
- Long established relationships with vendors

Since there is a speculation of a cap of 51% on foreign players for FDI (if implemented), they may need to collaborate with Indian firms for remaining 49% stake. E.g. Walmart was planning to tie up with Bharti Airtel. It will give chance to new firms to enter retail business or even existing firms can expand their portfolio. Reliance Retail, a subsidiary of RIL, is planning to open 20 hypermarket stores across the country by March 2012. It will be occupying a much larger retail space and will offer comprehensive range of products ranging from food to furniture unlike Reliance fresh which was opened in small areas primarily offering mainly fruits and vegetables. Reliance is not going to be in partnership with any foreign player even after FDI in multi brand retailing is allowed in India.

Hence, to recapitulate, yes, Indian firms are likely to face severe competition from foreign competitors, but there are several strengths that Indians have over them. It will be challenging for foreigners to get acquainted with India as well as Bharat, the rural India. Therefore, domestic firms can rise up making well directed use of their strengths reinforced by proper strategy and planning in this market where sky is the limit. Competition should be taken positively by them since we know “a pulley ascends efficiently when friction is there”. *Strengths vary. All have a chance to grow, a threat to fall. The one has to take right efforts at the right time in the right direction. Let us hope that the Indian consumers will get the best out of it.*

Riot is the new Right

Riot is the new right

By: Anagha Sali, PGDM (2011-2013), WeSchool

People all over the world have been increasingly taking to streets in retaliation to absolute oppression and appalling social evils like corruption, income inequality, etc. to manifest their sheer discontent and demands that can't be penned down on a paper. It's the job of their "representatives" to understand these unsaid demands and work in the favor of those who elected them. Be it the recent "Occupy Wall Street" riots or the Iceland protests as its economy continues to deteriorate due to the credit crisis and slips deeper into recession or be it the huge protests in Ireland majorly by the middle class rallying against a levy on their retirement or be it the protests in Greenwich outside bank CEO's luxury homes by busloads of protestors demanding justice. Although demographically diverse, their underlying objective of bringing down the appalling inequality is pretty much the same.

We are the 99% -

The fact that is clearly evident from the statistics provided by Congressional Budget Office regarding the income levels of Americans that the incomes of top 1% of the population grew by an average of 275% while that of an average middle class American family that forms 60% of the populace grew by a mere 40% is not just indicative of a deep systemic rot that favors the rich and penalizes the poor but also shows that those who set the US economy on fire are still at large and nothing significant has been done to penalize the culprits who have got richer for being criminal. The Government has failed to hold the line against moral hazard by issuing a blanket guarantee to all the reckless constituents of the financial services industry except for Lehman Brothers.



Riot is the new right

People are getting increasingly frustrated of seeing democracy being reduced to a mere function of casting votes every few years & then leaving the system at the mercy & influence of the filthy rich. One of the major demands of the OWS protestors is the reduction in the corporate influence over politics and policy making. As aptly pointed out by Gylfi Zoega, the Icelandic

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economist who actively contributed to the economic policy debate during the Icelandic financial crisis 2008-10, said that the government went as far as travelling with the bankers as a 'PR show' extolling the benefits of the financial innovation that gave rise to complex financial instruments like Collateralized Debt Obligations or the CDO's now correctly referred to as the Chernobyl Death Obligations.

The alarming statistics of spending

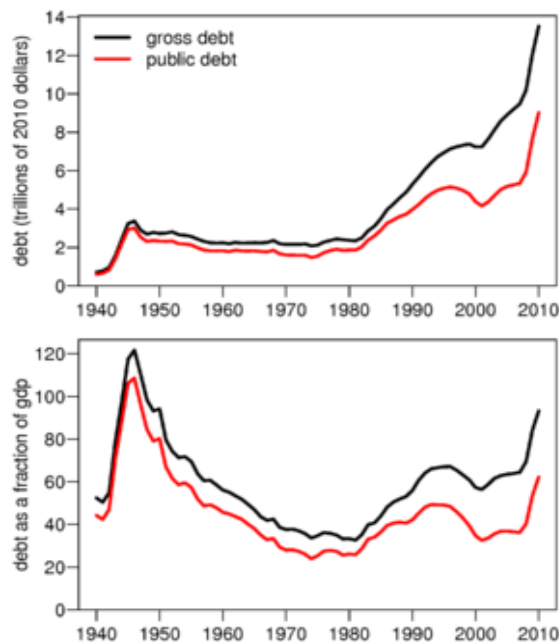
The US government has already spent a whopping US \$ 6 trillion to contain the recent crisis that is about 10 times of what was spent on New Deal (US \$ 500 billion) that was put in place to contain The Great Depression eight decades ago and it also beats the previous record of World War II that stands at US \$ 3.6 trillion. The government committed to spending an additional US \$ 7.8 trillion a year ago when the total spending stood at US \$ 4 trillion bringing the total cost of the crisis close to a shocking US \$ 12 trillion. US government cannot afford to print its way out of the crisis without provoking the specter of inflation; neither can it raise taxes or cut spending without fueling recession. All this as a consequence of the reckless actions of some over-leveraged Wall Street firms, outright fraudsters, vast Ponzi schemes, government inaction, lax supervision and regulation and falling corporate governance. Where does the American tax payer who foots the bill feature in this list? Yet the huge cost of this crisis finally has to fall on the backs of the diligent tax payers.

The public debt of US that reached an all time high with a debt GDP ratio of 122% in 1946 would make today's debt GDP ratio of 99% appear somewhat better. But there's a catch. In 1946, US was a superpower, untouched by the World War II, blessed with an immense pace of development, had a manufacturing base envied by the world, ran current account surpluses and the dollar had just become the world's reserve currency. All these developments were instrumental in helping US pay its way out of the debt back then in 1946. But today the situation has reversed. The US dollar is flowing out making place for China's Renminbi, it is running large account deficits, the manufacturing base is getting weaker, there is no pace in development and it is scathed by problems all around the world, especially due to the political instability in oil-rich countries and its own relentless war against terrorism. Thus, Keynesian economics of stimulating spending to achieve growth in aggregate demand in today's scenario does not bear much relevance. Nouriel Roubini, the famous economist who warned of the impending crisis clearly pointed out that it was a hugely expensive crisis given the extent of destruction of equity wealth, housing wealth, income, jobs and the terrible fact that 50 million people could end up below poverty line again. This is enough reason for people to protest and justifying their protest does not require us to be a genius.

Riot is the new Right

Regulations -The way out

What the US government really needs to do is not just assure the people that the financial industry that got them into this mess will be dealt with. Rather, concrete steps need to be taken to regulate the financial services industry first by regulating derivatives which is a US \$ 300 trillion market (20 times the size of US economy). Next, securitization needs to be brought under vigilant supervision to block sub-prime loans from getting into the chain that can throttle the entire system. Next, the pervert systems of compensation that reward for taking on risk need to be replaced with better systems that accounts for the losses made by the trader before bonuses are awarded. Lastly, the ratings agencies need to be watched closely and the previous system of making the investor pay for getting an opinion on a security needs to be brought back in place of the current system that makes the issuer of security pay for the same as we have already seen the bizarre consequences of the latter.



India and Inequality

Corruption in India is no less a reason for people to take to streets. Again the same evil of inequality is at play here. The recent movement of Anna Hazare that received nation-wide acclaim shows that corruption affects all except for those who have the money to contain it. The estimated amount of black money arising out of corruption if bought back to those who own it will wipe off 25% of the fiscal deficit of India that currently stands at Rs. 2.74 trillion. Anna Hazare's commendable efforts of holding a fast unto death for implementing the Jan Lokpal bill that will hopefully get corruption under control is just one consequence of what happens when social evils afflict majority of the populace.

People become policy makers

The idea of democracy as a form of government by representation has taken a severe beating given the misuse and abuse of political powers that result from the nexus between politics and business which is at the root of all the problems. The recent movement lead by Anna Hazare should not be dismissed by the Government as a once-in-while incidence of government engaging people on policy issues and doing so would be a huge mistake as people are increasingly seeing it as their right to be engaged on policies that will affect them. Critics of embracing the larger citizenry directly may argue that they lack the ability to decide rationally on complex issues that require a level of deliberation and thought. But it doesn't require more

Finance



than the “deliberation and thought” of a third standard kid to see that if the policies designed by the government to contain, say for example corruption, are toothless, they will simply add to government expenditure and be of no help to the common people who suffer the most from it.

To add to it, does it take one to be a genius to understand Planning Commission’s bizarre statement that spending more than Rs. 32 per day does not entitle you to receive government benefits for poor? It rightly attracted nation-wide criticism. These and blunders alike can only be contained with participation from the people. That brings us to the conclusion of participatory governance as a solution.

Referendums – The way out:

Irrespective of the country, religion or any other sub-division, it can be clearly seen that the government needs to make a provision of involving people in making major policy decisions that affect their life instead of provoking them to riot and then asking them their demands. Referendums would be one of the solutions of achieving a somewhat satisfactory system of policy making. Referendum basically is a direct vote in which an entire electorate is asked to either accept or reject a proposal according to its Wikipedia definition. It can be initiated by the citizens via petition called the initiative. It is not a new concept.



It’s been tried and tested before in US’s Oregon, California, Colorado, Arizona, North Dakota, Washington and all over the world. Since 1904, citizens in 24 states of the US have placed over 2051 initiatives of which 840 (41%) were adopted. Critics of this idea of participatory governance argue that such a system may throw the country into anarchy. But the point is that in absence of radical remedies, anarchy and chaos will continue to reign anyway in the form of ever more violent riots and outbursts.

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Islamic Banking

Islamic banking & Its impact on India

By: Akhilesh Shenoy, Kartikey Seksaria, PGDM (2010-2012), WeSchool

Islamic banking is based on the principles of Islamic economics — an economic framework in accordance with Islamic law (Shariah). Islamic banking abides by the Islamic law (Shariah). Shariah prohibits usury / payment or acceptance of interest on specific term loans. Islamic banks would never knowingly have anything to do with companies involved in gambling, alcoholic beverages or porcine food products. To ensure Shariah compliance, Islamic banks usually have boards of religious scholars. Is it only for Muslims? No. Anyone can participate in Islamic Banking provided he/she has faith in Shariah. In 1994, Malaysia created the world's first Islamic inter-bank money market. Now, nearly one-quarter of all Islamic banking business in Malaysia is transacted by non-Muslims. Some Islamic banking services are Islamic charge and debit cards, Islamic debt investments, Convertible bonds, Islamic bonds.



There are two types of Islamic economics:

Caliphate, the Islamic form of government representing the political unity and leadership of the Muslim world (Islamic political framework). Assuming the political framework is non-Islamic, therefore, seeking to integrate some prominent Islamic tenets into a secular economic framework Caliphate is the absolute Islamic rule, thus the economy focuses on distribution of resources in order to meet the basic and luxurious needs of individuals in society, and the state has a clear role in policing, taxation, managing public assets, and ensuring the circulation of wealth. Such a political framework in its true form does not exist in today's world.

Assuming non-Islamic political framework simply proposes two main tenets: no interest can be earned on loans and socially responsible investing. This is the way conventional banking is Islamized—the first step towards an Islamic economic framework. Modern day Islamic scholars and academics have developed various modes of Shariah compliant financing that are designed to work within the prevailing capitalist economic framework. In order to achieve this balance numerous concessions have been afforded to financial institutions that would not apply if a viable interest free economic system existed. The intention behind making these concessions is to encourage the evolution of this type of alternative system.

Finance

Financial institutions around the globe are trying to keep pace with the growing demand for Shariah compliant products and services. According to him, as many as 75 countries all over the world have recognized the need for Islamic banking and opened doors for it.

The segment constitutes nearly 22% of the total banking in Malaysia, which is considered as hub of Islamic banking. It has been growing at nearly 20% in countries like Kuwait, Bahrain and Saudi Arabia.

The delay in introducing this concept:

Islamic banking in India is not possible now with the current banking principles based on interest payment, but it can be done though a separate legislation, Reserve Bank of India Governor D Subbarao said. With the present set of Banking Regulation Act, Islamic banking just cannot take place because many of the banking principles in place are based on interest payments. The Kerala High Court ruling asking the state government and its agencies to keep away from a new company that has been registered under the Shariah laws of banking, he said: "Since this is a constitutional issue of whether a government can or cannot enter, we have nothing to say on that."

Former union minister Subramanian Swamy had petitioned the court against the Kerala State Industrial Development Corporation taking the lead to start an Islamic bank with private players. Making a strong plea for launching Islamic banking, Muddassir Siddqui, an authority on the subject, said that India should open interest-free banking windows in conventional banks as a pilot project. On issues relating to recovery in cases of loan defaults in Islamic banking, he said it was done the same way as conventional banking.



When it was pointed out that the Centre had in its counter affidavit in the Kerala high court on a connected petition on September 9, 2010 stated it was not legally feasible for banks in India or its branches abroad to undertake Islamic banking activities', he said discussions had been held with Union finance ministry officials and RBI regarding Islamic banking. Currently, close to one trillion US Dollars was being managed by about 400-500 Islamic banks worldwide, he said.

Interest free banking system would offer a great opportunity to attract substantial investments from countries in the West Asian region to India, he said adding institutions and high net worth individuals there were looking forward to investment opportunities in India. India can attract a good portion of this by developing the appropriate regulatory framework, said Abdur Raqeeb, general secretary and convener of National Committee on Islamic Banking of Indian Centre for Islamic Finance.

Islamic Banking

The Legalization of Islamic Banking in India

A Kerala High Court has dismissed a writ petition filed against the government for starting an NBFC by the Kerala State Industrial Corporation (KSIDC) based on Shariah-compliant Islamic rules. The writ petition had been filed by a Janata Party leader and others. The bench observed that when KSIDC proposed to carry on NBFC business in accordance with Shariah law in addition to complying with the laws of the country, it could not be treated as promoting a religion.



The company, Al Barakh Financial Services, has welcomed the green signal for its venture. "It is a very favourable development and the board of directors will meet to decide on the plan of action." The Kerala High Court gave the green signal to a company registered under the tenets of Shariah to start operating an institution based on the principles of Islamic with the participation of a state-run firm. Such institutions cannot charge interest.

Dismissing the petitions of Janata Party leader Subramanian, Swamy and others, a division bench headed by Chief Justice J. Chalmeshwar gave the go ahead to Al-Baraka Company to start the institution with Kerala State Industrial Development Corp as an investor. Al-Baraka has 14 promoters who have contributed Rs.4.20 crores toward its capital and a 17-member board, with prominent Gulf-based businessmen P. Mohammed Ali as chairman and C.K. Menon as the vice-chairman. Kerala State Industrial Development Corporation will have an 11-percent stake in the firm which will have to follow some strict rules that specify which areas or businesses money can be extended. The company also cannot charge interest as per Shariah laws.

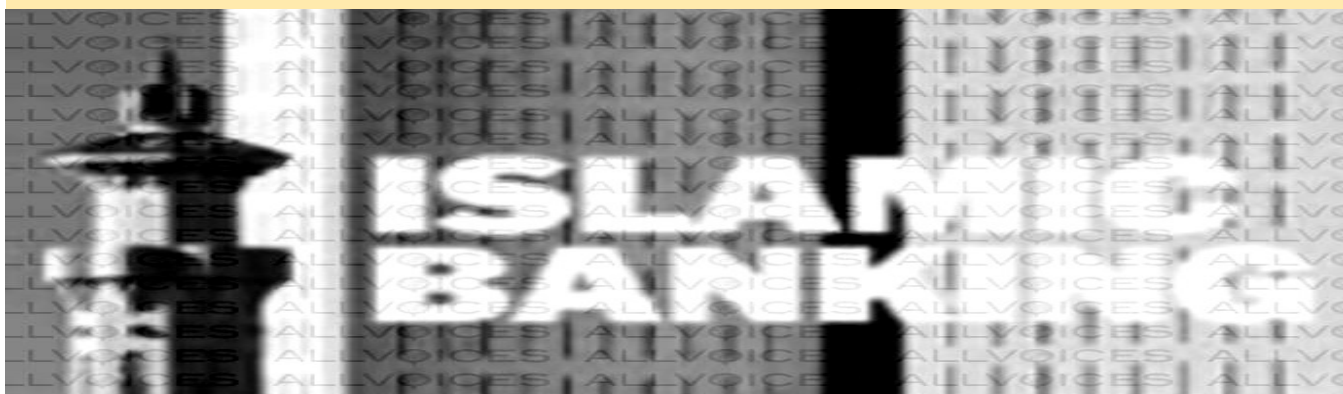
"The basic principle the company would follow is: There will be no interest charged, no interest taken. There are many people who are willing to put in their money and need no interest. We will pool this money and in infrastructure. Al-Baraka Company, accordingly, will not operate as a bank and extend loans, but make direct investments into such projects, after which profits would be shared in the form of dividends and not as interest. "There have been from time to time demands for experimenting with Islamic banking in the country," the Prime Minister said and added, "I would certainly recommend to the Reserve Bank of India, which is looking into this question, to look at what is happening in Malaysia in this regard."

Finance

Swamy had objected to Al-Baraka's concept on the principle that since public money was involved, with a state-run agency proposed as a partner, the application would favor one particular community in a secular country. Islamic banking has been a major demand of Muslims in India, who number more than 160 million - the third-largest such population in the world after Indonesia and Pakistan where they number 200 million and 175 million, respectively. In Kerala, Muslims form the second largest community with close to 24 percent of the 32 million populations.

Impact on India

Islamic Banking as its fundamental principle provides interest free loans. It can be a boon for poor farmers struggling to repay debt and looking for cheaper sources of credit. Presently there are abundant cases of financial exploitation of farmers who are charged exorbitant interest rates by money lenders and by for profit MFIs. Struggling to repay these huge loans limits their borrowing capacities & hence as a result their investing capabilities. Farmers borrowing from Islamic banks can prove beneficial for the economy as it will pump in more money via increased investments by the farmers themselves. As their investing capacities increase, the farmers will invest in more capital goods & better technology, thereby increasing agricultural produce & as a result bring down raging food inflation prevalent in the economy.



By introducing interest free loans vis-à-vis Islamic banking we can also arrest the depressingly regular cases of farmer suicides in Vidarbha & elsewhere. One can argue that Islamic banking can bring about more inclusive economical growth by providing inclusive banking. Muslims, who are the 2nd largest community by religion in India, constitute over 15 per cent of the population in India but they hold only 12 per cent of the accounts in the 27 public sector banks as far as priority sector advances are concerned. The share of other minority communities, which form roughly 6 per cent of the population, is 8 per cent. This is the average for the period between March 31, 2001, and March 31, 2005. Statistics available for the same period with regard to priority sector lending by the 29 private sector banks reveal that Muslims held over 11 per cent of the accounts, while the other minorities held 10.5 per cent.

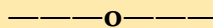
Islamic Banking

These figures become even more disappointing in the 44 minority-dominated districts in the country. Muslims, who form over 33 per cent of the population there, hold only 21 per cent of all public sector bank accounts, while other minorities, who form only 2 per cent of the population, hold 5 per cent of all accounts. The main reason why Muslims do not hold accounts or borrow from conventional banks is because of interest which is charged & given by such banks. Giving or taking interest is against the Islamic religious principles. Bringing about Islamic banking will ensure considerably higher participation by Muslims in the banking sector. Also as lending by Islamic banks is not restricted to Muslims alone it will no doubt benefit marginalized sections of society as well.

A further benefit of Islamic banking is the \$1.5 trillion worth of Shariah-compliant funds from the Gulf countries. Such funds do not come into India because of absence of Islamic banking as a banking option. At a time when India is looking to make huge investments in development of world class infrastructure & is looking out for sources of funds, these funds seem too attractive to be avoided. One last plus point of Islamic banking was experienced during the financial crisis of 2008-09. While most conventional banks went bankrupt or were on the verge of bankruptcy, not a single Islamic bank went through such a crisis.

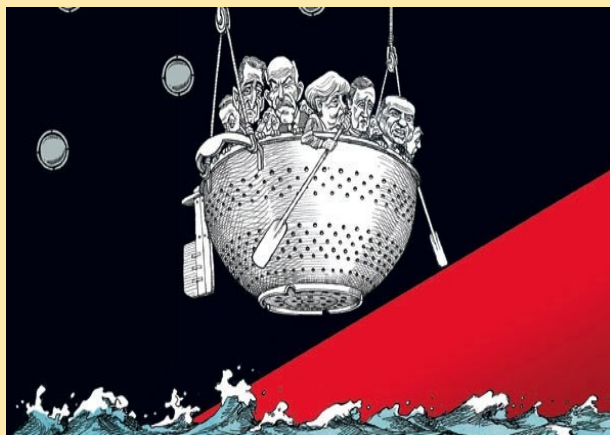
While conventional banks with their huge amount of reserves were willing to invest in any venture regardless of the levels of risk involved thereby increasing chances of incurring bad debt, Islamic banks follow strict rules against lending to companies with any risk involved thereby incurring close to zero debt. Assuming any future financial crisis was to hit India causing most conventional banks to go bankrupt, Islamic banks would help in tiding over the inevitable liquidity crunch thereby helping in speeding up economic recovery.

All in all implementing Islamic banking in India seems to be a viable & a wise option both economically & politically.



Is the Euro zone a sinking ship?

By: Abhishek S. Agrawal, MMS (2011-2013), WeSchool



The Euro zone which comprises of 17 nations of the European Union has been plagued under severe crisis. The member countries Portugal, Italy, Ireland, Greece and Spain (sometimes these countries together are referred as **PIIGS**) have been in the midst of sovereign crisis. The Euro zone which was formed so as to control the inflation rates and to provide economic assistance to its member nations, now seems to be falling apart. There have been reports that Germany and France, two biggest economies in the Euro zone are in talks to

exit the Euro zone after the bond rates of Italy went above the key 7% level. Italy is the third largest economy of the Euro zone. After Greece, Germany and France will find Italy too big to rescue. Let's delve into the causes and a possible way out of these so called the contagion i.e. the unease about growing high debt and slow growth.

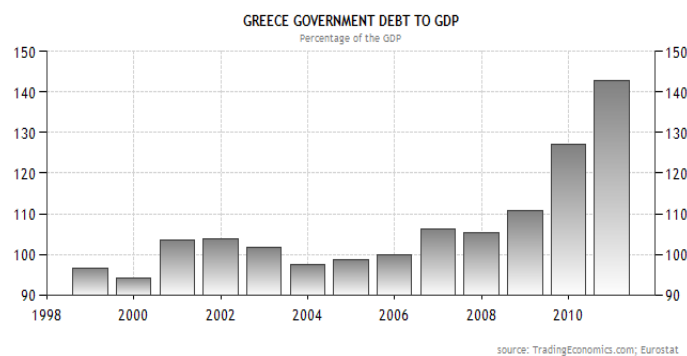
Causes of the Sovereign Crisis:

The major reason for the Euro zone plunging into crisis is that nations like Greece and Italy have surpassed their spending and debt levels mandated by the Maastricht treaty. Let's look into the problems of these troubled countries i.e. Greece, Italy, Poland, Ireland and Spain.

•Greece:

After a grand entry into the Euro zone on 1st Jan 2001, Greece announced that this "historic" achievement will put it at the heart of Europe and will guarantee stability and stability since it had brought its finances according to the Euro zone requirements. However, on 15th Nov 2004, it turned out that Greece had fudged its entry and its debt was never below 3% as required by the European Union (EU). According to the reports, the government deficit was 3.4% of its GDP.

The adjoining graph shows the rising govt. debt to GDP ratio for Greece since 1999. One of the reasons has been unhindered borrowing by the Greek govt. for financing the public sector jobs, pension funds and other social benefits.

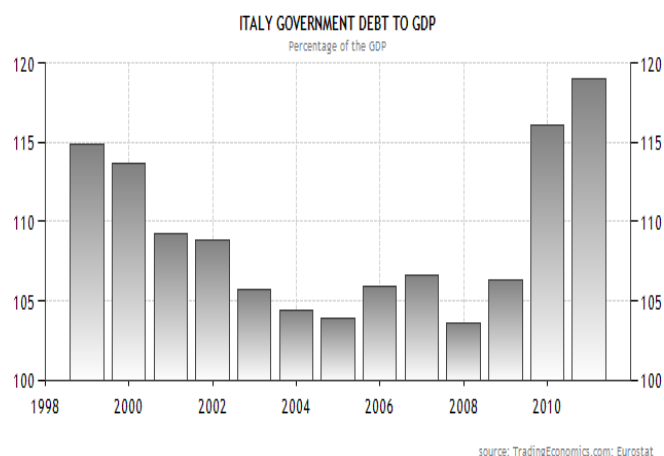


Eurozone

•Italy:

Italy, one of the central members of the Euro zone, is struggling with its anxious investors driving the bond rates well above the 7% mark. At such a high rate, it is feared that Italy can't pay what it owes on govt. debt.

The adjoining graph (Eurostat) shows Italy's debt to GDP ratio. As seen from the graph, the debt to GDP ratio in 2011 stood at 116, which is unreasonably high.



• Other nations in Europe:

Italy and Greece are two major defaulters in the Euro zone. But the situation is no better in other countries of Europe which have very high debt to GDP ratio as shown in following table (Source: Eurostat).

	EXTERNAL DEBT	As a share of gross domestic product	TOTAL DEBT	EXTERNAL DEBT	In billions	TOTAL DEBT
Greece	78.5%		149.5%	\$ 259		\$ 493
Italy	52.5		121.5	1,191		2,758
Portugal	54.2		106.3	136		267
Ireland	63.1		104.6	142		236
France	53.6		86.2	1,526		2,455
Germany	45.0		81.3	1,646		2,976
Spain	29.0		65.2	454		1,019

The total debt as a percent of GDP of Greece, Italy, Portugal and Ireland are dangerously above 100%. This clearly spells trouble for these nations.

Steps by the Central bank:

The monetary policy for the region is controlled by the European Central Bank (ECB). Headquartered at Frankfurt, Germany, the bank's main aim is to control the price rise or inflation. It has set 2% inflation rate as an acceptable level, beyond which it would lead to instability. The bank has been working in close co-ordination with the International Monetary Fund (IMF) to tackle the crisis of sovereign debt.

It along with the European Union (EU) constituted the European Financial Stability Facility (EFSF) aimed at providing financial assistance to the Eurozone states. The ECB has granted funds to the Irish and Portugal governments under the EFSF. The Irish government was granted € 85 billion and € 78 billion respectively.

ECB and the Greece crisis:

The ECB has proactively taking steps to avert a forced default of Greece. As a part of this effort, it along with the IMF agreed for a €110 billion bailout package in return of austerity measures from Greece in May 2010. The austerity measures include addressing higher pay packages for the government employees, shutting of inefficient public units and preventing tax evasion. It also required Greece to set up an independent body to look over privatization of ineffective units.

Political Fall-out in Greece:

George Papandreu, who took over as the Prime Minister in November 2009 realized the extent of problem only when he took over. His popularity started plummeting since the sovereign crisis had become quite acute when he became the PM. The crisis caused turmoil both within Greece and the Eurozone, raising fears about the existence of the common currency, Euro. Throughout 2010 and 2011, investors continued to demand higher interest rates for Greek borrowing. There were violent protests across the country against the austerity measures proposed by the government, as a part of its commitment to the ECB and IMF. In late October of 2011, Greece received a measure of its potential bailout plan. This package aimed at bringing the debt to 120% of its Gross Domestic Product (GDP). However, this was greeted with a lot of reluctance as it demanded a lot of austerity measures. Greeks felt that their policies were being dictated by Germany and France. In his last ditch effort for survival, Papandreu declared a referendum to be held on the announced package. This sent shivers across the globe, causing a wave of fall in the markets. Bowing to the pressure from Germany and France, he finally reversed his decision for the proposed referendum. After hectic parleys, a united government was formed, and Papandreu had to resign.

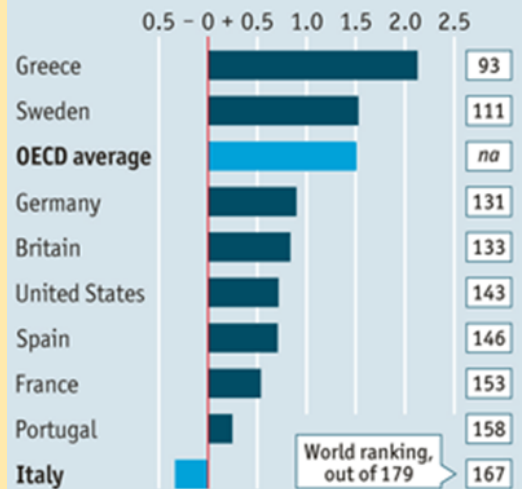
Eurozone

Regime change in Italy:

The Economist calls Italy “an oversized Greece”. Italy is considered too big to fail and it will be difficult for the Eurozone members to bail it out of the crisis. The bond rates of Italy have surpassed the key 7%, a level considered critical by the ECB. As seen from the graph above, there has been a fall in the GDP per person and it ranks lowly 179 out of a total of 196 countries. It has GDP growth just above Zimbabwe and Haiti. The PM Silvio Berlusconi was accused of involvement of several charges, at a time when country was reeling under severe economic crisis. After losing majority in the Parliament and amid growing European debt problems, he finally resigned on 12th Nov. The President appointed former EU commissioner Mario Monti as the new Prime Minister of the country.

Near the bottom

GDP per person, average annual % change
2001-10



Sources: IMF World Economic Outlook; The Economist

Effects in other Eurozone economies:

The other economies of so called the “PIIGS” nations also are on the brink of similar sovereign crisis. Let’s get an overview of these underperforming economies.

•Ireland:

In Ireland, the crisis is not because of overspending but due to the state providing economic assistance to six nationalized banks that financed the housing property bubble in 2008. The government had provided guarantees to the nationalized banks under the National Asset Management Agency constituted by the government.

•Portugal:

Portugal is a victim of government overspending and inflated investments in public-private projects across the country. The economy was affected by risky credits, public debts and mismanaged European structural and cohesion funds. The government which was formed in 2005 failed to gauge the crisis and later it was clueless when the country was on the verge of bankruptcy.

Finance

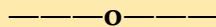
•Spain:

The Eurozone's fourth largest economy has gone from growing fastest as compared to its neighbors to stagnation in just three years of time since 2008. In 2007, Spain had public accounts surplus of 2% of its GDP. This surplus was converted into deficit in the following year. This is accredited to the decade long property and credit bubble bursts.



Conclusion:

Thus, as seen, the Eurozone which was formed to help the member nations in economy expansion now sees itself on a wrong footing. There have been talks about few nations breaking away from the body. However, they need to understand the fact that the world economy hinges a lot on the developments in the Eurozone. Any impulsive reaction would lead to cascading effects and shrink the world into another recession. The bailout of the troubled states is possible. With the change of guard in Italy and Greece, it is expected that the new premiers being lead economists, will take rational decisions. So, it is imminent that these nations comply with the norms and ensure that the funds are used in apt way.



Supply of Talent

Steady Supply of Management and Talent

By: **Prisoomit P. Nayak, PGDM (2011-2013), WeSchool**

In the current economic scenario, meeting financial objectives often requires growth in new markets, a constant stream of innovative products and services, and ever-higher levels of operational excellence. Talent has become a critical success factor (CSF) as the labour costs represent one of the largest components of operating expense for many companies. Steady supply of quality talent is a fundamental prerequisite for the success of any organization which can be effectively leveraged through an efficient talent management system.

In an organization, *talent* can be described as a combination of four intrinsic capacities within an individual namely the *conceptual quotient*, *learning quotient*, *relationship quotient* and *acting quotient*. In addition, it must include enabling of change management and contribution to the organization culture. Organizations provide individuals the opportunity and space for physically manifesting their talent into performance for achieving individual and organizational vision. The real trick is to match the right motivated talents to the right role- individually and collectively, harnessing and harmonizing this crucial attribute to achieve the objectives of the organization.

Thus, *talent management* is a strategic approach to managing human capital throughout the career cycle: attracting, retaining, developing and transitioning your most important assets into effective management leaders.

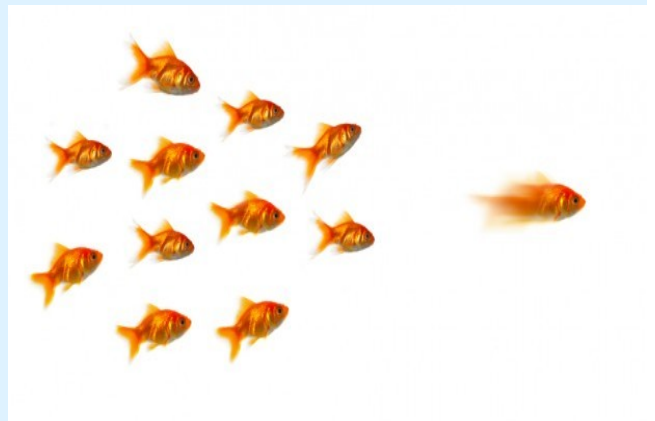
Identifying Talent:

Some characteristics that can be used to identify talent within the workforce are comfort with change, clarity of direction, thoroughness, participative management style, persuasiveness, persistence, and discretion.

Myopic Ways Used to Manage Talent:

Augmenting the Return on the Talent Management Investment

Great talent managers do a highly controversial thing. They play favourites and devote most of their time to the best performers. Ironically, poor managers do the exact opposite and devote the greatest amount of time to their worst performers, trying desperately to create some over-all acceptable level of performance.



Human Resources

The Cost of Ignoring Prophets Within

Companies get excited about learning from external sources. By valuing external knowledge more than internal, they are demotivating employees and ignoring the latent knowledge hidden in their own treasure-troves.

A classic example is of Xerox which consistently failed to appreciate accessible, rich, home grown talent from employees which could have been more easily captured whereby they overvalued less accessible, sparser external knowledge from consultants.

Affirmative HR Policies:

Some of the steps taken to correct the anomaly of flawed HR Management policies are :

- Objective recruitment procedures to ensure that the right people are hired

Conducive work environment giving employees the freedom to work confidently -New ventures flourish best in open, exploratory environment, but most large corporations are geared towards mature businesses and efficient, predictable operations. Provided of equal learning opportunities for all employees to assist them to realize their full potential and contribute to the organization better

- Recognition and reward of merit on a regular basis.

Lattice Framework is a framework for maintaining a perfect work-life balance whereas the



traditional framework known as the corporate ladder needed one to work harder than his/her peers to climb up the ladder.

So today, if anyone feels that he can take up additional work load and the supervisors are satisfied with his performance, he can be assigned extra work goals. Since he is evaluated in a separate category, this practice often gives the employee an edge over his peers. This is also known as **dial-up**. Another example of this flexibility is **dial-down**, according to which the employees can take time off from work regularly to take care of any personal issues. This is especially helpful for women employees who may need time to take care of their families.

Thus, the lattice framework allows an employee to meet his changing career needs to move faster, slower or even to change direction. Deloitte is the pioneer in the implementation of the Lattice Framework. All managers are eventually responsible for a group's performance by being a supervisor and leader. However, India being a significant source of intellectual capital that is driving the new world economy, effective handling of the work force requires a consciously modified approach to suit their growing aspirations and ensure maximum employee "engagement" and motivation.

Supply of Talent

Hence, we need to groom leaders to respond effectively to current and future challenges that will certainly involve more issues than the traditional focus on the “top-line” and “bottom-line” growth.

Grooming Speed Leaders:

Speed is a given in today’s economy, especially when we consider how quickly dangerous repercussions can result from seemingly insignificant events. Thus, leaders who prosper in high-velocity environments should have the following qualities:

Thriving In Unstructured Settings

Business school teach the “OODA loop”, a continuous process of observing, orienting, deciding and acting. But the leaders successful in high velocity environments exhibit a very different direction-setting approach when confronted by the unfamiliar called “ALA,” for act, learn and adapt.

Leading with a Light Hand

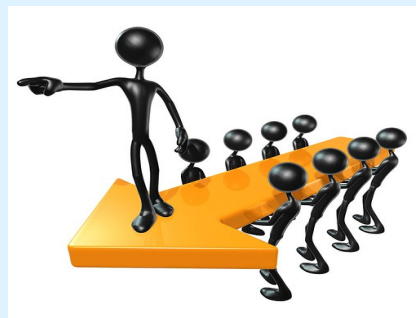
Ask a speed leader how he leads in circumstances of rapid change and one hears the words relaxation, intensity of focus and preparedness for the unexpected.

Indeed, what comes to mind when you listen to Sky Dayton, who at 29 led the rapid expansion of the Atlanta based Internet service provider EarthLink, is “Ride with a light hand, neither holding onto the reins with a death grip nor letting go of them entirely and ceding control”. This enables to send corrections when necessary and to impart the experience of freedom when not.

Conclusion:

Thus, talent management is a necessity not only to the organization but also to its employees. The organization definitely benefits from the increased productivity, a better linkage between the individuals’ efforts and business goals, commitment of valued employees, reduced turnover and a better fit between people’s jobs and skills. On the other hand, employees benefit from higher motivation and commitment, career development, increased knowledge about and contribution to company goals, sustained motivation and job satisfaction.

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Human Resources

Situation Analysis for Attrition in IT companies.

By: Kashmira Kulkarni, PGDM (2011-2013), WeSchool

Let me start this with small story for Mr. X and Mr. Y,

Mr. X and Mr. Y are Computer Engineers, graduated from X college with pre-placement offer from Y Company (names are changed to hide identity) with a handsome package.

When they joined company they involved in following things.

Day	Person	Description	Day	Person	Description
1 st day	X	Job formalities	1 st day	Y	Job formalities
1 st week		Behavioral training	1 st week		Behavioral training
2 months		Technical and functional training	2 months		Technical and functional training
Last day of training		No job allocation	Last day of training		Job allocation
3 months later		On bench	3 months later		Induction training
2 months later		Left the company	2 months later		Working in team but not happy with the project as skills were not matching. Thus left the company within a year.

This is a very common story that we must have heard or experienced in our life atleast once. Their situation when they join the company and few months later are very opposite to each other.

Let us analyse the existing process in IT company.

- Every company has set of Technical subjects on whom they train trainees, these technical subjects enhances the skills which are required in projects of that company.
- Every trainee is evaluated based on his/her performance in the exam conducted at the end of every subject (this is what is typically pattern of IT company's Training module).
- Generally there is RMG (Resource management group) in the Company which coordinates with Training Department to allocate the new trainees to a project.
- Project manager shares the resource requirement details with RMG and RMG with the help of training department gets details of new trainees and allocate them randomly across the projects.
- Sometimes trainees are not allocated to the project for long time (called as bench time). No other activities are given for benched employees.

Attrition

What is result of such random allocation?

- Skills for the project and skills of the employees are not matched.
- Lack of interest of new member in the team work.
- Too much pressure to learn new skills.
- Lack of confidence.
- Less performance.
- Less job satisfaction.
- Leaving the job due to all above.



What is result of no allocation?

- Bench period is very high.
- Lack of interest, motivation.
- Too much restrictions in bench period also.
- No alternative opportunity to learn.
- Sometimes no place to sit also thus making employees lower in confidence.
- Leaving the job due to this.

Does this process have advantages or disadvantages?

- Some companies may think that attrition at entry level is good in terms of cost as they have bond period also sometimes company covers the training cost by employee.
- Easily availability of skilled people sometimes creates advantage for this.
- But the major disadvantages are “Image of the company” and “Lost of existing skilled and trained employees which is more than available skilled people”.
- Continuous cycle of low performance.

What can be suggestion to improve it?

1. To improve attrition due to random allocation:

- Company can make system which will keep track of all the new employees,
- It should store data of their trainings, like subjects they covered, marks scored, number of attempts and performance ratings given.
- System should maintain the data of projects and resource requirements, skills they need for that project. We can also have weekly session with project managers to understand their skills and need in detail.

Human Resources

- By implementing this system HR will be able to keep track of resources requirements and skills competencies needed.
- They can easily map the new employees with the projects in efficient way.
- Employees with correct skills will work in correct project.
- This will result in high performance, job satisfaction, self-motivation and almost zero attrition rate which occurs due to random allocation.

2. To improve the attrition due to bench period

- HR can try to reduce the bench period by forecasting the requirement and constantly communicating with project managers.
- Try to arrange other sessions for the employees in bench period.

These small things can cause significant change over small period of time. This is major step which should be taken by HR department of any company as the people company loose due to this attrition can be proved to be **Gems** in coming yrs.

A Company should not be training centre but an employee performance and satisfaction centre.

This implementation will have major advantages.

1. Company will get loyal employees.
2. Curiosity to learn new skills and new expertise.
3. Less attrition rate
4. Image of the company will be good in the minds of new graduates.
5. Performance will boost up.
6. People would not mind to work more at work place.

Every company should look forward to build the motivation of the employees not just by giving superficial things but through peace of mind which is lacking in work now onwards.

This will make employees feel like:



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Mumbai University New Initiative for Joint Action Now (MUNIJAN)

Against the backdrop of Gandhi Jayanti, students of Mumbai University's various management courses undertook an initiative with a change- A challenge to come up with an inspired idea to promote social change. The objective of Munijan is to bring positive changes in the society at large by involving students in a series of constructive socially responsible activities based on the principles of Mahatma Gandhi.

In the first round, students were asked to send the details about their idea which included the details of its implementation, its feasibility, sustainability and social relevance.



Out of 93 shortlisted teams from all over, 10 teams were shortlisted to present their big Social Idea in front of a panel of eminent dignitaries from CRY and the University of Mumbai. After a grueling final presentation, Team PRAYAAS from WeSchool were declared the winners based on their idea of waste segregation with the help of the 6.5 lakh strong student community spread across all city colleges under the ambit of the University of Mumbai.

Team Prayas, from WeSchool, tackled the issue of garbage disposal, proposing

proper waste segregation by type, then selling the paper and plastic waste and using the money to buy education materials for civic schools. "Segregation is not a new idea, everyone thinks about it, so we thought why not do it?" said Anjani Bansal, member of the winning team. The students are currently seeking assistance from the varsity so that commercial enterprises come forward to buy the waste that will be collected at the colleges and to raise enough money to fund civic schools.

IMPLEMENTATION

Students at WeSchool are requested NOT to throw newspapers, used plastic bottles, old notebooks, etc in regular dustbins in or off the campus. There are 2 dustbins each placed on the **ground floor** and the **3rd floor**. They are labelled as "Dry Paper" , "Plastic" and "Misc". Just throw your used plastic & dry paper waste into the respective dustbins and This waste once collected would be sold to respective recycling industries & the money generated would be used for helping BMC school kids.



We Appreciate

We thank the following people for their enthusiasm & for sending in their entries for the **logos** for Samvad :

Mustafa Maloo

Rakesh Marar

Samihan Tammewar

Nivedita Rajda

Aditi Sharma

Harshad Kottakondawar

We congratulate **Rakesh Marar** as his entry was adjudged the best logo.

We appreciate all the articles that we received for Samvad.

Call For Articles

We invite articles for the March, 2012 edition of Samvad.

The Theme for the next month: March, 2012—**Green Business and It's Future.**

The articles can be from Finance, Marketing, Human Resources & Operations domains.

Submission Guidelines:

- Word limit: 1000 words & must have relevant images. Please include your name, institute name, course details & contact no. on the front page.
- Please send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05' to **samvad.we@gmail.com**.
- Please name your file as: <YourName>_<title>_<MBAvertical e.g. Marketing/finance/BMS>
- Subject line: <YourName>_<InstituteName>_<Year>
- Ensure that there is no plagiarism and all references are clearly mentioned.
- Deadline for submission of entries: **25th March, 2012.**

Team Samvad



From right to left :

- Stita Pragyna Misra (Editor)
- Prof. Jalpa Thakker (Mentor)
- Rakesh Marar (Design & Graphics)

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Where the Mind is Without Fear

*Where the mind is without fear and the head is held
high*

Where knowledge is free

*Where the world has not been broken up into
fragments*

By narrow domestic walls

Where words come out from the depth of truth

*Where tireless striving stretches its arms towards
perfection*

Where the clear stream of reason has not lost its way

Into the dreary desert sand of dead habit

Where the mind is led forward by thee

Into ever-widening thought and action

*Into that heaven of freedom, my Father, let my
country awake.*

— Rabindranath Tagore