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**US and us**



**Mr. Virendra Gupte**  
**CEC, Tata International**



# INTERNATIONAL RELATIONS

# About Us



## OUR VISION

**“To nurture thought leaders and practitioners through inventive education”**

## CORE VALUES

**Breakthrough Thinking and Breakthrough Execution**

**Result Oriented, Process Driven Work Ethic**

**We Link and Care**

**Passion**

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*“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,

It gives me great pride to introduce Samvad's edition every month. Our Samvad team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone.



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

As we begin a new journey with 2016, I sincerely hope that Samvad will reach new heights with the unmatched enthusiasm and talent of the entire Samvad Team.

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

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.

Wishing everyone a very happy and prosperous new year.

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

# From the Editor's Desk

Dear Readers,

Welcome to the February Issue of Samvad for the year 2016!

As we step into 2016, we promise to bring you the best that Samvad has offered till date. The response to Samvad has been overwhelming and the support and appreciation that we have received has truly encouraged and motivated us to work towards bringing out a better magazine every month. With renewed vigour and passion, we bring to you the February Issue of Samvad which revolves around the theme of "International Relations Affecting Business".

With WeSchool having courses pertaining to all spheres of management, it was natural for us to cater to all kinds of readers. And that has made us one of the few magazines in the country which invites articles from all spheres of management giving a complete holistic view.

We work on the platform of "*Igniting Thoughts of Tomorrow*" and we will constantly strive to provide articles which are thought provoking and at the same time adding value to your management education.

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

Hope you have a great time reading Samvad!

Best Wishes,  
Team Samvad.

*"For last year's words belong to last year's language  
And next year's words await another voice."*

T. S. Eliot.

# Acknowledgments

Team Samvad would like to extend their heartfelt thanks to certain key members of the WeSchool 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 **Prof. Deepa Dixit**. Her insight and expertise is our driving force to ensure the sustainability of our magazine.

We appreciate **Prof. Indu Mehta** for help in selecting the best marketing articles.

We would also like to appreciate **Prof. Jyoti Kulkarni** for her help in selecting the best articles on general management.

The Human resources article was scrutinized by **Prof. Rimmi Joneja**. We thank her for choosing the best articles.

We would like to thank **Ms. Yashodhara Katkar**, General Manager - Liaison, WeSchool and her PR team for helping us to reach out to our readers. Also we thank **Ms. Prachi Shah** and her team for helping us with the website updates of Samvad.

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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## An Interview with Mr. Virendra Gupte

**By: Team Samvad**

*(Head, Trade Services, Tata International Services.)*

### 1. Could you please tell us about your journey of how you became the Head, Trade Services, Tata International Services.

I joined Tata International Limited (then known as Tata Exports Limited, a TATA Group Company, dedicated to international business across the value chain. Tata International is a global entity and our businesses span across all the continents) 38 years ago and completed 37 years of dedicated service. Since then am presently in a Consultative capacity. Today, you would come across very rare cases of someone like me who has worked and spent the entire lifetime in a single organization! However, you will find such examples in the TATA Group. I am blessed to have worked here and am grateful to my early mentors, colleagues and teams within my organization and in the Group.

As an employee, upto my superannuation, I was Head – Trade Services and Chief Ethics Counsellor of the Company. My responsibilities encompassed Corporate Governance, Global Risk Management, Setting up Subsidiary Companies in overseas geographies, Regulatory Affairs – interface with Reserve Bank of India on FEMA matters, Export risk insurance with ECGC Limited, Lines of Credits with EX-IM Bank, Interactions with Chambers Of Commerce ( CII, Bombay Chamber) and Ministry of Industry and Commerce. I was heading the Ethics and Values deployment function to drive Business Ethics – Tata Values and the Code of Conduct across stakeholders. Besides, I was leading the Social Accountability initiatives of the Company –



CSR / Affirmative Action/ SA 8000 / ISO 26000. I had the honour to represent the Tata Group on United Nations Global Compact Task Force on Anti-Corruption. I also served on Government of India's Task Force on Reducing Transaction Costs in India's Exports and represented the Group in overseas seminars and conferences.

### 2. One of the current trends across the globe is using limited resources and achieving sustainability. How does Tata Motors contribute towards this?

Our founding father – Jamsedji Tata enunciated a unique business philosophy which culminated in Creation of Wealth for the Nation and not merely making money! Today we live up to this credo – Leadership with TRUST. We are a Values driven Group and for us societal and market Reputation is of cardinal importance. Hence the Group business model is creating Sustainable businesses which is based on the principles of

inclusiveness , community connect and adhering to “triple-bottom line” . For us the three P’s are sacrosanct – PEOPLE , PLANET , PROFIT. We strive to drive this model across all geographies. Our former Chairman – J R D Tata has given the mantra .There are multiple methods by which we identify potential markets for selling and sourcing. Our Business verticals are manned by competent leaders / managers who have the requisite competencies required in handling a global business environment. Market studies, trade data export promotion visits , interacting with potential buyers/sellers, meeting trade leaders, diplomatic missions, consultants etc enable us to gauge the potential of the market and accordingly country specific strategies are developed. In Africa, where we made pioneering efforts since 1980’s, we set up individual wholly –owned subsidiaries in select markets in Sothern/Eastern and Western African countries. By having a physical and legal presence, we are able to give confidence to host governments and other stakeholders that we are not a “fly by night” operators! We believe in holistic involvement by participating in the economic development of the host nations identifying two way trading / manufacturing opportunities. In some of the countries like Zambia, our subsidiary also exports products from Zambia to Europe thus earning forex for Zambia! In Tanzania and Mozambique we have manufacturing operations to cater to their domestic markets. In Senegal we have vehicle manufacturing JV. We have also introduced Group companies like TCS, Indian Hotels, and Tata Steel to develop their businesses as well. Similarly we have strong physical presence in other geographies like China, Hong Kong, UAE, Singapore, Vietnam, Cambodia, Thailand, Myanmar, US, UK, Portugal etc.

**5. Modi's visits to various countries have been talked about quite a lot. In your opinion, how does it contribute to International**

## **Business of India?**

Prime Minister Narendra Modi is pro-actively playing the role of India’s Brand Ambassador by engaging with governments, business leaders including Indian diaspora to invest in India, participate in Make in India, Digital India programs. He is creating a positive image and the fact is at this juncture, India is the most promising economy with better growth prospects as compared to developed and other emerging markets.

**6. While doing International Business, building an international team and its recruitment is always a challenge. What Tata International Services does to overcome this?**

Yes, building motivated work force and teams across geographies is a challenge for any global organization. We are no exception. The key challenge is getting the right skill sets / competencies as per our business models and more importantly, people who share our Values Integrity and Ethical template. The Company is very sensitive to cultural nuances , respect to all , upholding Human Rights and we strive for Diversity and Inclusiveness .We are non-discriminating Group and we have robust HR processes with regards to employee development , continuous training and learning, empowerment of women and zero tolerance for corruption, bribery, unethical behavior and sexual harassment and zero tolerance for corruption, bribery, unethical behavior and sexual harassment.

**7. How will Brexit impact India’s trade relations and economy?**

The impact of Brexit is being evaluated. As far as we are concerned we have enduring ties with UK and EU for several decades. We will continue to



and EU for several decades. We will continue to pursue opportunities in both these zones for mutual benefit since we have established our credibility and reputation.

### **8. What advice would you give to students wanting to opt for a career in the International Business?**

I strongly believe, every student is a future Global Manager and hence we all live and work in a global environment. An Indian Company has global engagement. Indian Customer is now on par with a global customer. India is integrating to the global economy – trade, commerce, manufacturing, technology transfers, movement of people, joint manufacturing, employment opportunities for Indians abroad and expatriates working in India. We are an integral part of the global village! I therefore see bright prospect for students to be part of the business and value creation chain at a global level. Hence students need to pro-actively equip themselves to comprehend the challenges of the VUCA world and prepare to be part of this exciting world of global business. It is rewarding but there are no short cuts. One has to work hard virtually 24/7 and walk the extra mile, learn in real time and deliver, become customer centric so as to leave an imprint in the organizations where you would work. I would be very happy if every student takes this vow to be part of this excitement and I extend my best wishes to them.

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## International Business - Case of Weaver

*By: Ashish Kadam, MMS (2015-17), WE School, Mumbai*

International business is defined as any commercial transaction (private or government) that takes place between 2 or more nations beyond their political boundaries.

Today we will look into a case study (*original link to the case study can be found in the references at the end*):

The general overview of the case study is as follows:

- Weaver Pharmaceutical was one of the largest U.S. drug firms.
- Leonard Prescott was the VP & GM of its Japan division Weaver-Yamazaki Pharmaceutical.
- Prescott had an executive assistant named John Higgins.
- Although John Higgins was an effective and efficient manager whose knowledge about the Japanese language and the Japanese people had proved invaluable, he seemed to have developed a strong emotional attachment to them which was getting in his way of being an effective international executive.
- Higgins started to act more like an adversary rather than an ally to Prescott.

There is corporate cultural difference between US and Japan.

US culture - highly individualized, competitive, risk taker, hire and fire policy.

Japanese culture - collaborative, risk averse, company is a family.

### **Problem statement**

Mr. Higgin's emotional attachment towards Japanese culture affecting his working style which leads to ineffectiveness.

Higgins invariably raised objections to changes that were contrary to the Japanese norm.

Japanese subordinates were more willing than Higgins was to try out new ideas.

### **What are the Problems besetting the company?**

1. Changing Japanese work culture - dismissal of an employee
2. Emotional attachment - loss of viewpoint.
3. Difference of understanding - US policy v/s Japanese policy
4. Employees reaction - attachment to old Japanese culture
5. Developing new practice - Seniority v/s Superiority

**What is the problem? What ? what? what?**

## Why there is a conflict arising between Prescott and Higgins?

- Prescott strongly advocates the US corporate culture, which has some fundamental differences with respect to the Japanese corporate culture.
- The US work culture focuses on individualistic performance. An employee is expected to be competitive and self sufficient in his work to attain a merit.
- They believe in optimization of the process i.e. find a solution with the given set of constraints.

On the other hand,

- Japanese culture has more propensity towards collectivism.
- The employees socialize with their peers and are not afraid to discuss their weakness and they seek advice for improvement among themselves
- An employee is given merit based on seniority.
- They believe in continuous improvement.

Prescott wants to enforce the the US work culture into the Japanese subsidiary of the company. John Higgins because of the extraordinary identification with the Japanese culture perceives Prescott's policies as a threat to the Japanese culture and the Japanese employees. So the difference in the two cultural approaches is creating a conflict between Prescott and Higgins.

## What apprehensions Prescott could have foreseen because of Higgins behavioural change?

- As the Americans perceive their culture to be superior, Prescott want to enforce and reinforce the policy of superiority over seniority in the company. The company's basic objective is to remain above the competitors

- by innovation in technology as well as innovative contributions in the society. If Prescott yields to Higgin's arguments, they may lose out on competency which may cause lack of innovative skills in the employees.
- The reward system which is being asked by the Japanese employees with Higgins's support may become expensive burden on the company in the long run.
- If Higgins continues to mingle his personal life with professional life, he might become a burden to the company. Given his increasing popularity among the Japanese he would like to maintain that and might become averse to every decision taken by Prescott. It may become a tough task for Prescott to practice control among these employees.

## What possible decisions can the management take w.r.t John Higgins in context of the prevailing issue?

- Transfer John Higgins to other country:  
Positive effect- will help to focus on his work rather than being narrow minded and spending too much time in solving employees personal problems and get aligned to company's policy  
Negative effect- He might not be willing to work in other country and if compelled to an extent he might resign.
- Removing him from the company:  
Positive effect- get aligned with company's fundamental policy, increase in productivity and efficiency and competitiveness

Negative effects- upsurge in the discontent of employees, high turnover, tarnishing of company's image, may get entangled in litigation. This will be the last option on hand which will have many repercussions

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- Prescott talking to Higgins regarding his point of view:

That the best international executive is one who retains a belief in the fundamentals of the home point of view while also understanding foreign attitudes. This understanding, of course, should be thorough or even instinctive, but it also should be objective, characterized neither

by disdain nor by strong emotional attachment.

- • Try to imbibe American work ethics amongst newer employees:

This will allow Prescott to change the overall work culture and also will have less resistance from middle management. This idea should be discussed with Higgins in regards to how to go with it.

- • Convince employees to get ready for change:

Through their participation in decision making and allaying their fear and giving them sufficient time to adjust conclusion. Company's best strategy would be to manage its personnel with policies aligned to its goals and objective.

#### References:

The case study can be accessed at:  
<http://www.mi.rei.ase.ro/Site%20MI/Higgins.doc>

## India's Relation With China: Good, Bad & the Ugly

By: Prathima Rajee B.M., Senthil Velan M, PGDM(2015-17), IIM Indore

### Introduction

The times of gifting a 'Barbie' doll, a cheap imitation of Mattel's 'Barbie' doll haven't passed by. People don't mind preferring crackers made of potassium chlorates and per chlorates (banned explosives) over those made of safe-to-use chemicals like aluminum powder and nitrate salts as long as the former are cheaper. The lack of direct proportionality between the number of features and the price in cheap Chinese mobile phones encourages people to go for such models even if they lack in quality compared to other

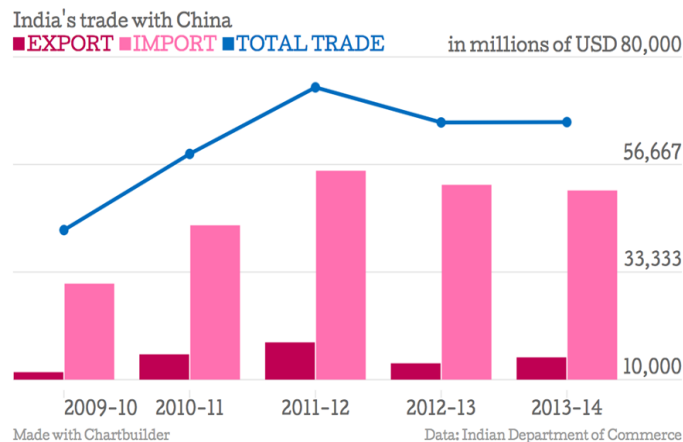
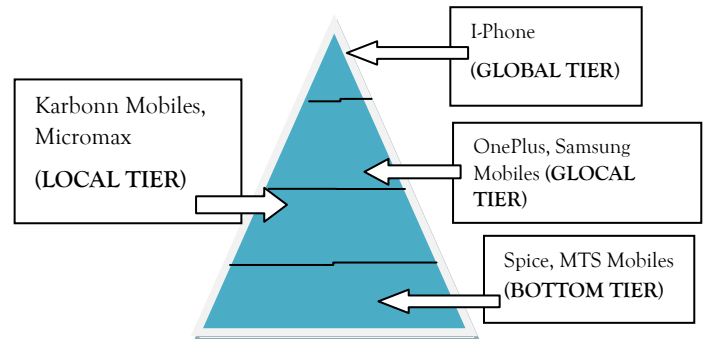


Fig 1: Indian Department of Commerce

brands.

The chart above shows the steadily increasing imports from China to India and meager and nearly-constant exports to China from India. In 2013-14, \$58.4 billion worth of imports from China accounted for 12.6% of overall imports while exports to China were worth \$13.4 billion worth only. This import figures don't take into account, the numerous cheap Chinese products



(like toys, electronics and fireworks) that are flooding the Indian market illegally.

### Smart Marketing

China is smartly tapping on the needs of India's "LOCAL TIER" of the four-tiered structure of markets shown above.

The local tier generally comprises the lower-middle consumers who are happy with cheap and inexpensive products.

Some Chinese products also cater to the "BOTTOM TIER" who can afford only cheap products because of lower levels of income. The bottom tier comprises members of the Indian population who buy these cheap products as a symbol of advancement of their social status even if these products are imitative of brands/lack in quality/safety.

### The Consequences

The repercussions of these bulk and cheap Imports from China are malevolent. The first division that gets affected is the Micro, Small and Medium Enterprises (MSMEs). They form the largest non-farming employee category of our country. Pumping of Chinese goods into the Indian market directly affects these MSMEs.

China's Products are 10-20 percent cheaper and they leverage on the scale of production to gain advantage from their cost of their production. Indian manufacturers still couldn't compete with the Chinese Products though 20% of custom duty is imposed on the Chinese goods.

Acute labor shortage and rising raw material cost are also reasons for a few Indian small scale industries to shut down their premises.

#### 4Ps

##### **Product:**

The Manufacturing Hub of Asia, China has the potential to manufacture if not the best but value for money products at a lesser price. The Indian Manufacturers MSMEs does have that potential to manufacture but not at a lesser price Eg. Apple I-phone had a problem with the screen on frequent breakage, Mr. Steve Jobs first idea was to get into an Agreement with Chinese to produce the Unbreakable Screen. Because they have the Potential to produce the Best quality at minimal time .

##### **Place:**

They ability to produce the Product in large scale makes them the leader when it comes to reach of the Customer. The Chinese products able to penetrate to every knock and Corner in Urban and Sub-urban Areas. But on the Other hand Indian manufacturers do segment their Consumers and then try to reach the consumers (MSMEs). The MSMEs do not have much experience in this. Also as the Disposable Income of the Consumer increases in Urban India they prefer to buy the Product which reaches them first.

##### **Price:**

The ability of the Chinese to produce large quantity of products helps them to challenge the Indian Producers. They are able to leverage the Econ-

hence they win the Battle of Price.

##### **Promotion:**

The Chinese Players do not advertise as much as the Indian Producers But they were able to Create demand and then pump the Products.

Eg. OnePlus company has only one promotion which is through the E-Commerce that too by Invitation Because of the Reason they couldn't access the market. Also they don't want to produce and make loss instead they understand their demand and produce. People go for it because the not only Product has the good features compared to other but also create a sense of urgency in minds of Consumer that it is the best product.

##### **Who is to be blamed?**

Indian Government, despite knowing all the repercussions of the trade deficit and the impact caused by the import of Chinese products, continues to allow the inflow of these products into India because of -

- The restricted labor laws, inadequate power supplies and weak manufacturing sector that hinders our manufacturers from producing quality products
- These Chinese products are improving the standard of living of the consumers
- China is the last stop in the East manufacturing Supply Chain alongside with Korea and Japan making it necessary for India to circumvent this process for getting along with them

However, the Indian Government has also taken certain measures in the past and imposed Anti-dumping Duties to prevent the enormous flow of Chinese Products. Also, the Government has around 166 cases initiated on the anti-dumping duty with which 134 were imposed.

## Flaws with the Foreign Policy

39021000 : Polypropylene	
Description	Duty
Basic Duty	7.50
Education Cess	2.00
Secondary Higher Edu. Cess	1.00
Countervailing Duty (CVD)	12.00
Additional Countervailing Duty	4.00
Additional Cess	0.00
National Calamity Contingent Duty (NCCD)	0.00
Abatement	35.00
<b>Total Duty</b>	<b>25.85</b>

Fig 2: Indian Union Budget 2015-16

- As indicated above, the Customs Import Duty on Polypropylene (PP) granules is 25.85% while the Import Duty on finished toys and games is only 28.852%. Polypropylene is a raw material commonly used in manufacturing quality plastic toys. The very less difference in the import duties between the two encourages Indians in the Toy Business to involving in trading of toys rather than manufacturing and selling the toys.
- Another example is the high Customs Import Duty of 27% on Aluminum powder which is used commonly in the manufacture of safe firecrackers. A Customs Duty of just 26% on rain-rockets, a type of firecrackers leads to Chinese products being welcome by Indian traders.
- Apart from legal goods entering the nation from China, a lot of illegal imports without the payment of Customs Duty lead to a situation in which India loses out on its revenue as well as its MSMEs.

## The way forward

With the move of 'Make in India' campaign, India will be able to attract foreign investors. It is just because of the relaxation of the foreign policies and young human resources, India would be the next manufacturing hub of the world. Previously, India lacked in funds required to establish large scale factories. With this Policy India will Flourish

The Customs Import Duty structure has to be revamped, taking into consideration, the raw materials and products of each industry. For example, the Customs Duty on finished steel is 28.85%, in India while the Duty on scrap iron (a raw material used in the manufacture of finished steel) is only 23.90%. This measure was introduced to reduce a high percentage of imports (58%) of steel from countries like Japan, South Korea and China

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## US And Us

*By: Param Raj & Richa Sharma, PGDM (2015-17), Loyola Institute of Business Administration, Chennai*

Finally, US has increased the interest rate after 9 years. The news of Federal Reserve raising the interest rate has occupied the cornerstone of financial world for a longer period of time. The impact of US fed hike is being seen both as optimistic as well as pessimistic for India and other emerging economies. First let's consider the pessimistic side of US fed hike on Indian Financial Markets. The market is down in the dumps on both debt market as well as equity market. First looking at the case of debt market. Most of the debt instruments issued to foreigners are denominated in INR. With US fed hike, US dollar is likely to get appreciated or in simple words, INR is going to get depreciated. Therefore, the debenture holders will receive less interest payments as well as less amount on maturity of the debt instrument. Since November 2015, the debt market in India has already shrunk by \$580 million.

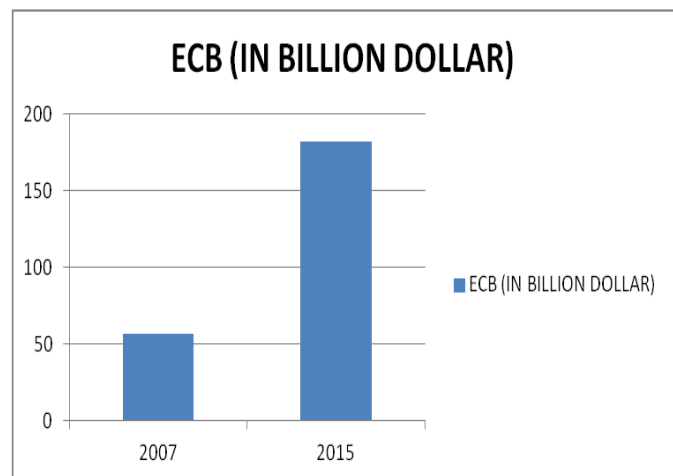
DEBT MARKET  
DOWN BY \$580 MIL-  
LION

EQUITY MARKET  
DOWN BY \$1.7 BIL-  
LION

Next considering the case of equity market, the equity market has received a much major blow than debt market. Since the 2008 crisis, emerging economies like India became the major hub for Investment by Foreign Institutional Investors (FIIs). But now with US again becoming the favorite avenue for investment, FIIs are pulling their money back to invest back in US. Since November 2015, \$1.7 Billion of the funds have been withdrawn by the FIIs. As it is a known fact, a

large chunk of Indian equity market is dominated by FIIs, therefore, such a big outflow can paralyze Indian equity market.

US fed hike is also going to impact the dollar denominated bonds. With depreciation of INR, the amount of interest as well as the maturity amount to be paid on these bonds will increase which will create an additional strain on Indian financial markets. Out of the total external dollar denominated bonds, only 1/5<sup>th</sup> of the amount is accounted by Government which means Indian companies are most exposed to the risk. In order to benefit from the near zero interest rate in US, many Indian companies have borrowed through the route of External Commercial Borrowings (ECBs).



As it can be seen in the graph, ECB has risen from \$57 Billion to \$182 Billion from year 2007 to 2015 which is a four -fold increase. If INR is going to get depreciated, the cost of funding for the companies is going to increase which



will impact the operating profit of the companies.

But on the flip side of the coin, according to some economists, US fed hike is expected to benefit the Indian economy.

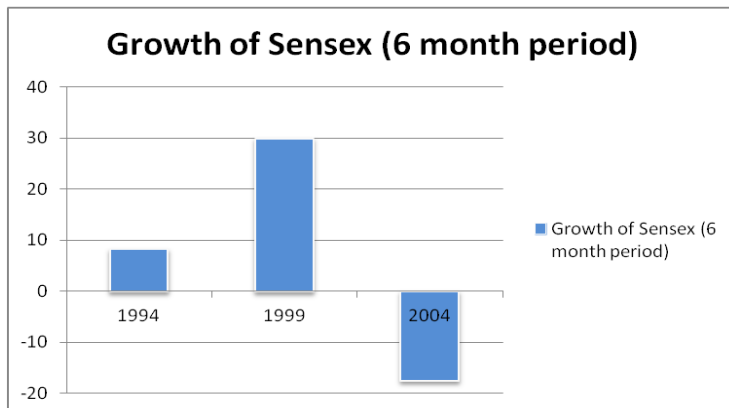


As we can see in the graph, the export of India to United States has become stagnant over the past few years. In fact the exports have fallen in the recent past. With US fed hike, dollar is expected to appreciate which will increase the corporate profits. This will in turn increase the demand for Indian products which will ultimately increase India's export.

The increase in export will also complement the "Make in India" campaign. Since 2008 crisis and Euro-zone crisis, the demand for Indian products from European and American region has fallen significantly. To make the campaign of "Make in India" successful a strong external demand is required which will be achieved only when the demand for Indian products from these regions picks up.

Another sign of optimism is provided by the reaction of Indian stock markets to US fed hike in the past. After opening up of the Indian economy, US fed has increased the interest rate three times in the year 1994-95, 1999-00 and 2004-06. Out of the mentioned hikes, the first two hikes proved positive for the Indian economy. FIIs were positive in both the hikes.

The third hike for the period ranging 2004-06 proved wrong for India because of change in government.



As it can be seen from the graph, BSE Sensex rallied by almost 8% in the first six months after the hike in 1994. The Sensex reacted phenomenally well to the 2<sup>nd</sup> Fed hike in the year 1999. The Sensex moved up by approximately 30% in the first six month after the hike. The negative impact of the hike was felt in the year 2004 when Sensex moved down by almost 18% in the first six month after the hike. In year 2004, Vajpayee government lost the mandate and hence the confidence of investor was shaken. Therefore, change in government was attributed as the major reason for the fall in the Sensex.

To summarize, India exposure to Fed hike is less as compared to other Asian economies. Because of its growth rate and other macroeconomic fundamental factors, India has always been a favorite place to invest. Analyst believes that the stock market will rally in the near term and also the rupee will come in the range of 66.3-66.6 against the dollar. It is quite possible that Indian economy may experience certain hiccups due to hike in rates but in long term, India and other emerging economies stand to gain. The demand for Indian products which has almost dried up from US is likely to again catch a strong phase and make the graph of India's export and Indian economy going up.

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## International Relations affecting Business

By: Sakshi Khurana, PGDM 2015-17 , SP Jain Institute of Management & Research

### The curious case of Nepal blockade

India and Nepal have been allies for more than a century. Nepal relies heavily on India for more than 60% of its basic amenities including LPG, refined petroleum products, medical supplies and several more. Apart from trade relations, India and Nepal share a much deeper connection at a spiritual level as, being a Hindu country; Nepal shares its spiritual and mythological history with India. But the sentiment towards India and Indian government has not been positive amongst the Nepali population in the recent past.

Line of gas cylinder caused by fuel crisis during the blockade



Source - [https://en.wikipedia.org/wiki/2015\\_Nepa](https://en.wikipedia.org/wiki/2015_Nepa)

### Post-earthquake media coverage

In April 2015, Nepal witnessed one of the most devastating calamities in the nation's history. The earthquake claimed more than 9000 lives and pushed more than 7,00,000 Nepali people into poverty. India stood by Nepal's side as the Indian military assisted Nepal administration profoundly with rescue operations and reconstruction activities. But in this time of crisis, Ne-

pal was struck by the most dangerous plague in India – bad journalism. Indian media personnel were accused of being insensitive towards the quake victims. A handful of journalists are said to have stocked food items and supplies only for themselves, come in the way of relief efforts and asked thoughtless questions to the victims. The outrage against Indian media was expressed openly by both, the Nepali citizens and their government, on various platforms including social media and various Nepali news channels. All the efforts of the Indian army were quelled by some of the Indian media and the Nepali perception towards India switched promptly.

### The “unofficial blockade” by India

Five months after the earthquake, Nepal drafted their first democratic constitution and India wasn't pleased with it. 51% of Nepal's population consists of Madhesis – immigrants from India to Nepal. And this group of Indian immigrants were under-represented in the new constitution.

Truck lined up at Birgunj check post



Source - <http://akashkc.com.np/india-welcomes-nepals-constitution-start-blockade/>

As a response to the unfair constitution, the

Madhesi not only protested, they also blocked the Nepal border and all trade from India to Nepal.

The border town of Birgunj handles more than two-thirds of Nepal's trade with India and is home to the largest customs office in Nepal. Birgunj checkpoint was blocked by Madhesi protestors for more than 2 months. Though the Indian government denied imposition of any kind of blockade on the Nepal border, the Nepali government and all major political parties termed the standoff as an "unofficial blockade" by India. The Nepali prime minister sharpened attacks on the Indian government and was quoted saying that the blockade is worse than an act of war against Nepal.

After the earthquake, 7 billion USD were estimated to be needed for reconstruction of affected areas. Nepal's growth rate fell from 6% to 2% after the calamity. This blockade posed severe cascading shortages on the Nepali economy. The sentiment towards India and Indian government went from negative to hostile in no time. Several government and non-government agencies appealed to the Indian government as well as international organizations including UNICEF to end the blockade. But the Indian government held its stance and dismissed all claims as an incident of internal unrest in Nepal.

### **Nepali industry comes to a standstill**

If nothing else, the Nepal blockade taught the world that putting all your eggs in one basket is never a good idea. Nearly all sectors of the post-quake economy, which was already crumbling, took a severe hit, including construction, tourism, pharmaceuticals, etc.

Many restaurants in prime tourist locations like Pokhara and Kathmandu closed down due to shortage of raw materials including vegetables and spices.

Business owners had to wait for anywhere between 9 to 15 days to get LPG cylinders and the prices in the black markets shot up to 4-5000 NPR.

Trucks with LPG and other fuel products were queued up at the Birgunj checkpoint for weeks and the queue went as long as 10 kilometres. The price of petrol in certain areas shot up to 900 NPR per litre. The locals, impoverished by the quake, had to resort to archaic ways of cooking food and commuting. Nepal government distributed firewood to citizens to help them cope with the shortage of cooking gas.

More than 14 pharmaceutical factories remained shut, causing widespread shortage of medicine including for infectious diseases like Tuberculosis. 90% of raw and packaging materials remained stuck at Birgunj. Illegal imports of medicines became a norm, putting patients at high risk. There was zero supply of medication in remote areas, including essential vaccines and oxygen. Even the intensive care units in the capital city dried up within weeks.

"More than 3 million children under the age of 5 in Nepal are at risk of death or disease during the harsh winter months due to a severe shortage of fuel, food, medicines and vaccines" claimed a UNICEF press release on Nov 30, 2015. While the government was busy dealing with the immediate political issues, human trafficking spiked at an exponential rate near the border areas. More than 400 girls who were brought to India from Nepal during the blockade went missing.

### **India loses monopoly**

It would be foolish to think that in unrest like this; only the host country stands to lose. Nepal, a landlocked nation surrounded by India from 3 sides, shares a northern border with China as well. In the time of crisis, China rushed to Nepal's rescue and offered to supply as much as one third of the country's fuel demand at priced subsidized to almost half.

Indian Oil lost their monopoly in the Nepali market and a substantial chunk of their sales.

Though the crisis has now been resolved and the situation in Nepal has been brought back to normal, the sentiment towards India remains negative in the minds of the people. Nepal still relies on India for majority of its supplies but the feeling of distrust towards Indian government has seeped in the minds of the locals as well as the Nepali government. One cannot definitely prove the involvement of the Indian government in the entire series of events, but it is certain that a strong alliance has been brought down to a mere trade relationship.

Truck with supplies left astray at Nepal border



Source - <http://www.peacetimes.news/2015/11/21/india-continues-to-collude-in-blockade-of-nepal/>

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## Impact of globalization on HRM

By: Manisha Manaswini and Abhisek Nanda , XIMB, XUB

Globalization is the simply international integration due to exchange of ideas, views, products, technology, culture and also people. Because of the pressure of globalisation world is changing, its transforming with all the aspects in it, particularly Human capital. The diverse workforce, robust and ever evolving culture and numerous languages shapes people into distinct individuals who vary in terms of their physical, cultural and behavioral characteristics. Understanding the effects of globalization on human resources can equip managers to better run their organizations

The performance at individual level affects directly organization. Various multinational companies can only survive in this competitive cut throat competition if they can adapt to the changing business and workforce needs with great agility. The large talent pool and technology booms have made the entire world one small village.

There are various factors of why and how globalization has affected human resources. **Firstly, there is shortage of talent due to ageing of workforce and retirement of baby boomers. There is economic downturn and unemployment rate at the corner. By 2020, the scenario will be such that for every 5 retired works out of workforce there will be 3 new joiners. The shortage of labour can have detrimental effect on the productivity and efficiency in the manufacturing and business sectors. So, globalization will assist and help people to bridge the gap of doers and output. For instance, in the Indian context, average Indian age in workforce is 27 years**

An Indian will have edge over others in different countries to take up the tasks and the relations with the outer world can be helping us achieve in solving the shortage of labour. In short due to globalization efficient people can be outsourced and can be put to best use to for right job and right skills. A greater emphasis on training has resulted because of globalization in human resources management. Training focuses on the needs and professional competencies of employees within the organization. It may teach its employees how to use a new global software platform or new language or skills or any proficiency in any area. The training gives the company a competitive edge in the global marketplace by sharpening the employees from everywhere.

Effect of Globalization on...  
Percentage Saying "Better" or "Worse"  
Average of 25 Countries Surveyed, (n=25,000)



Secondly, the growing labor cost implies that people need to be cross allocated which is again possible due to globalization. The top talent can be helpful to developing countries in their developmental purposes. Similarly, skilled people from different countries can migrate to other countries where specific skills are required. The BRICS countries can outsource their talent as well as retain the talent from other countries in order to improve in the long run.

Thirdly, Technology has also played an important role. It has actually made it possible in terms of managing a huge workforce globally. The ERP tools, Cloud computing, Human Resources information systems and analytics make it possible. Technology is both factor as well means of explaining the impact of globalization on Human Resource Management.

Fourthly, Growing consumers are the greatest factor of globalization. The large customer base can meet its needs and requirements from various sources all over the world. Diversity Recruitment is the need of the hour. With the rise of globalization, companies are now interacting with customers and stakeholders from diverse cultures and backgrounds. Human resources managers are hiring employees from equally diverse backgrounds. Also, having a team of diverse people contributes to the variety of ideas and skill.

MNCs may move their headquarters from their home country to other regional countries, adopting their exiting HR policies and help bringing some best practice from the home country.

**Lastly, effect of globalization on human resources management is the need for businesses to understand and apply the laws of many different countries and areas. A sound knowledge of the tax and labour laws that businesses are a must to companies that operates in different states or countries**

From the statistics it is clearly evident that Quality of jobs and workers rights has bettered due to globalization, the two important parameters of human resources. There is a direct co relation between these terms and globalization. So, indeed globalization has affected human resources to a great extent. Now that's all total a different matter if human resources has facilitated

Globalization or globalization has given rise to betterment of human resources. But researchers have data like below figure which states that due to globalization Human resources are able to analyze, implement and design their very world of existence in a new atmosphere with enhanced and improved conditions and human rights.

There are negative effects of globalisation as well on the Human resources. There is exploitation of Human resources on large scale due to cheap labor and less expensive skills human resources and exploited to a large extent. There can be a phase of unemployment in some parts of the countries, specially developed countries at some point of time.

There are challenges to the Human Resource management due to globalization. Only fraction of people is willing to relocate into all total different surroundings. Managing diversity is another yet difficult arena due to which cultural differences and conflicts arise. Human resources are viewed as an administrative costs and overhead expenses. But Human resources are strategic business partner, change champion, employees advocate, management's voice along with these they are excellent organizational designers and shapers i.e. Globalization champions.

## Dabur Group

- Started in 1884 by Dr Burman, became public limited company in 1986
- Went for rash professionalization process in 1990s which got into trouble
- Experiment had several benefits and the owners restructured the organisation
- Group CEO and 5 out of 9 board members are non family professionals
- Dabur believes family has a trusteeship role

## Godrej Group

- In its fourth generation, Godrej Group is over a century old
- Every generation has added products to the group's portfolio making it a highly diversified business today
- Never experienced any split; family patriarch remains titular head while the 3rd generation manages the businesses
- New generation joins at the lowest rung and undergoes training to climb the hierarchy
- Each company CEO has maximum freedom in decision making. However, consultation happens at family and business levels

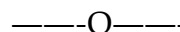
## Kirloskar

- Started in 1920s to manufacture diesel engines; has added products since
- Currently led by the last member of the third generation who worked actively in building synergy within the family
- 6 members of the 4th generation take care of the business but no aggressive growth options have been undertaken
- Measures have been inadequate in building long term business competitiveness
- Group turnover decreased from Rs 9.5bn in 1999 to Rs 7.45bn in 2004. Net worth has also decreased

Family businesses in India have performed well in the previous year and are bullish about their growth over the next five years. 74% have grown in the last 12 months and 36% are aiming at a quick and aggressive growth over the next five years.

- Only 4% plan to sell or float the business although one-third will pass ownership of the business to the next generation employing non-family management. 50% of our respondents will pass the management to their next generation

- Only 12% of our global respondents stated that they will grow quickly and aggressively in the next five years



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*“I don’t believe in taking right decisions. I take decisions and then make them right.”*

*—Ratan Tata*

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