

REAL

ESTATE

We School Magazine

WECHAT

Ajay Pawar

Senior General
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Godrej Properties

**FEATURED
ARTICLE**

Did demonetization
attack the landlords
who used to grow
rich in their sleep?

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News corner



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

“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 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 2017, I sincerely hope that SAMVAD will reach new heights with the unmatched enthusiasm and talent of the entire 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 March Issue of SAMVAD for the year 2017!

SAMVAD is a platform for “*Inspiring Futuristic Ideas*” and we constantly strive to provide articles that are thought provoking and that add value to your management education.

With courses pertaining to all spheres of management at WeSchool, we too aspire to represent every industry by bringing you different themes every month. We have an audacious goal of becoming the most coveted business magazine for B-school students across the country. To help this dream become a reality we invite articles from all spheres of management giving a holistic view and bridge the gap between industry veterans and students through our WeChat section.

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. We bring to you the March Issue of SAMVAD which revolves around the theme of “Real Estate”.

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

Hope you have a great time reading SAMVAD!

Best Wishes,

Team SAMVAD.

“The difficulty lies not so much in developing new ideas as in escaping old ones.”

John Maynard Keynes.

ACKNOWLEDGEMENT

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 extended. 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;



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We are indebted to her for her help and guidance in making SAMVAD a success.

Thank You

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WE CHAT

MR. AJAY PAWAR

SENIOR GM- CORPORATE COMMUNICATIONS, GODREJ PROPERTIES

Team SAMVAD

1. **With 22 years of experience across different marketing aspects and various industries, would you please take us through your journey to inspire the students.**

I passed out from Welingkar Institute as a batch of 1993. In fact, Group Director, Weschool, Dr Uday Salunkhe and I were batchmates. I did my specialisation in Marketing and I was keen on Market Research. I was chosen by a Market research company and over 6 months into the job, I accidentally got into the segment of corporate communications, something which was a blessing in disguise. I fell in love with Corporate Communications and that's how it happened to me.

I joined LIC mutual funds as the youngest class 1 officer in the company while there were people above 40 years of age in my cadre. It was a first time a company had recruited an MBA pass-out and being an MBA, a lot was expected from me in terms of providing solutions. There was a hierarchical structure in the company and I was new to such organisation structure. I eventually got accustomed to it. I got a lot of experience in segments like Market research, Agency photo channel partner activities, product development and corporate communications. I designed and launched 14 mutual funds in LIC and that has been my major contribution to the company.

The next company I worked was in JM capital Ltd that had a similar profile of mutual funds as the products and core activities remained the same. It was a unique experience as it was the first company that had introduced the MS-CIT course. I got to travel to remote places across Maharashtra. I interacted with students and



faculties of the institutions I visited. I had to design a model viable according to the conditions prevailing in those institutions.

This experience was quite enriching and humbling as I worked on a grass root level trying to understand the miserable situations of the poor and helping them with my designed model.

In my next phase in Apna loan.com I headed CRM along with Corporate Communications and was made a head of Gujrat branch. My responsibilities spanned from setting up a branch to making it a profit centre. I also had a great privilege to work with HDFC and Godrej as part of Corporate Communications.

I started off with the unlisted Godrej company with the capacity of 60-70 employees that have now grown to more than 900 employees as of today. I successfully worked on the IPO; IPP and Rights Issue and handled multiple launches, announcements and crisis situations in Godrej.

It's been 12 years with Godrej and I'm very happy with the workplace and my job. So yes, it has been quite an eventful journey for me over the years. Real Estate is now seeing a good time as the established firms have credibility, trust and ethics associated with it.

2. In the Union Budget, 2017 affordable housing has been given utmost importance. What do you think will be implications of the various schemes proposed in it?

Not much really. On a general note, it's a good initiative by the government. Quite an ambitious one, if I might say. Population is growing and the respective demand is rising, so there has to be affordability associated with homes. There is a lot of value under the bottom of the pyramid. However, there are a lot of challenges in terms of accountability and transparency. Accountability in terms of approvals is measured as it is a number game and not a margins game.

Company(Godrej) has been doing this on a selective basis as of now.

3. How has Demonetisation affected real estate players. How are they/ should they cope with it?

It definitely has affected a lot. Real estate is a cyclical business so there will be ups and downs in terms of prices and demands.

Once RERA comes in, a lot of regulations will come into picture and a lot of foul players will be out of business. Only the best of the best will continue which will in turn be beneficial to the customer as well. Going ahead the industry will see a lot of consolidation. However, the major corporates will stay but the industry is like green pastures, no one player will hold a majority market share, which translates into healthy competition.

4. How can the buyer be alert to ensure that the property they are buying is not on an illegal land?

To a large extent, RERA will be able to address this issue. Godrej properties, which has been an innovator of Joint Development and Joint venture model in the real estate industry, addresses this issue by making sure it's JD or JVs are done with players after proper due-diligence checks. Eventually, only those deals go ahead which are viable and durable. So, with most well established corporates you needn't fear. As for small time players, RERA will soon come in to protect consumer rights and redress grievances suffered by them. So, this will soon become a thing of the past that your money is stuck in your property, while the developer fights a lawsuit on the land.

5. How do you see the major transitions like "Real estate investment trust", Benami Property Act" and "RERA" affect the Real Estate Industry?

REITs would be the thing of the future. Everyone would like to benefit from investing and once this is in place even smaller investors can participate. REIT will start seeing effect after RERA is implemented. There have been a lot of announcements but I think on-ground actions will be seen as RERA takes effect.

6. What do you think are some of opportunities spaces to start an entrepreneurial journey in the Real Estate industry?

Real Estate is a sunrise sector and always has a scope to growth as we are one of the youngest countries, in that, in the coming years majority of our population is going to be the youth. This brings a lot of future potential for growth in housing demand. For aspiring entrepreneurs, Consultancy in different verticals is a good space to tap. There are a lot of opportunities, like you could be a marketing consultant, brand consultant, corporate communications consultant, for the marketing side. If you're from the finance side, you could pursue a career in auditing or financial re-modelling. As for Operations, Inventory management and supply chain are good options.

7. What advice would you like to give our students aspiring to get into the industry?

In case of future employees, students should go for companies after having checked the credibility of the developer, if it's listed or not and its corporate environment. Don't just look at the past beautiful projects undertaken because RERA changes everything. Go for reputed players because others have a way around the law and this is not going to last. If a company is listed it would follow certain accounting standards, practices and policies. As in case of Godrej properties, there's a lot of disclosure that we need to do to the stakeholders. A lot of things mentioned in RERA is already in place. So, such listed firms will always adhere to the corporate governance norms and the one who don't may find it difficult to adopt because of their business models. Students should get into established firms with a good lineage and have a good standing in the market.

8. Lastly, what skills should students aspiring to be future employees in this industry, bring in to add value?

A Positive and can-do attitude, Resilience in times of ups and downs are in general good to have. Leadership is an added advantage. However, in real estate it is vital to be patient. Projects last for 4-5 years and the consumers believe you are the people they can approach and discuss their issues with. Hence, even empathy for the customer is a major quality corporates look for.

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OPERATIONS

OPERATIONS MANAGEMENT IN REAL ESTATE

Pankaj Tirpude, PGDM-Ebiz (2016-18), WeSchool, Mumbai

In the real estate business, you learn more about people, and you learn more about community issues, you learn more about life, you learn more about the impact of government, probably more than any other profession that I know of. - Johnny Isakson, senior United States Senator



“Really! Real Estate and Operations Management? How can they both be related? They are so much of totally different entities.” This is what most people think regarding operations management in Real Estate. They think real estate is more of marketing, accounting, sales and a little bit of HR oriented sector. Is it true or not? And if not then what really are the functions of operations management in real estate?

Real Estate simply means a property consisting of land or buildings. The sector is concerned with producing, buying and selling of real estate.

There are 4 types of Real Estate, i.e. residential, commercial, industrial and land. Residential includes both new construction and resale homes. Commercial Real Estate, Industrial includes manufacturing buildings and property,

as well as warehouses. Land includes vacant land, working farms, and ranches. Operations management is concerned with converting raw materials and labour into goods and services as efficiently as possible in order to maximize the profit of an organization.

So, all the major resources like land, farms, ranches etc. are all naturally produced and whatever construction is done over them is simply done by hiring some engineers and architects. And they are managed by a team which consists mostly of marketing and HR geeks. So, where the heck is operations management is involved?

When researched and interviewed, it was found that an Operations Manager in Real Estate deals with the purchases and sales of properties for a business or private investors. Tax laws, zoning laws and regulations, property values, demographics, and real estate trends in order to determine a property investment value should be their cup of tea. Also, negotiating for a property and drawing up real estate contracts would be the cherry on the pie. So, in a nutshell, the role of operations geek is the coalition of finance and sales. Some Fortune 500 companies prefer to call them as a “Facility Manager” where they spend over \$1 billion annually on real estate and facilities management, where their mandate and responsibility is to manage and coordinate their global real estate and facilities portfolio.

Real Estate Operations Management is a very different field of Operations Management which deals with properties and the manager must know how to identify a good investment. Not only awareness about real estate industry is necessary but also, he must be a great negotiator, budgeter and forecaster. He should have wonderful communication skills so he can speak

with authority and clearly convey his proposals, and also be creative when it comes to problem-solving. He is also expected to plan strategies, organize information and finances for his company.

Even if the manager is dealing with properties, he will spend most of his time in an office. His job will be to find good investments for a client or to analyse real estate assets. He will have to write up reports and research, once he analyses the value of the property in the market. In some cases, he doesn't even have to visit the property because that is the job of the property manager. He will mostly deal with aspects of buying and selling.

A graduate in real estate, accounting, finance, business administration, or related fields will be eligible for this position. Many companies are looking for candidates with Master's degree and high grade point averages, so the competition can get tough. Some companies prefer to give their newly joined Real Estate Operations Managers additional training in subjects like property management, tenant relations, real estate law, or similar topics.

A Real Estate Operations Manager will be working for companies with large estate assets, an individual investor, apartment complex owners etc. Hence, this field is becoming more competitive and growing slowly compared to other jobs. Having a Master's level degree or certification and experience with managing senior housing will be a big leg up over the competition. Competition in the field is tough, especially for secure positions in large corporates.

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FINANCE

DID DEMONETISATION ATTACK THE ‘LANDLORDS WHO USED TO GROW RICH IN THEIR SLEEP’?

Simranjeet Kaur & Zahid Jamal, MBA (2016-18), SIBM, Bengaluru

“The best investment on earth is earth”

Louis Glickman



Did Demonetisation wipe out Rs 30 Lakh crores (\$520 Billion) and put the real estate sector in cross roads?

Image Source: “The Indian Express” dated November 13, 2016.

Based on the above analysis, the real estate sector is expected see a fall in prices by 40%, though some normalcy is expected in the long run because, typically, a majority of real estate deals in the secondary market involve a significant cash component. With cashless transactions becoming prominent, the real estate industry will see a major reformation as all the dealings would be through the banking channels that would weed out middlemen and brokers. Did this master stroke by the NAMO act as a game changer for one of the most boisterous sector of our economy? Did demonetisation revolutionise the conventional hard cash format into a well-regulated cashless format?

There were talks that the cashless transactions could see real estate prices correcting. This need not be necessarily true. Experts are of the opinion that this current lull phase of slowdown in property sales would be short-lived. Real estate, today, is managed professionally and funded by FIIs and banks, with much better transparency. The primary real estate market is getting more organized and mature. It is going by rules, getting all clearances in place, offering good quality products at the most reasonable price points and on time delivery. This commitment requires huge efforts and resources. In such a scenario which is already encompassed with slow economic growth, high inputs costs, plethora of huge direct taxes, how will developers cut costs?

Future of Investments in Real Estate:

Country	Annual Average House completion 2012-25	Population	Per capita house completion (in %)	Area (in square miles)	Per square miles house completion
India	11507476	1326801576	0.87%	1240000	9.280222581
China	9326381	1382323332	0.67%	3700000	2.520643514
Indonesia	1513865	260581100	0.58%	742308	2.039402782
US	1485966	324118787	0.46%	3800000	0.391043684
Nigeria	1484362	186987563	0.79%	356669	4.161735391
Brazil	1389872	209567920	0.66%	3300000	0.421173333

*Population as on July 1, 2016.
*Column 2: Global Construction 2025
*Square miles from National Master
* The blue and pink columns are deducted from the available data

Image Source: A report by PwC, titled “Real Estate 2020 Building the future.”

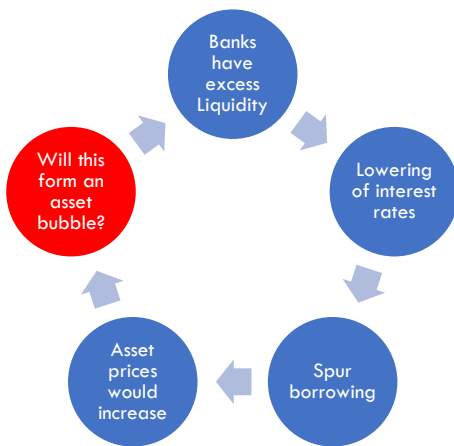
Per capita housing requirement is highest in India amongst all the emerging economies, as justified by the highest annual average house completion. The housing sector alone contributes 5-6 per cent to the country's Gross Domestic Product (GDP). In the period FY2008-2020, the market size of this sector is expected to increase at a Compound Annual Growth Rate (CAGR) of 11.2 per cent. Other sectors namely,

retail, hospitality and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs. The overall Indian real estate market is expected to touch US\$ 180 billion by 2020 from US\$ 93.8 billion in 2014.

Though there is a lot of expectation with apprehension, the real effects of cashless transactions on this sector is not yet seen. Bank deposit rates have fallen, bank loans interest rates are expected to fall to 7-8 % from the present 9.25- 9.75% as banks would be cash rich owing to the demonetization move and they would have money now, to lend to people. The low interest rates will attract buyers, investors, businessman and professionals to invest in properties. This lowering of interest rates would result in lower EMI on loans this will help buyers pay their instalments sooner. Valuation will increase over a period of time, buying and renting will fetch more returns than fixed deposits. People from unorganised small scale sectors, farmers, traders, drivers etc. will enter the banking system and would be eligible to get loans at lower EMIs and will begin buying their own homes.

within Special Economic Zone (SEZ) to 100 per cent. In Union Budget 2016-17, the government allocated US\$ 3.96 billion for housing development. The easing of capital gains taxation norms and other alike positive measures have triggered a wave of happiness among property investors. There will be an overall positive impact in the real estate industry that will bring efficiency and affordability. This will cause an increment in investment from the private and foreign players.

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The flow looks all happy going until it reaches the last circle which is a strong possibility. This bubble can cause the greatest housing crisis of our country but the formation of the bubble depends upon our exposure to cheap credit.

The government of India has been supportive to the real estate sector. In August 2015, the Union Cabinet approved 100 Smart City Projects in India (like Jaypee Sports City). The Government has also raised FDI limits for townships and settlements development projects and those

MARKETING

DIGITAL MARKETING IN REAL ESTATE

Aditya Rajpal, PGDM & Hinal Rathod, PGDM-RM (2016-18), WeSchool, Mumbai.

The Indian real estate sector has witnessed a revolution over the past few years, owing to a developing economy and a positive government attitude, which includes a liberalised foreign direct investment regime. After agriculture, real estate sector is the second largest employment generator in India and contributes heavily towards the gross domestic product (GDP). Close to five percent of the country's GDP is contributed only by the housing sector. In the next five years, this contribution to the GDP is expected to rise further. Real estate sector is also responsible for the development of over 250 other ancillary industries such as cement, steel, paints etc. A study by rating agency ICRA (Information and Credit Rating Agency) shows that the construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy. The nation has made its way to the top of the list of preferred destinations for real estate investment in the eyes of major investors. It is also the fastest-growing major economy, set for an even higher growth in the coming years.

With this background, real estate presents a unique sense of urgency in the growth and development of the sector, thereby providing a wide range of opportunities for marketers, ranging from a relatively low-cost housing to super premium, high-end luxury properties. This is especially important given that investments in real estate are typically long term, and see considerable tracking by the markets and analysts alike.

The government has taken several initiatives that directly or indirectly assist the real estate sector such as the Smart City Project, which involves

developing 100 smart cities. This provides a prime opportunity for the real estate companies for development and also expands the horizon to market the same.

While the belief that is widely held is that the real estate industry has been negatively affected by the recent demonetisation regime, most industry experts believe it is far from the truth. The industry basis these bullish sentiments on three factors:

- FDI inflows: with India ranking fourth in Developing Asia for FDI inflows according to World Investment Report 2016.
- PE investments: The increasing attractiveness of the Indian real estate market has led to an PE inflow of \$5.7 billion.
- Reforms: Introduction of REITs and RERA, strengthening of regulations and liberal policies, leading to increased transparency.

Marketing a housing project takes prime importance, for any mismatch in the positioning vs. the targeted audience will lead to a catastrophic failure of the project itself. Over the years, marketing for real estate has seen numerous changes. From standard print advertisements announcing a project to scaled 3D models and graphic imagery, we are seeing companies employ all possible tactics to lure in the end customer.

Here we explore a few ways in which marketing for real estate has developed over the years across various media. In earlier days, marketing in real estate was primarily focused on advertising and that meant buying media. It meant buying space in newspapers and hoping consumers would notice it before they turned the page. It meant

buying time on TV and hoping consumers would watch advertisements when the show cut to a commercial break.

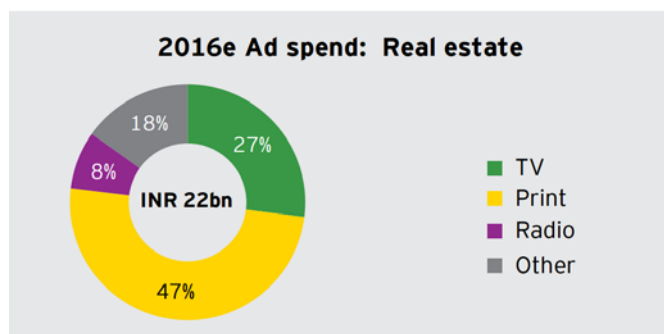
Today, the face of marketing in this sector has evolved. While screaming at people’s faces might have worked years ago, those days are definitely over. Print ads provide a dual appeal of lower prices/interest rates and customised luxury homes to a target market that is the decision maker. While magazines and newspapers have limited space and the TV commercials have little time, social media advertising isn’t limited by space or time. Once online, your brochure could be a hundred pages and printing and posting don’t cost a rupee; and the best part? Web traffic is measurable.

Another dominant source of marketing in the “digital age” is social media. It forms one of the most important touch points between the seller and the customer. Most of the real estate businesses that engage in social media marketing get their advertisements on relative websites to promote themselves over various networks. They also accentuate their online visibility and boost the SEO ranking of their site and engage in pay-per-click advertising and email marketing to ensure customers are driven towards the promoter. Digital marketing activities such as blogs, listings on vertical search engines like IndiaProperty, 99acres etc. also play a crucial role in converting prospects to consumers. The website remains to be the core of all marketing efforts. The push of traditional ad campaigns directs consumers to the web. Every billboard, TV ad, radio ad and newspaper insert have a web address at the bottom.

While advertising was successful earlier, content marketing is emerging as a winner in the current era. Content marketing is the act of using helpful and informative content to connect with clients and potential clients at every stage of their lifecycle with your business. Content that adds value to someone’s life and inspires them to do something today that they wouldn’t have thought about yesterday.

With emerging technology, a 360 Virtual tour has come to make promotional activities innovative and convenient. This category has extended to the use of aerial drone cameras which covers the property from various angles to give a realistic essence to the customers. With the advent of 3D tours and VR Headsets, real estate is now being promoted with the help of simulations. Customers now get to experience how it would be like to live in the promoted space.

However, at a time when digitisation will become an important aspect of the nature of the target group, that will soon be not only tech-savvy but also constantly seeking new, accessible mediums to gather information. It is safe to say marketers will have to focus on future trends of gathering information and proactively seek the major point of accessing such information in order to sell to the future homebuyers. Mobile internet marketing must be of utmost importance to any real estate seller, with India being the third largest consumer of smart phones in the world and the increasing internet penetration (expected to reach 450-465 million users by June 2017), it is only logical to join the dots. An integrated marketing strategy that spans across all channels and unearths new triggers (other than lower prices, proximity to city centres and ownership)



While Emotional Marketing continues to dominate the marketing efforts for residential property, economic reforms have paved the way for correction in the property prices, leading to a surge in buying. In an effort to rehabilitate small-time developers who have been the most affected by the changes in the economy and resuscitate

the market demand in the real estate industry, we see lowered home loan rates enabling sales.

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HUMAN RESOURCES

THE ROLE OF HR IN REAL ESTATE

Sanyukta Kanojia, PGDM (2016-18), WeSchool, Mumbai.

Real estate is a critical sector for India's economy due to its large potential for employment generation, capital attraction and revenue generation for the Government. It is the second largest employer in India after the agriculture industry and is expected to grow at 30% over the next decade.

For a long time, Real Estate had a perception of being an industry where the land and buildings did the talking and that 'people skills' had no real significance. There was an assumption that the HR was just a support function which did not contribute the business goals. This assumption is incorrect as HR goals and business goals are interdependent. Strategic HR is involved in Hiring, Talent Compensation, working with employees to boost retention, improving quality of work experience, maximising mutual benefit of employees and employer. Thus, resulting into attainment of business goals. The challenges that HR face in this sector are extreme diversity and mobility of the workforce, high attrition rate, or managing employees on multiple locations and projects even the major real estate players have realised the importance of Human Resources in improving team efficiency, client servicing, improve decision making. Quoting Ms. Shaleen Madan, President HR, Lodha Group "Early on in our organisation's evolution, we realised that we need a professional core to run the company, be it design, construction or accounts, people should be able to engage in professional strategy for faster outcomes.

Most employees in the Real Estate Industry are outsourced. Time is money for this sector as time

is the most valued asset in the Real estate sector as the more properties that are sold would help generate greater revenues as soon as possible. Thus, most real estate players are moving towards outsourcing their employees. There are several benefits of outsourcing such as it is cost effectiveness, better task delegation, increased the internal productivity, flexibility and improves risk management and so on. This would better client experience, increase efficiency and thereby reduce the cost substantially.

The real estate sector which among the largest employment generator is currently facing a problem of attrition rate of around 35%. The possible reason could be that most of the developers are not delivering efficiently, thus resulting in the deteriorating health of organisation and eventually leading to increased attrition rates. Thus, this is a challenge for this sector. Although this industry is a late adopter of HR practices still companies are trying to experiment and bring in new HR practices in order to retain employees.

The Tata Housing group believes that people are their greatest asset. Vice President of Tata Housing in an interview said: People today look at learning and development and want to stay ahead of the learning curve. "Some organizations do not focus a lot of learning and development interventions. They need to learn that this is imperative for employee engagement, which further binds people". In order to provide a boost for the employees Tata Housing has planned a 10% salary hike by year end as compared to an average 8-9% appraisal of previous year. There is a need for greater employee engagement in this

sector and also this requires an integrated platform for easier access to the diverse and mobile employee base.

The competitive advantage of a company has moved from production to the creativity and expertise in attracting, handling and retaining people. Thus, real estate requires an HR intervention which would help refine and provide impetus to this booming sector.

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GENERAL MANAGEMENT

SCOPE OF FAMILY BUSINESS VENTURES IN 21ST CENTURY

Arpit Maheshwari & Rajat Maheshwari, MBA-1B (2016-18), IIFT, New Delhi

Introduction:

Family businesses drive socio-economic development across the globe. They follow the opportunity-investment-expansion cycle. Family-controlled businesses are ambitious about the processes such as transformation, reformation and restructuring. In the emerging market like India, almost 90% of the businesses are family owned. The highly efficient family businesses in the country have now grown into mammoth multinational corporations such as Tata Group, Murugappa Group, Birla Group, Mahindra Group and many more. They are vital to the Indian economy as they are in some cases out performing non-family corporations. These corporations not only have a very wide range of business interests but also have forayed into diverse sectors. Thereby, they are likely to look for sustained value creation. As the economic development, social environment, and life style of people are changing, the business opportunities for the business groups are also increasing.

Image source:

http://cdn.ey.com/sgm/CEI/img/FamilyBusiness_DNAModel_2.jpg

Challenges:

Planning for succession:

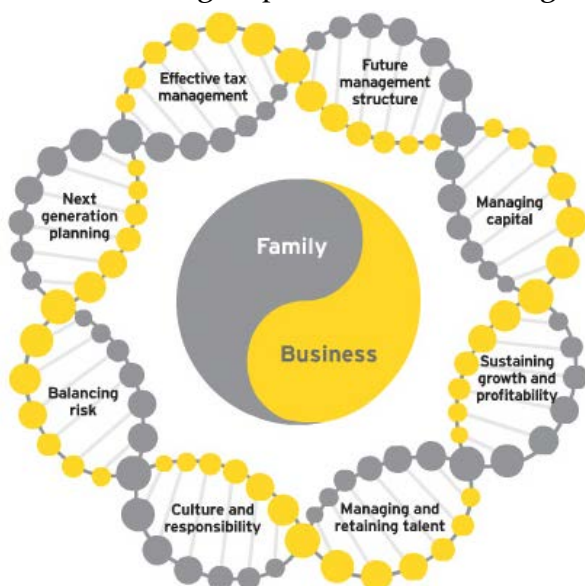
Keeping the core values of the company intact from generation to generation is one of the challenges for the family owned businesses. They are loyal to the principles and ideals of the founder. The grooming of the business needs to be done as per the core values and the market requirements by the family members and outside professionals, if required.

Need of adequate Information:

The family businesses always need to keep in mind that the buyers in the product market are the employees in labour market and investors in financial markets. Providing adequate and reliable information is one of the challenges for them as there are chances that the information perceived by the buyers may affect their selling of goods and services. If little information is available then investors are reluctant to put money in the new enterprises.

Government Regulations:

The regulations by the governing bodies can distort the functioning of the markets. For instance, in emerging markets there is a restriction by the government on the layoff of employees, thereby, bringing stability to the society. However, the family businesses may not be able to tap the opportunities.



Judicial Systems:

The family businesses are reluctant to do businesses if they are sceptical that the other company may not hold up their end of bargain. Contracts ensure such things don't happen. However, the family-owned business needs to ensure that the contracts are enforced in reliable and predictable way. This will happen when the judicial system is more robust and efficient.

Attracting right skills and talent:

Most of the family businesses in the emerging market suffer from a scarcity of well-trained people. In addition to that, vocational training facilities are also scarce. Government regulations also make it difficult to restructure its workforce as per the changing economic conditions.

Opportunities:

Despite all the challenges, the economic environment for business in India has changed over time. Post liberalization, the opportunities for entrepreneurs have increased exponentially and formulating the right strategic plan is essential for these entrepreneurs to make their family business a success.

As per the survey conducted by PwC, family businesses in the country have aced the markets in the past one year and are confident about their growth opportunities till 2017. A vast majority (74%) of these ventures have expanded since 2012 and 36% have set a realistic target for a quick and aggressive growth for the next 2 years i.e. up to 2017.

Chasing growth and diversifying into unrelated domains might pay off in the short run, but for the longer time horizon, this may increase the risk and cash outflows. Designing a strong business model that can be scaled, sustained and logically diversified in the future is a better approach for the large business houses as well as families planning to start fresh ventures. To find the right balance between the core values shared over generations and the aspirations of the future generation is a tricky and daunting task for the management. Market opportunities backed by research data can drive the companies to steady

growth. Going from the generic to specific, let us see the factors that have led to the increased opportunities in India for family business:

Technology requirements: Path-breaking technological advances are transforming and challenging the conventional business models, strategies and embracing the changing industry dynamics. Traditional business houses are wary of the risks their establishments face if they fail to either adjust to the new technologies or introduce innovative solutions to enhance the quality of products and offerings. 33% of the companies interviewed in the survey feel the need to regularly update in sync with the paradigm shifting technology changes that are leading to novel business models obsolete and hence, the need to put time and resources in research and development (R&D).

Rise of business education & family business courses: In the past few decades, the quality of business management education has grown in India along with the number of reputed institutes and courses. Also, there are specially designed courses for family business management in many of the premier b schools in India that actually cater to the knowledge requirements of the future successors of the big business houses.

Start-up culture & start up policy reforms: With the current government giving impetus to "Make in India" campaign, the growth opportunities for the local players have multiplied. Recent policy changes have also eased the burden on the nascent start-ups and will promote smaller family businesses to establish themselves in the industry.

Political stability: The current government is a single party majority and not a coalition. This means there is more stability at the Centre. The central government is taking some bold step towards globalization, trade promotion and increase the ease of doing business in India. All these factors are conducive for the growth of family businesses in India.

Conclusion:

In order to cater to the emerging challenges including the not so healthy global economic conditions, the family businesses in India need to have core competencies and capabilities that works in tandem with strategy adopted by them.

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NEWS CORNER

Team SAMVAD

Government measures to boost real estate sector?

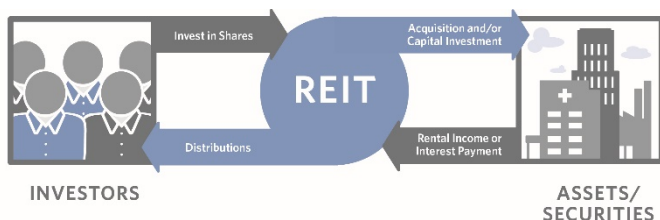


Image source: www.cn securities.com

The struggle of the Indian Real Estate market was only increased with the cash shortage due to demonetization. The government is pushing towards affordable housing and that has added a new dimension to the sector. The various government initiatives like introduction of REIT, the Real Estate Act and GST are expected to help grow the sector. 100% FDI in real estate projects within the special economic zones has been allowed by the government which will not only help curb the slowdown in the economy, but give a boost to the country's economy.

Anti-Discriminatory clause added in Real Estate Act by Maharashtra Government.

The Maharashtra government has added an anti-discriminatory clause in the rules under the Real Estate (Regulation and Development) Act (RERA) to help prospective buyers who want to buy a house in Mumbai but are denied by the builders on the basis of their religion, dietary preference or marital status. Under the new anti-discriminatory clause,



Image source: www.apnarera.com

builders will not be able to discriminate on the basis of caste, gender, ethnic origin or any such factor. Maharashtra was the seventh state in the country to notify draft rules for the implementation of RERA.

MLC against Government's new rule on architects.

The Government's new law which holds architects responsible for structural flaws that occur within 10 years after the construction of the building has been opposed by congress MLC Anant Gadgil, who wrote to the principal secretary of the state legislative council. According to him, the structural engineer is responsible for the materials used like cement and steel, while the architect's role is limited to the design of the building.



House sales drop to a three-year low.

According to IGR (Inspector General of Stamp Duty and Registration), the real estate business has dropped by 12%. There were 18,91,383 documents registered by the end of February 2017. However, there were 20,80,470 documents



Image source: <http://ghar47.com>

registered by the end of February 2016 and 20,83,624 documents registered by the end of February 2015. Documents registration refers to the sale deeds of houses or land. In 2016-17, maximum registrations were recorded in June with 2,16,911 and November recorded the worst with 1,20,022.

CALL FOR ARTICLES

We invite articles for the April 2017 Issue of SAMVAD.

The Theme for the next month: April 2017 - “**Healthcare**”

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

You may also refer to sub-themes on Dare 2 Compete.

Submission Guidelines:

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05’ to **samvad.we@gmail.com**. **Deadline for submission of articles: 25th April, 2017**
- Please name your file as: <Your Name>_<title>_<section name e.g. Marketing/Finance>
- Subject line: <Your Name>_<Course>_<Year>_<Institute Name>
- Ensure that there is no plagiarism and all references are clearly mentioned.
- Clearly provide source credit for any images used in the article.

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IMPACT celebrated its 25th year with a smashing victory yet again, making golden memories in this silver year.

IMPACT is an Inter MMS-PGDM Annual Cricket Tournament founded in 1993 by Prof. Dr Uday Salunkhe, Group Director, WeSchool. IMPACT is a student driven tournament hugely encouraged by the Director and other faculties. As it caters

IMPACT - 2017

to management students, the tournament aims to teach the concepts of management concepts and strategies that include team building, leadership, coordination and presence of mind.

All the MBA post graduates across the city ardently look forward for this much sought-after tournament every year. Welingkar has been the defending champions for the 4th consecutive year after their glorified win in IMPACT 2017. Welingkar played against Lala Lajpatrai College of Management in its final match. Lala's gave a great fight with a target of 185 to chase for Welingkar. IMPACT looks forward to such fine game of cricket in its subsequent years too.





“

DON'T WATCH THE CLOCK; DO WHAT IT

”

DOES. KEEP GOING.

SAM LEVENSON

Image source: <http://all-free-download.com>

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