

**DR. V. N. BEDEKAR MEMORIAL  
RESEARCH VOLUME V  
2010**

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**Dr. Guruprasad Murthy  
Dr. P.M. Kelkar**

**Dr. Amol Gore** (*Editor*)

Dr. VN BRIMS Publication  
2010



Vidya Prasarak Mandal's  
Dr. V. N. Bedekar Institute of Management Studies, Thane

Dr. V. N. Bedekar Memorial Research Volume V

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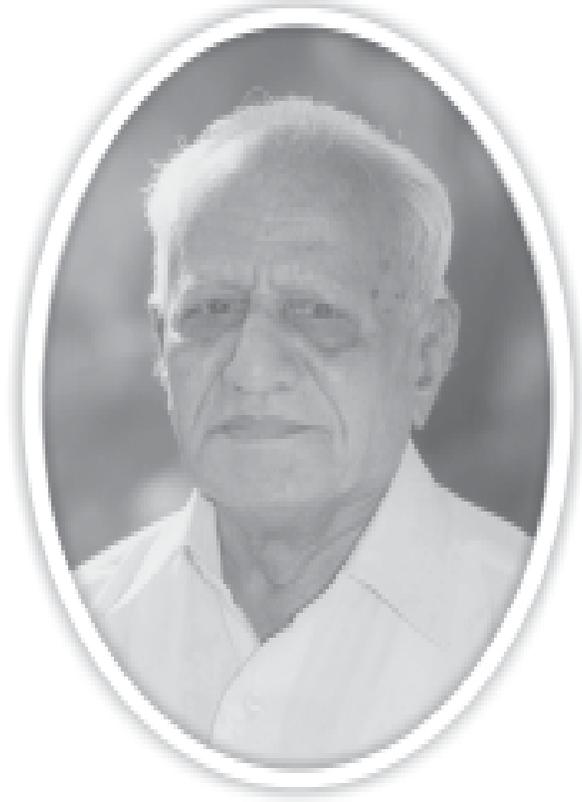
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## Dr. V.N. BEDEKAR - A VISIONARY



Dr. V.N. Bedekar

*'A Leader's job is to look into future, and to see the organisation not as it is ... but as it can become'*

कर्मजं बुद्धियुक्ता हि फलं त्यक्त्वा मनीषिणः।  
जन्मबन्धविनिर्मुक्ताः पदं गच्छन्त्यनामयम् ॥

भगवद् गीता - २.५१



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Vidya Prasarak Mandal's  
Dr. V. N. Bedekar Institute of Management Studies, Thane

## **Vision**

To be amongst the top five management institutes in the country and become the World-class centre of excellence in learning and innovation, driven by social sensitivity and State-of-the-Art technology.

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- To propagate knowledge to society to the best of our ability.
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- To develop promising managers by nurturing their skills.
- To facilitate and empower knowledge with practical approach, while imbibing human values.



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**Quality is Productivity, Productivity is Quality**

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Is obsessed with quality  
To continuously improve all round productivity

Every member of VNBRIMS fraternity  
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VNBRIMS is a role model says Narayana Murthy  
VNBRIMS vows by Quality  
To continuously improve all round productivity

- **Dr. Guruprasad Murthy**  
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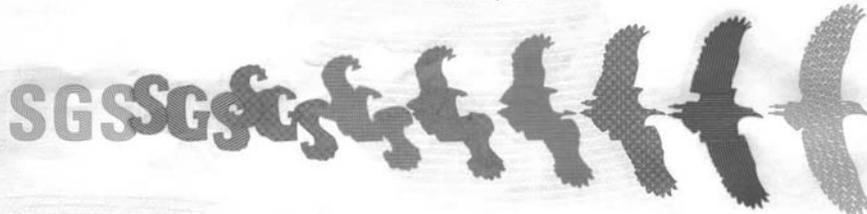
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## From The Management

We are pleased to release this publication on ‘Global Meltdown - Lessons to be Learnt’ as part of the Dr. V. N. Bedekar Memorial Research Volume Series. This is the fifth volume. For the first time in the history of Vidya Prasarak Mandal, Thane since 1935 a workshop was held overseas in London on the said theme ‘Global Meltdown - Lessons to be Learnt’ on Tuesday, 26<sup>th</sup> May, 2009 at Brunei Hall, School of Oriental and African Studies (SOAS), University of London, London, U.K. This workshop addressed professionals from different walks of life from the city of London. This also happened to be the occasion for the launch of VPM’s London Academy of Education and Research. The workshop of Tuesday, 26<sup>th</sup> May, 2009 was a great success and kindled opportunities for new vistas for VPM (Thane) and its group of institutions for the future beyond national frontiers.

The London workshop included an inaugural speech by Dr. Vijay V. Bedekar, Chairman, Vidya Prasarak Mandal, Thane, a keynote address by Dr. Guruprasad Murthy, Professor and Director-General, Dr. VN BRIMS which was followed by presentations by Dr. Vishnu Kanhere, Practising Chartered Accountant, Dr. S. Siddhan, Business Advisor to the Board, Arch Pharmalabs Ltd. and Dr. P. M. Kelkar, Director, Dr. VN BRIMS. The workshop presented an overview of the global meltdown followed by the nature of the meltdown in specific segments of business and industry viz. banking and insurance, operations, marketing and human resources management. The workshop also addressed and discussed the lessons to be learnt alongwith the possible solutions to an economic crisis unprecedented since the Great Depression of the 1930s.

The London workshop was followed by two other events at the Thane College Campus - a workshop on Saturday, 14<sup>th</sup> November, 2009 and a seminar on Saturday, 13<sup>th</sup> February, 2010 on the same theme.

This volume is a presentation of the proceedings of all the three events cited above. It includes the contribution of all stakeholders of VPM (Thane) Group of Institutions viz. Chairman VPM (Thane), Director-General and Director of Dr. VN BRIMS, management thinkers and teachers and students of Dr. VN BRIMS. The contents of this volume, therefore, provide a rich assortment of ideas, thoughts and views on the all important topic ‘Global Meltdown - Lessons to be Learnt’.

The workshop of Saturday, 14<sup>th</sup> November, 2009 in Panini Sabhagruha of Dr. VN BRIMS was a

platform given to students and teachers of Dr. VN BRIMS to contribute their mite to the theme. This is well documented and presented in this volume. The seminar of Saturday, 13<sup>th</sup> February, 2010 had a galaxy of speakers from a variety of fields viz. industry, education and the corporate World. Eminent personalities like Mr. Virendra Gupte, Chief -Trade Services, Tata International, Mr. R. D. Grover, Chairman and Managing Director, CMS Computers Ltd. and Mr. Vikas Shirodkar, Chief People Officer, Onida Group addressed the audience.

We thank Dr. Amol Gore for having brought out the proceedings of the workshops/seminar held in the academic year 2009-10, on this all important topic of global meltdown, together in one place in record time since the seminar of February, 2010.

The World is now showing signs of recovery. However, it is not very clear as yet, as to how long the woes of the meltdown will haunt the global population at large. This volume provides several insights and there are many important lessons to be learnt from the unprecedented global crisis. More importantly there are potential solutions to problems confronting the World and I hope interested stakeholders will find this volume as a useful reference work to stimulate people's thinking in the right direction.

VPM (Thane) Group of Institutions stand out as learning organisation, always ready to contribute to knowledge society. This volume bears testimony to the role posit by Dr. VN BRIMS. We wish this volume a great success and hope that it will serve the purpose of providing knowledge and wisdom to one and all.

**Dr. Vijay V. Bedekar**  
Chairman  
Vidya Prasarak Mandal, Thane

**Dr. Guruprasad Murthy**  
Director-General,  
DR VN BRIMS

**Dr. P. M. Kelkar**  
Director,  
DR VN BRIMS

## From the Editor's Desk

The increasingly complex and challenging business world stared abruptly as globally renowned firms closed shops and established banks disappeared without a trace in one of the world's major economic disaster, more precisely a global meltdown that proceeded all through 2008 and most of 2009, leaving scars that would probably last forever. The financial crisis that erupted in the United States and led the markets world over to the verge of financial collapse actually blew the house of capitalism to smithereens leaving the people to utter imbalances, eroded confidence, panic and pessimism.

In the backdrop of this global crisis, Vidya Prasarak Mandal's Dr. V. N. Bedekar Institute of Management Studies focused on the topic "Global Meltdown – Lessons to be Learnt" and organized the annual seminar and workshop on this theme, apart from the mega workshop in London, UK that addressed the issue from various angles and discussed the implications for both public and private sectors, governments, universities and society at large, hopefully comprehending the reach of the crisis and at best providing feasible solutions.

Dr. V. N. Bedekar Memorial Research Volume V consolidates the proceedings of the workshops and seminar, articulates the presentations and thus provides platform for various stakeholders at Dr. VN BRIMS, policy makers, academicians, working professionals and students to disseminate knowledge and share results across organizations. The presentations and contributions in this fifth research volume are duly acknowledged and appreciated particularly since the work is based on strong research, professional journal reviews and field studies.

In the first quarter of 2010, the economies across the globe are steadily recovering and the recent budget session in India has already signalled robust growth in the forthcoming fiscals. However, the vital lessons learned during the crisis have been retained by corporates to cover the unprecedented transition period. The presentations encapsulating the recovery perspectives therefore assume noteworthy significance.

**Dr. Amol Gore**

Editor / Knowledge Management Team Leader



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Global Meltdown – Lessons to be Learnt  
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- Section – II    Proceedings of the Seminar  
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held at Thorale Bajirao Peshwe Sabhagruha, Thane on 13 February 2010.
- Section – III    Article contributed by Ms. Gitanjali Kapoor, Faculty, Dr. VN BRIMS  
Global Meltdown Causes, Consequences and Recovery: An Indian Perspective  
  
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**Dr. VN BRIMS**

Thanks  
All Contributors  
To  
This Volume





# **Section – 1**

**Proceedings of the Workshop  
Global Meltdown – Lessons to be Learnt**  
held at Brunei Hall, School of Oriental and  
African Studies (SOAS),  
University of London, London, U.K.  
26 May, 2009

**VPM's LONDON ACADEMY of EDUCATION AND RESEARCH**  
**AND**  
**LALL – ONDHIA, LONDON, UK**

**WORKSHOP**

**GLOBAL MELTDOWN  
LESSONS TO BE LEARNT**

**Day and Date : Tuesday 26<sup>th</sup> MAY, 2009, LONDON, UK**

Time : Commencing 5.00 P.M.

Venue : Brunei Hall, School of Oriental and African Studies (SOAS),  
University of London, London, U.K

**☞ INVOCATION**

☞ Launching of VPM's London Academy of Education and Research  
Inaugural Speech by Dr. Vijay V. Bedekar, Chairman, VPM (Thane),  
India and Director, VPM's London Academy of Education and  
Research

**SPEAKERS**

- Dr. Guruprasad Murthy – Keynote Address
- Mr. Harsh Ondhia – An Overview
- Dr. Vishnu Kanhere - Banking and Financial Dimensions
- Dr. S. Siddhan - Manufacturing Dimensions
- Dr. P. M. Kelkar - Marketing Dimension
- Dr. Guruprasad Murthy - Human Resources Dimensions
- Interactions
- Dinner

**Dr. Vijay Bedekar**  
*Chairman*  
*Vidya Prasarak Mandal,*  
*Thane*

## *Inaugural Speech*

# **Global Meltdown – Lessons to be Learnt**

Dr. Vijay Bedekar, Chairman, VPM (Thane) formally launched the London Academy of Education and Research and in the inaugural address he emphasized the decision of VPM (Thane) to extend its horizons in the field of education, beyond its present area and disciplines of operation to emerge as a dynamic and responsive organization in new, emerging disciplines and places of the World. VPM (Thane) would like to project itself as part of India's emergence as a 'Knowledge Superpower' and an integral part of the process of globalization of education in a seamless world, a proactive user of knowledge, to benefit all its constituents and facilitate, through education, the empowerment and enrichment of all its stakeholders across the global network.

Further, Dr. Vijay Bedekar focused on the traumatic impact of the crisis and urged an incisive look into the deeper causes of the crisis. He expressed the hope that the workshop would address the theme of global meltdown from various angles and try to provide viable and workable solution which will enable people think and apply their mind in a positive direction.

**Dr. Guruprasad Murthy**  
*Director-General*  
*(Dr. VN BRIMS)*

## *Keynote Address*

# **Global Meltdown – Lessons to be Learnt**

Dr. Guruprasad Murthy, Director-General (Dr. VN BRIMS) delivered the keynote speech. The excerpts of his speech and presentation slides are as below:

The financial crisis that brought some of the World's wealthiest and powerful countries to the threshold of financial collapse was fundamentally different from the great depression in that it exposed the cracks in the modern financial system and crippled both the liquidity and the vital confidence. 15th September, 2008 was a black day in the financial history of the World when the U.S. stock markets' plunge was the worst in the last seven years. All the four leading financial institutions viz. Lehman Brothers, Merrill Lynch, Bears Sterns and Fannie Mae and Freddie Mac vanished. The ripple effects were too conspicuous and markets in Europe, Asia and Russia collapsed or were on the brink of a total breakdown.

The immediate reaction of the policy makers was to consider huge bailout packages because the failing giant firms were perceived as indispensable for providing the universal necessities and maintaining the nation's welfare and security. However, the grimness of the situation meant that short-term quick fix solutions were unlikely to weather the crisis and refurbish the shattered financial system. The growing interconnectedness of the World at large created by strong globalization forces called upon the leaders of the World's richest nations to acknowledge the responsibility for the crisis and take positive steps towards reviving the global economy and restoring the confidence in the financial institutions by providing clear long-term strategic direction. Therefore, when the leaders of the G20 nations met in London on 2nd April 2009, the expectation was not only to fulfil the pledges to bring the world economy out of recession but also to prevent such financial predicaments in the future. There were two big winners of the G20 agreements viz. emerging Asian countries and the International Monetary Fund (IMF), although the level playing field still remains elusive. The emerging markets have certainly acquired greater voice in the global bodies stopping short of rupturing the protectionist policies of rich nations. The package of \$1.1 trillion announced at the summit comprises an additional \$500 billion in the resources of the IMF that would enable IMF support countries in financial distress. However, the more important aspect was to reach an agreement on a radical overhaul of the global financial system in order to bring in transparency, regulate compensation of top corporate leaders and track money flows. This deals a severe blow to the set capitalistic structure that percolated international financial institutions and monetary bodies. Dr. Murthy suggested that end is in site for crony capitalism that is enrichment of well connected or the flow of wealth to a small group of people who are already wealthy, although acknowledging that the question remains unanswered as to what 'ism' could replace capitalism particularly since exclusive socialism has been a tested failure.

## PRESENTATION



VPM' (Thane), India  
London Academy of Education and Research

**Global Meltdown – Lessons to be Learnt**

Workshop, May 2009, London, UK.

Keynote Address  
**Dr. Guruprasad Murthy**  
Director-General, Dr. V. N. BRIMS



### Stock market Collapse

- ∨ 15<sup>th</sup> September was one of the worst days in the financial history of the World when the U.S. stock markets plunge was the worst in the last seven years.
- ∨ Dow Jones closed below 11,000 for the first time.
- ∨ Markets in Europe, Asia and Russia collapsed or were on the brink of a total breakdown.
- ∨ The Mumbai Sensex was down from a high of 20,301 on 1<sup>st</sup> January, 2008 to 13, 531 on 15<sup>th</sup> September 2008.  
The lowest was 7697 on 27<sup>th</sup> October, 2008.



### The Financial Tsunami

- The major investment banks viz. Lehman Brothers, Merrill Lynch, Bear Sterns and Fannie Mae and Freddie Mac vanished.
- Lehman Brothers, a 158-year-old bank filed for federal bankruptcy protection
- Bank of America snapped Merrill Lynch for stock transaction.



### Immediate Impact

- Global stock market capitalization had declined by 41% during 2008, from USD 55.2 trillion to USD 32.6 trillion.
- The international labour organization (ILO) has predicted loss of 50 million jobs on worldwide basis.



### Reasons for the Crisis

- Housing Bubble
- Sub-prime mortgage crisis
- 9/11



### What is Sub-Prime lending?

- Lending to borrowers with a weak or substandard credit history
- Sub-prime loans include the financing of homes, cars, credit cards etc.
- Lower Credit Score  
FICO less than 620  
(Fair Issac Corporation)



## Sub-prime crisis – Ponzi all the way



A Ponzi collapse is a debt crisis – characterized by planned defaulted amortizations, insolvency of entities saddled with debt, faulty risk assessment and modelling.

**Ponzi Finance is essentially intentional deceit.**

## Timing and Severity



- Great Depression began in the summer of 1929
- Real output and prices fell precipitously
- Industrial production in the United States declined 47 percent and real GDP fell 30 percent
- Wholesale price index declined 33 percent



## German Hyperinflation



In 1923, a German housewife burned mark notes in her kitchen stove, since it was cheaper to burn marks than to use them to buy firewood.

## Forewarning Signals



Complacency and over optimism contributed to the progressive deterioration in liquidity and consequent resort to leverage – unbridled leverage to such an extent that ‘hedged finance’ became ‘speculative’ and ‘speculative finance’ invariably tends to become a ‘Ponzi pyramid.’

## Declaration of summit on financial markets and the world economy, Nov. 2008, Washington.



### Root Cause of Current Crisis:

“During a period of strong global growth, growing capital flows, and prolonged stability earlier this decade, market participants sought higher yields without an adequate appreciation of the risks and failed to exercise proper due diligence. At the same time, weak underwriting standards, unsound risk management practices, increasingly complex and opaque financial products, and consequent excessive leverage combined to create vulnerabilities in the system. Policy-makers, regulators and supervisors, in some advanced countries, did not adequately appreciate and address the risks building up in financial markets, keep pace with financial innovation, systemic ramifications of domestic regulatory actions.”

## G20: 02 April 2009



### Five broad measures: IMF and other countries

- Cheap money policy all over the world.
- State intervention through the central banks in all financial markets.
- Banks making an all out effort to preempt large scale insolvency and loss of confidence.
- Fiscal stimulus to expenditures in the financial sector and also subsidies and guarantees on a large scale between governments and market participants.
- Other measures
  - Protectionism
  - Innovation through public-private partnerships
  - Enhancement of IMF resources



Within a week of U.S. joining the G20 declaration to 'name and shame' the countries resorting to protectionism, hundreds of steel workers in the U.S. protested against the use of India-made steel for oil pipeline project in Illinois, the home state of President Obama.

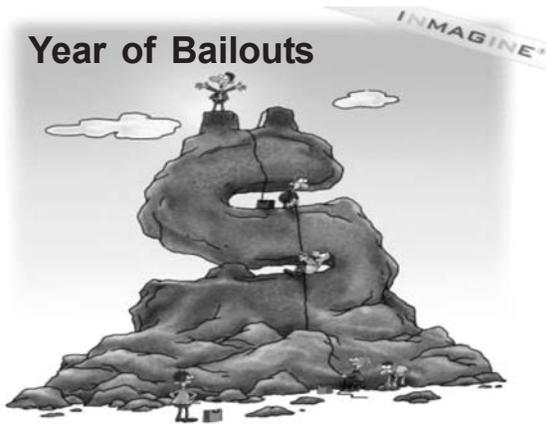


## Is bail out the solution?

### Rationale for Bailout

“Too big to fail” because their goods and services are considered by the Government to be constant universal necessities in maintaining the nation’s welfare and often indirectly

## Year of Bailouts



## Questions?

“ Learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning”

- Capitalizing Profits and socializing losses
- Using tax payers money for providing bonus during crisis and now bailout from losses
- Tinkering with market forces without regulation



## Lou Dobbs Tonight, November 7, 2008

*It was a polite debate between Paul and Lou Dobbs on the American financial crisis, where Paul argues for fiscal stimulus and now it is not the time to worry about deficits*

- “The epicentre of the earthquake has shifted from the financial system (Wallstreet) to the working system (Mainstreet)”
- “The economy would need four to five percent of GDP, which is basically saying \$600 billion to \$700 billion of stimulus”

## Issues confronting the American Citizens

- How many companies will be allowed to go bust before the treasury saves others by declaring a new set of instruments to toxic?
- How come that governments help gigantic corporations, banks and stock markets that have managed to land waters through mismanagement and in part profit greed?
- Tax payers are being called upon to pitch in to help save ailing financial institutions. Is it fair to the American taxpayers?

## Bailouts can be deleterious



- Reasons against bailouts
- Signals lower business standards
- Moral hazard
- Promotes centralized bureaucracy
- Instills a socialistic style government
- Contagion Effect
- Crony Capitalism

## Capitalism versus Socialism



“I have abandoned free-market principles in order to save the free market system. I am a market-oriented guy, but not when I am faced with the prospect of a global meltdown.”

- George Bush



Under socialism the government took over the banks and in capitalism banks took over the governments.

Market as an arbiter of economic activities was worshipped and therefore the blind faith in automatic corrections for equilibrium for demand and supply.



Capitalist system's runaway nature was never a secret. Today's question is how to gear it to a globalising world order where systemic quirks don't stay localised.

The answer has less to do with 'market' than human nature. Adam Smith spoke of the market but, Amartya Sen reminds us, he also stressed prudence and institutional trust.



Capitalism assumes that there is mass production, mass distribution, mass consumption and also mass destruction without any form of nursing sick or dying units.

**Capitalism and socialism are equally menacing and the choice is between the devil and deep sea.**



What choice does the world have if capitalism is on its deathbed and socialism has been a tested failure?

**What 'ism' now?**

## Swedish Model



Sweden has been categorized as middle way between a capitalist economy and a socialist economy.

### Characteristics:

- Achieving high levels of social equality without stifling entrepreneurship.
- Low barriers to free trade.
- Privatization alongside competitive public services.
- Social security, healthcare and quality education

Source: The Economist, Sept. 7, 2006

## Implications for Asian Countries



Now is the time for Asian countries, especially China and India to propose far-reaching reforms. The Asian countries can do this now from a position of strength, not just on grounds of equity. This is not an easy task and it will require both diplomacy and economic cunning to put it past the U.S.

- General Lessons from the Global Meltdown
- Significance of interconnectedness of the world at large.
- Globalization has created across the border bondages.
- Enlightened self restraint should prevail at the micro and macrolevel, and individual and institutional level.
- USD is still the currency to reckon with in international business.
- Perverted, vulgar capitalism will have to be distanced.
- Privatization, deregulation and free markets will have to get subordinated to public sector involvement and regulation at least for some time.
- Larger and larger doses of socialism will be Europe.



## General Lessons from the Global Meltdown



- Government intervention will increase the time, efforts and monies involved in doing business
- It is believed that people in the Third World will not be affected by the global meltdown. The U.S. has an important take from the oriental world, namely:
  - increased tolerance threshold
  - the principle of equanimity and equipoise that helps to sustain crisis periods.
  - traditional oriental ways of managing the physical and mental well-being through yoga, meditation, involvement in fine arts, et al.

## Lessons for India



- Overvaluation of asset prices and assumption that they will never decline is questionable.
- Prudent underwriting standards have to be credit intermediaries in India.
- Risk transfers in the context of fly by night intermediaries have to be closely monitored so that the location of risk in the entire chain of transactions can be identified.
- Unconscionable employee compensation structures are unethical and an unfair proposition, whether capitalism or socialism.
- Transparency and disclosure norms have to improve in theory and practice.

**THANK YOU**

**Dr. Vishnu Kanhere**

## **Global Meltdown – Banking and Financial Services**

Dr. Vishnu Kanhere highlighted the effects of global meltdown on the banking, insurance and financial services sector. The crisis is not merely the outcome of a fall in business opportunities, negative growth or downturn. It is a crisis of confidence caused due to banks and financial institutions falling prey to greed and indiscretion by creating and funding products based on bad loans and sub-prime assets to grow their business. Moreover, the dollar being an international currency, any impact on the US economy is bound to have global consequences. The Lehman brothers collapse actually gave a dramatic extra push to the vicious cycle of falling asset prices, banking distress and low economic activity. The meltdown has raised social issues – the need for inclusive growth and greater effort by business, industry and government at addressing inequalities that are getting accentuated and worse with rising unemployment. Culturally, this has already spawned a heightened sense of nationalism and protectionism, and a feeling of insecurity that is taking people back to their roots and making them more sedate and down to earth. The trend is to shift away from herd mentality and exotic instruments to traditional finance and banking. Dr. Kanhere concluded that the mantra is to use simpler business models and products, rationalised systemic regulation; ‘de-risking’ the financial institutions and banks; restructuring big institutions, slow and steady growth.

**PRESENTATION**

**Global Meltdown:  
Banking and financial services**



**By Dr. Vishnu Kanhere**

**DOWNTURN, RECESSION  
OR DEPRESSION**

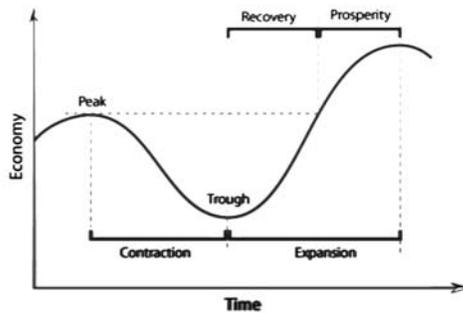
- ☞ Affected countries world over
- ☞ Gripped Banking, Finance, Insurance and almost all sectors
- ☞ Severe Downturn, Recession and Depression
- ☞ Entire fiscal structure was shaken and has gone out of shape - melted

**IT IS A MELTDOWN**



**Dr. Vishnu Kanhere, 26May, 2009**

**WHERE ARE WE?**



**Dr. Vishnu Kanhere, 26May, 2009**

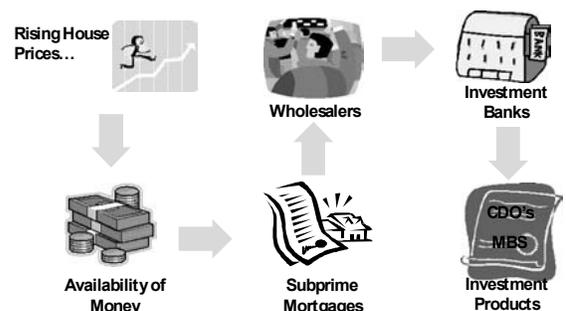
**IT'S A GLOBAL MELTDOWN –  
CRISIS OF CONFIDENCE**

- *“The crisis has been different from anything I’ve ever seen because it has paralyzed major aspects of both the banking and securities industries simultaneously”*  
—Alan Greenspan, The Age of Turbulence
- The Lehman Brothers collapse gave a dramatic extra push to the vicious cycle of:
  - falling asset prices
  - banking distress
  - lower economic activity

**Unfolding of Events**

- 1 • High Investment Demand
- 2 • Falling returns on government securities
- 3 • Need for guaranteed, modest profit
- 4 • Freddie Mac and Fannie Mae securities assumed to be next best to government guaranteed
- 5 • High demand for MBS and in turn heavy demand for property mortgages
- 6 • Less "credit-worthy" loans issued

**The Subprime crisis in US**



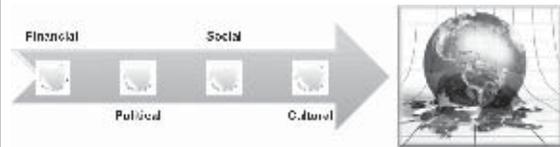
## IT IS A GLOBAL CRISIS!

- ❑ The crisis originated in US and cascaded through various countries
- ❑ Following the path of tainted assets, securities and operations the crisis became global.
- ❑ The dollar being an international currency, any impact on the US economy is bound to have global consequences.



Dr. Vishnu Kanhere, 26May, 2009

## THE FALLOUT



## FINANCIAL IMPACT

- The economy is witnessing a prolonged:
  - Downturn
  - Depression
  - Unemployment
  - Bankruptcies
  - Reduction in production and use of capital goods
  - Infrastructure, developmental and mega projects on hold.
  - real estate, investment and other markets also severely affected.
  - The impact is so severe that there is no light at the end of the tunnel. As Obama had said *"We have an agenda but no timeframe, we really don't know when it will get over."*



## WARREN BUFFET – INVESTOR PAR EXCELLENCE

- ✧ In the business world, the rear-view mirror is always clearer than the windshield.
- ✧ Only when the tide goes out do you discover who's been swimming naked.
- ✧ It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.



Dr. Vishnu Kanhere, 26May, 2009

## POLITICIANS WILL HAVE THEIR SAY

- Taxpayers'/Public money is on the line
- Non-commercial considerations will feature as politicians react to popular anger about the recession.
- Politicization will increase as the recession deepens
- Massive expansion of government spending and borrowing will also persist



Dr. Vishnu Kanhere, 26May, 2009

## WHITHER CAPITALISM? – THE MARKET IS NOT ALWAYS RIGHT

- Free market economy and capitalism are facing the biggest challenge
- Markets may not be the best arbiter of economic activity
- Markets in the future will be better regulated



Dr. Vishnu Kanhere, 26May, 2009

## SOCIAL

- The meltdown has also raised social issues – Inequalities are getting accentuated and worse Poverty, lack of basic necessities, pain and anguish
  - Social unrest could be spin a off.
  - Greater effort by business, industry and government
  - The road to recovery goes through the path of inclusive growth and sustainable development



Dr. Vishnu Kanhere, 26May, 2009

## OBAMANOMICS AND GANDHINOMICS

- Obama said while supporting the bailout:
- **“Whatever we are doing, remember the world is watching We need to do it to enable systems to continue**
- **Sitting in Washington, we are not aware of the pain and problems.”**
- How to achieve this: Use Mahatma Gandhi’s formula
- **“Whenever I take any actions, I use a simple test- keep the common man and poorest of poor in sight and think how it will affect and benefit him.”**



Dr. Vishnu Kanhere, 26May, 2009

## WHAT WENT WRONG?

### THE LAW OF UNINTENDED CONSEQUENCES

- Ignored fundamentals and followed sentiment
- Euphoria and greed, fuelled by herd mentality and media hype
- Innovative structured financial instruments meant to spread risk, instead concealed and multiplied risk.
- Companies dressed up and posted growth quarter on quarter (Window Dressing, Frauds and Ponzi Schemes abounded)
- Rare, improbable, extreme events do occur and have a big effect



- **The Black Swan, Nassim Nicholas Talib**

## INDIA UNAFFECTED

- Rural Agrarian Economy
  - Greater market imperfections – resistance to fall
  - Sixth pay commission implementation
  - Democratic parliamentary elections
- No Doubt, there is some damage:
- Reduction in capital flows
  - Temporary impact on financial markets
  - Fiscal stress
  - Perception of credit crunch



But the Dawn is about to break

## Why Emerging Economies? – I,C,M,T,B

- Safer Haven
- Huge relatively untapped market
- Biggest English speaking workforce
- Quality Education
- Vibrant Democratic Values
- Skills, Acumen, Research and Knowledge

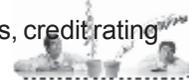
A sound and smart choice



Dr. Vishnu Kanhere, 26May, 2009

## TOMORROW’S RULES WON’T BE THE SAME AS TODAY’S

- ❖ The crisis has surprised everyone repeatedly
  - Financial institutions, investors, borrowers,
  - governments, regulators, credit rating agencies...
- ❖ A sense of humility is called for...
- ❖ The crisis is still unfolding...credit losses may be barely half way through
- ❖ Further falls in asset prices may expose further casualties, intensifying the backlash
- ❖ Even if the markets are past the worst, rising unemployment will have serious economic and political ramifications



Dr. Vishnu Kanhere, 26May, 2009

### THE TEN COMMANDMENTS FOR OVERCOMING THE MELTDOWN

- Plan Ahead – get serious about retirement
- Pay off your debts and credit cards
- Make savings a habit
- Start investing and diversify your investments
- Protect your assets
- Continue to Learn
- Back to basics, keep it simple
- Age of Frugality – live simply within your means
- but also have some fun – the Paradox of Thrift
- Be charitable

Dr. Vishnu Kanhere, 26May, 2009

### WHAT SHOULD THE STATE DO?

- Rule of the Law (Dharma)
- Tougher discipline will be imposed
- Central bank will pay more attention to asset prices
- More competitive financial ecosystem will evolve
- A new world order multi currency? multi centric?



Dr. Vishnu Kanhere, 26May, 2009

### WHAT SHOULD PEOPLE DO?

- ❖ It is a time for:
  - capacity building
  - Picking up and Consolidating from where you are left off
  - Learning and research
  - Try and diversify to derisk the operations
- ❖ Creativity will hold the key to finding winning solution that will overcome the current negative trend.

Dr. Vishnu Kanhere, 26May, 2009

### CONCLUSION – SIMPLER, SAFER, SMALLER, SLOWER

1. Simpler – simpler business models and products, rationalised systemic regulation
2. Safer – ‘de-risking’, protected ‘narrow’ banks separated from riskier activities, with bigger capital and liquidity buffers
3. Smaller – big institutions may be restricted or broken up
4. Slower - although growth will return, the desire for stability may come at a price



Dr. Vishnu Kanhere, 26May, 2009

### OPPORTUNITY OR PERIL?

If Learning > Change then it is an opportunity

If not we flow with the tide and perish

Hibernate but do not freeze to death

Prepare yourself to be there at the right positions, at right place, at right time when revival happens

Dr. Vishnu Kanhere, 26May, 2009

### ROADMAP FOR FUTURE



Dr. Vishnu Kanhere, 26May, 2009

**Dr. Siddhan**

## **Global Meltdown – Manufacturing Dimension**

Dr. Siddhan discussed the manufacturing dimensions and provided a comparative overview of different industry sectors with regard to the global crisis. He elaborated on the practices of customer demand, cash flow improvement, technology status, innovation, business planning capabilities and the need to involve employees at all levels. Dr. Siddhan also made a presentation during the Seminar held in February 2010.

## **Global Meltdown Manufacturing dimension**

**VPM's London Academy of Education  
and Research**

**26<sup>th</sup> May 2009, London UK**

**Siddhan Subramanian  
siddhan@gmail.com**

## **Introduction**

- When the financial tsunami hit the market, manufacturing was of the view that demand will not go down steeply and the effect is just pipeline correction
- A second thought after a quarter clearly showed demand in products and infra-structure thus making manufacturing discipline to sit up and review demand strongly.
- Strong export growth was seriously hampered making meltdown a real threat to continued manufacturing operations & hence a need to review manufacturing dimensions in depth
- Established practices of demand assessment, cash management, technology, innovation issues gaining importance
- How to address the operations effectively and thus addressing the crying need for change in the market place

## **Origin of meltdown**

- Storms don't happen in wells or tea cups and it happens in oceans and spreads out everywhere. If anyone thought that any country could be isolated, he is living in a fools' paradise
- The external macro changes could be predicted closely, these are factors that can not be influenced by an organization
- There are many internal areas in an organization to be focused upon
- It is not random cost cutting but a methodical in-depth review of the organization's business & redefining business strategy, at least in the short term
- While the drivers for agriculture and Service

## **What are we focusing on ?**

- One word is "Cash"
- Shift from income statement to balance sheet
- Think in terms of "Cash Efficiency"
- Management intensity
- Increasing frequency of control and review
- Building a confident organization
- Honesty, credibility, inspiration, reality base & boldness
- Reallocate time, reassess top team,

## **Manufacturing key factors**

- Improved customer understanding of sales trend and thus evolve a planning system addressing the changes.
- Manufacturing to sell rather than to stock thus addressing inventory and thus cash requirements.
- Identifying sub-optimal performance in consumption of materials, inefficient processes & conversion costs need to be addressed.

## **Manufacturing key factors**

- Continuous performance improvement in operations by engaging process improvement teams who work with R&D to make positive changes for cost and material utilization
- ERP systems will help even smaller companies to ensure large money not blocked up in operations. Already larger companies are benefitting from such systems

### Principles of lean management

- Specify value from the standpoint of the end customer
- Identify all the steps in the value stream for each product or product family, eliminating every step, every action and every practice that does not create value
- Arrange the remaining value-creating steps into a tight and integrated sequence so the product will flow smoothly toward the customer
- As flow is introduced, let customers pull
- As these steps lead to greater transparency, enabling managers and teams to eliminate further waste, pursue perfection through continuous improvement

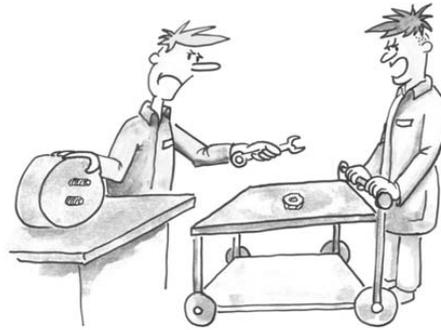
### Principles of lean thinking

- Define value from the customer perspective
- Identify the value stream
- Make the process flow
- Pull from the customer
- Head toward perfection – continuous improvement

### Principles of lean thinking

- Define value from the customer perspective
- How do we define value?  
Must pass all three criteria;
  - Customer has to care (willing to pay for)
  - Must change the thing,
  - Done right the first time.

### Excessive movement of people, info and materials



“I had to go across the street!”

### unnecessary Inventory



“We’re running out of room. We need to expand!”

### Unnecessary motion



“There’s got to be an easier way!”

### Inactivity or waiting



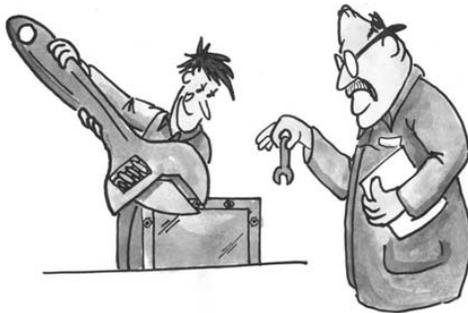
“The parts were supposed to be here yesterday!”

### Over production



“What do you mean the design’s been changed!”

### Inappropriate processing



“Bigger is not necessarily better!”

### Defects or errors

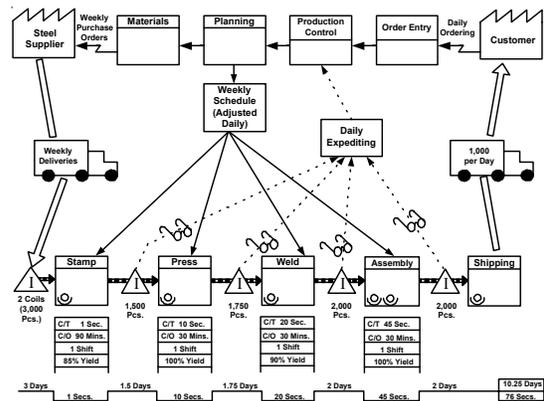


“Of course it’s taking a long time!”

### Principles of lean thinking

- Define value from the customer perspective
- Identify the value stream

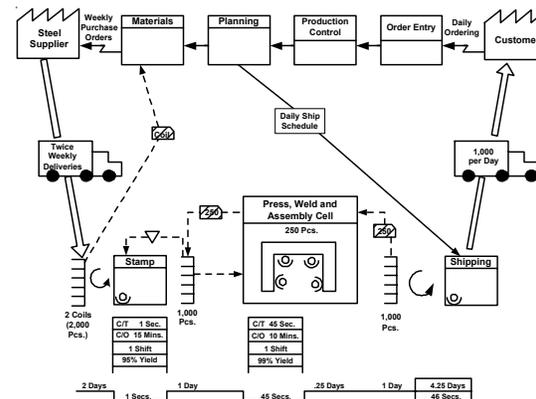
### Value streaming



## Principles of lean thinking

- Define value from the customer perspective
- Identify the value stream
- Make the process flow

## Process flow



## Operational excellence targets

- Applicable to all business processes ...
  - Forecast accuracy and planning
  - Manufacturing: Process capability
  - Capacity utilization
  - Downtime analysis
  - OTIF delivery performance
  - Addressing wastage
  - Complaint Analysis and Preventive Action (CAPA)

## Innovation and creativity

- Going faster around equator does not take you to north pole any day !!:
  - Change direction first; bring innovation
  - Doing same thing and expecting different (more rewarding) results from time to time does not make sense
  - Adopt new and improved technology
  - Look for lateral solutions
  - Refocus R&D towards IP and innovation

## Technology - innovation

- Creating a innovation based culture in an organization
- High level of indulgence for out of box thinking
- Breaking the “don’t-do-anything new” rule
- More problem solving / case study approach than routine academic routine
- Finding technology problem at academic, research and small improvement (Kaizen)
- Access to intellectual capital in a flat world – need not be only native Indian

## Learning during meltdown

- Chances for sustaining and growing is proportional to the value you create and value perception at the customers’ end.
- Manufacturing industries all over the globe have to eventually compete on innovation and IP strength
- Natural crisis like Earthquakes, Tsunamis & Tornados change the way we look at issues
- Meltdown is a crisis created by men and he has to raise his intelligence to a higher level to solve the problems created by him earlier !!!

Dr. P.M. Kelkar

# Global Meltdown – Marketing Dimensions

Dr. Kelkar presented the marketing dimensions and articulated through examples the impact of global meltdown. He expressed three I's, namely, ideate, innovate and improvise. There is pressure to optimize or even cutback the marketing expenses, however, the global crisis could be considered as a great opportunity to fundamentally alter the processes and capabilities to infuse energy into marketing setups.

## PRESENTATION

VPM's  
London Academy of Education and  
Research

Global Meltdown – Lessons to be  
Learnt  
26 May 2009, London, UK

Marketing Dimensions  
by

Dr. P. M. Kelkar

## Marketing Dimensions & Response

- **Products:** Needs innovation and differentiation
- **Prices:** Customers need affordable prices. They are unwilling to pay higher price & are even deferring purchases. Companies need to offer more for less
- **Promotion:** Affected due to slowdown and cost control. Needs to be better targeted and optimized
- **Position:** May need to change positioning of brand, need to explore new markets

### **Marketing through meltdown Survival Strategies**

- Companies need to nimbly adjust strategies, tactics and product offerings in response to the shifting demand
- Drive short-term sales by tactical strategies like dropping prices, offering more deals and special promos and by attacking competitors in advertising
- Reduce complexity in product portfolios by killing trivial offering. Introduce low priced version of your premium brand
- Marketers still have to figure out how to get customers, keep them happy and that too with shrinking resources

### **Growth Strategies**

- It is critical to track how customers reassess priorities, reallocate funds, switch brands and redefine value
- Bolster trust by treating customers well and reinforcing their emotional connection with the brand
- Marketing should not be viewed only as adverts, brochures and promotions but involved in business strategy
- Expansion of markets to rural areas
- *Ideate, Innovate, Improve*

### **Consumer Expectations New Games, New Rules**

- Till 2008, companies benchmarked performance against internal and international benchmarks and competitors, innovated more than competitors, invested in new forms of marketing and moved faster they had ever before
- But their products did not see the results they had hoped for because they had fallen behind consumer. Consumer's expectations and behaviors had moved to another level. And therefore, doing better than competitor meant very little

### **Reassess Consumer Expectations New Games, New Rules**

- Changing times demand new ways. Marketers, who don't keep a close watch on the entire spectrum of consumers and don't invest in truly understanding media and how it is used as precincts are defined, might lose out
- Marketing should segment customers according to their recession psychology (from fearful to carefree) and how they categorize their purchases from essentials to expendables- John A. Quelch, HBR April 09

### **Consumer Expectations New Games, New Rules**

- **Q1: How do you behave at home when you are you? How do you, your friends and children get information? Whom do you look for recommendations and how do they make one?**
- In US, 21% consumers spend time with digital media while marketers spend only 5% budget on it. This is a disconnect
- Microsoft and Sony continued their love for superb technology in developing X-Box 360 and P3 and lost touch with customers while Nintendo watched how consumers play games and came out with something simple and small, called Wii

### **Consumer Expectations New Games, New Rules**

- **Q2: Do you completely understand opportunities and threats to your category?**
- Apple, Nokia, Nintendo and Nikon all are trying to compete in same market. Apple iPhone has a phone, camera and games, Nintendo DSi handheld has 2 cameras, wireless connectivity, music player and games. **When things become digital, boundaries dissolve.** This is both, a threat and an opportunity. The future does not fit into containers of past
- Brainstorm and benchmark consumer behavior and competitor outside your category. Looking at adjoining categories or how consumers are creating solutions by mixing and matching things is a good place to start

## Consumer Expectations New Games, New Rules

- **Q3: Ask yourself and your market research team whether you are listening to full spectrum of voices (in and outside your category) and or just heavy users and prospects?**
- Understand conversation around your company, your brand, your products and services. Do not simply rely on heavy users (propensity to consume) but also look into heavy influencers (propensity to communicate with network and charisma)

## Innovate

- **Since current slowdown is unlike anything seen before, the solutions are also unlike anything done before to be able to come out on top**
- Floating factory by Chinese white good manufacturer where the ship sails from Shanghai with few parts, collects parts at various ports and converts them to appliances by the time ship reaches north America
- **Media Strategy:** Innovation in media strategy is essential to reach target segments effectively. Breakthrough innovation is possible across channels but not many marketing teams attempt it
- They still rely mainly on print and TV and not on non-traditional media like targeted SMSs, branded web-portals, e-mails, search engine ads and even mobile advertising. Brand team should build capabilities which are normally considered outside their domain

## Innovate to Succeed in Market 'The Innovator's Guide to Growth' by Scott Anthony'

- Historically, people thought that innovation is random, required creative genius and therefore, couldn't be managed. Today, companies believe that innovation is a process that can be managed
- Success sometimes comes in way of innovation. Sony lost to iPod because they were not excited with the proposition of a music system that could play pirated music. Sony's engineers only wanted to use proprietary technology and not off-the-shelf components
- Google is probably the best company in the world at quickly flinging new offerings like Google Talk, Google Finance, Google Docs, Google Sketch-up etc. onto market

## Innovate to Succeed in Market Types of Innovation

- **Sustaining Innovation:** Televisions with clearer pictures, cars with more reliable engines, computer with faster processors
- **Disruptive Innovation:** Transforms existing markets and creates new ones by playing the innovation game differently. Products or services that outperform in terms of simplicity, convenience, accessibility or affordability
- Examples: Less than a cent a minute phone, \$2000 Tata Nano car, \$20 modern hotel room at Ginger Hotels, battery operated mobile electrocardiogram at 1/5<sup>th</sup> cost in India, Casa Bahia retail chain in Brazil (profit by selling to poor only), Grupo Elektra in Mexico (micro credit), Walkman, Internet, simple cheap computers like EEE Netbook by ASUS
- **Established companies normally do not prioritize this type of innovation. However, as markets are getting tougher, creative disruptions are taking place faster**

## Product Differentiation

- Differentiate yourself from masses. Luxury goods brands like Tommy Hilfiger, Abercrombie and Fitch, Banana Republic, Coach, Dooney and Bourke, Ralph Lauren, Tiffany, Louie Vuitton etc. have swept Europe and are blossoming in Asia
- Price is a highly important aspect of a buying decision but cheap price is not a determinant of commercial success of a product. People are looking for something that they can afford but which is not available to everybody else
- Apple's iPhone (with new look & fun experience) won over the Armani and Samsung phones as it was better able to establish emotional connection with consumers. But in India, it did not sell well due to sub-optimal balance between functionality and value
- **Marketing experts feel that aspiration for luxury brands is recession-proof**

## Product Differentiation

- As per Francois Thiebaud, President of Tissot, business is unlikely to be affected in meltdown due to constant launch of new, innovative products e.g. T-Touch launched in 2000 was a first touch sensitive wrist watch ever made. They were also the first to launch pocket size watch with 2 time zones 150 years ago. They are aggressively entering Asian markets
- Thiebaud believes that slow-down is good time for brands to rethink its strategy and reinvent themselves. They plan to offer customers more for the same price but will not take price cuts
- Tissot's strategy is to keep innovation going in its areas of strength - precision and craftsmanship. If you can't be ahead of your consumers, at least walk with them, he says
- At Swatch with its tiered brand pyramid, management expects to weather economic slowdown and believes that **'this winter may be cold, but summer will come'**

### **Advertising & Promotion**

- Companies must understand customers' shifting needs and then adjust their communication strategies and offerings
- Promotion should be carefully targeted to brands that can connect emotionally with customers and demonstrate empathy e.g. Crest and Aleve
- Substitute cheaper radio advertising by TV advertising especially when it's required to deliver frequent messages to remind consumers to act
- Shift from say, 30 seconds to 15 seconds TV spots
- Switch to media that allows tracking consumers response. Choose search-related advertising on Google over banner advertising

### **Mantras for Marketing**

- Don't buy the hype. Although it is good to know what is going on in your sector, do not get worked up by media headlines that tend to put people into panic. Plenty of businesses survive and thrive in down markets
- Develop deep understanding on what your customers need right now. While providing that, assess what has the biggest effect on your profits and outsource the rest
- Put virile marketing strategies to promote and grow business especially in your niche market. Use internet to publish blogs/ articles that support your product giving URL to drive traffic to your site
- Do not cut back on advertising. Sustain awareness because advertising works cumulatively. Maintaining corporate and brand recognition through advertisement should be considered as ongoing investment

### **Mantras for Marketing**

- Develop a strategic marketing plan. Don't waste money advertising the wrong message in the wrong place and to the wrong audience
- Utilize sponsorships, referral networks and online social media like MySpace, Facebook, LinkedIn for advertising and promotion to target core audience
- Stay in contact with loyal customers and let them know what you offer through visits, e-mails & electronic newsletter
- Introduce well-conceived, innovative, differentiated and properly marketed new products

### **Mantras for Marketing**

- Focus on institutional sales. Institutions like hospitals, schools and colleges, government offices, public works and infrastructure, churches etc. are highly resistant to recession
- The discipline around marketing strategy and research developed during recession and the ability to respond nimbly to changes in demand will continue to serve marketers when economy recovers
- Marketers should prepare now for a long-term shift in consumers' values and attitudes
- Increasingly customers will demand that businesses act in their and society's best interests and will factor company practices into

**Dr. Guruprasad Murthy**  
*Director-General*  
*(Dr. VN BRIMS)*

# **Global Meltdown – Human Resources Dimension**

Dr. Guruprasad Murthy mentioned several human resource issues that were brought to fore in the global crisis. Not only the corporates but also the society at large had to face challenges such as loss of jobs, diminishing purchasing power, reactive mindsets, delinquency driven environment and so on. Ms. Sukhada Tambe presented the related slides of human resources dimensions during the February 2010 Seminar.

## **PRESENTATION**

**VPM's (Thane), India  
London Academy of Education  
and Research**

**Global Meltdown –  
Lessons to be Learnt**

**Workshop, May 2009, London, UK.**

**Human Resources Dimensions**

**Dr. Guruprasad Murthy**

### **Financial Turmoil Hits Job Market**

- Job losses and recruitment freeze in most sectors of the industry.
- The international labour organization (ILO) has predicted loss of 50 million jobs on worldwide basis.
- U.S. unemployment rate at 8.5%, highest for decades.
- The woes of the great depression are being recalled and retold.

### **Effect of Current Crisis since Sept. 2008**

- Diminishing purchasing power
- Reactive Mindsets
- Delinquency driven environment
- Cynicism and Pessimism

### **Establishment Expenditure**

The burden of establishment expenditure of organizations is proving fatal in many companies. E.g. General Motors Even the Government is recruiting temporary staff to have flexibility in managing the wage bill.

### **Loss of Jobs**

Corporates cannot survive if the bottom line is not sharp and positive in terms of margins and profits.

### **Corporate Moves**

Six companies have gone ahead with downsizing resulting in loss of 70,000 jobs (27th January, 2009) including Pfizer, Sprint Nextel Corp., Home depot (home improvement retailer). BT has sought to save overheads by encouraging home-working as it is increasingly sensed that significant economies can be made by changing the management practice to measuring output of staff rather than time spent in office.

### **Downsizing in the Pipeline**

- Lack of effective demand
- Investment projects being shelved
- Inadequate quantum of capital
- Bankers' resistance to lend
- General mood of pessimism and lack of confidence

“ More people are coming in naming job loss or financial reversal and they are admitted with depression or increase in substance abuse, or both.” – Medical Director, Connecticut.

### **Challenges for HRD**

“The real challenge that confronts corporate HR today is to utilize this period of recession as an opportunity.”

### **Opportunities**

- Consolidate the workforce
- Streamline the salaries
- Make organizations more performance-centric
- Identify real talent
- Develop talent as leaders

### **Proactive Dimensions of HR Policies**

- Augment Training and Development
- Encourage the Talent
- Redefining Job Roles
- Provide Opportunities for Higher Education
- Identify New Ways and Means of Doing Business
- Retention of employees
- Paternalistic view – Employer and employees tiding over the crisis jointly.

### **Employee Morale**

- Personalized leadership, conflict management and organizational justice require urgent attention to boost employee morale in the turbulent times.
- Non-financial motivators are significant. This includes autonomy, employer commitment, feeling of being trusted, work-life balance and pleasant working environment.

### **Effective Ways to Save Jobs**

- Relocating the employees
- Counseling
- Multi-skilling
- Training
- Pay deferral
- Barter practice

### **HR Policy**

“The HR in such times should focus attention on key capabilities needed while maintaining the picture of the future resources and best ways of securing them.”

- Martin Goodman, HR Director

### **Spirit of HR Policy**

The path of maximizing success can only be to win confidence, motivate and inspire people with straightforward messages that emphasize a strong future vision with honesty and integrity.

### **ILO Study**

According to the ILO the new market “stimulus packages lean heavily towards financial bailouts and tax cuts instead of job creation and social protection.” The G20’s approach may be counter productive from the employment perspective.

“The ILO institute conducted a study of economic rescue efforts in 32 countries including all members of the G20. Only half of the countries examined have announced labour market initiatives and among those, the resources allocated to these measures are relatively limited. ”

### **General Lessons Learnt by this Crisis**

- World is a global electronic village and global decoupling is over.
- Good talent is easily available. But, retention of star performers is as usual difficult.
- In the recession, getting the right people is crucial.
- Performance evaluation has revised upward benchmarks adding to organizational stress at all levels in the organization.
- Leadership style is questioned and more humane approach to management of human resources is underscored.
- New labour market initiatives are essential and managing HR successfully is the greatest challenge of the global meltdown.



## **Section – 2**

### **Proceedings of the Seminar**

#### **Global Meltdown – Lessons to be Learnt**

held at Thorale Bajirao Peshwe Sabhagruha, Thane

13 February, 2010





**Dr. V. N. Bedekar Institute of Management Studies, Thane**

**An ISO 9001:2000 certified institute in education and research in the field of  
management by SGS, UKAS quality management, UK.**

## **SEMINAR**

# ***Global Meltdown Lessons To Be Learnt***

**ON**

**Saturday, 13<sup>th</sup> February, 2010**

## **VENUE**

**Thorale Bajirao Peshewe Sabhagruha  
Jnanadweepa, Chendani Bunder Road  
Thane College Campus  
Thane (W) - 400 601**

# STRUCTURE OF THE SEMINAR

	<b>MORNING SESSION</b>
10.00 am to 10.05 am	Welcome Speech by <b>Dr. P. M. Kelkar</b> Director, DR V N BRIMS
10.05 am to 10.10 am	Address by <b>Dr. Vijay Bedekar</b> Chairman, Vidya Prasarak Mandal, Thane
10.10 am to 10.15 am	Speech by <b>Dr. Guruprasad Murthy ,</b> Director – General, Dr. VN BRIMS
10.15 am to 11.00 am	Inaugural address <b>Mr. Vikas Shirodkar,</b> Onida Group
11.00 am to 11.45 am	Address by Chief Guest <b>Mr. R. D. Grover</b> Chairman and Managing Director, CMS Computers Ltd.
11.45 am to 12.30 pm	Keynote address <b>Mr. Virendra Gupte,</b> Tata International Ltd.
12.30 pm to 1.15 pm	Finance Perspectives <b>CA Dr. Vishnu Kanhere</b>
1.15 pm to 2.00 pm	<b>LUNCH</b>
	<b>AFTERNOON SESSION</b>
2.00 pm to 2.30 pm	Manufacturing Perspectives <b>Dr. S. Siddhan,</b> Arch Pharmalabs
2.30 pm to 3.00 pm	Operations & Logistics Perspectives <b>Mr. P. K. Sabherwal,</b> Larsen& Toubro
3.00 pm to 3.30 pm	Recovery in Mfg. and Service sectors <b>Mr. Subhash Dixit,</b> Bharati Shipyard Industry Study of Response by the Indian Industry <b>Dr. Amol Gore, Lt. Col. V. V. Raman (Retd),</b> <b>Ms. Sonal Dabke</b>
4.15 pm	OPEN FORUM & VOTE OF THANKS

**Mr. Vikas Shirodkar**  
*Inaugural Address*

# Global Meltdown – Lessons for the Future

## PRESENTATION

### Global Meltdown Lessons for the future

**Vikas S. Shirodkar**  
Chief People Officer

### Topics of Discussion

- The Context : revolutionary change
- Leaders as important catalyst
- Lessons for the future
- Way ahead
- In conclusion

### Topics of Discussion

- The Context : revolutionary change
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“The Future arrived when we weren’t looking, so we’re still dealing with issues, ideas and programs that don’t fit the world’s new realities.”

**Source: Peter Drucker**

### Where did they disappear?

- Hindustan Motors / Standard Motors
- EC-TV / Weston / Bush / Murphy
- Remington / Gestetner
- Vayudoot / Modiluft / Damania
- Rajdoot / Lambretta / Yezdi / Raleigh
- DCM / Mafatlal / Sarabhai
- Metal Box / ICI / GKW / Martin Burn / Bird
- Binnys / Calico / Tata Textiles / Lal Iml

The real difficulty in changing the course of any enterprise lies not in developing new ideas but in escaping from the old ones

- John Maynard Keynes

### Past successes guarantee nothing !



Successful past will block your vision to the future !



### Drivers of growth

#### India

- Domestic
- Services
- Consumption
- High tech, capital intensive industry

#### East and S.E. Asia

- Exports
- Manufacturing
- Investment
- Low tech, labour intensive industry

Presentation by Shri Gurchran Das to Wipro

### Implications of India model

#### 'Domestically led' means:

- Insulation from global downturns
- Less volatility
- We will come out of the global crisis faster



### Topics of Discussion

- The Context : revolutionary change
- Leaders as important catalyst
- Lessons for the future
- Way ahead
- In conclusion



### Competing from the Inside Out

- Positive correlation between **successful people management and the bottom line.**
- **Involving employees** in planning & implementation process and allowing them to see the fruits of their labor (the sense of connection between daily work and long-term customer success) benefits the organization.
- Focusing on **organizational capability** will not only meet short-term financial requirements, but also build a solid foundation for the future.

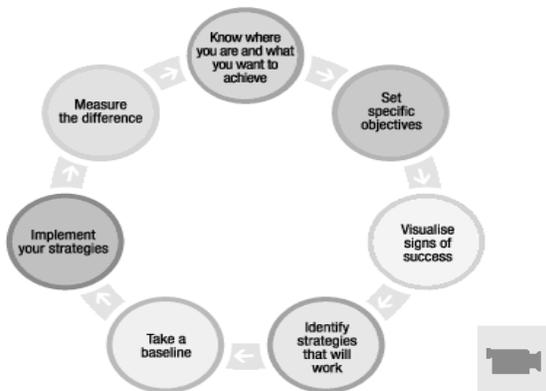
Dave Ulrich & Dale Lake

### Reputation is Value

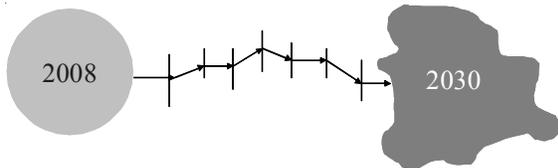
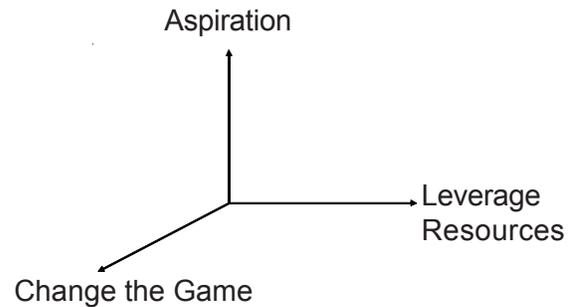
- Solid reputation leads to a positive cycle of events :
  - Reputation engenders trust;
  - Trust leads to greater opportunity;
  - Greater opportunity creates value
  - { our examples: Wipro & Infosys v/s Union Carbide post Bhopal; Pharma majors post mergers }
- **“Remember who you are and what you stand for.”**

Norm Smallwood & Patricia Seemann, Executive Excellence, February 2007.

### Taking charge...



Aspiration > Resources



- \* Clarity to Direction
- \* Willingness to Discover
- \* Clear Milestones
- \* Speed and Stamina:  
400 meters at a time but Marathon

### Leading in Chaos

- Multiple demands
- Pressure to perform
- Need for course correction
- Compressed time lines



### Legacy factor for Leaders

“The most important responsibility all of us have is to develop the leaders of the future. It’s the greatest challenge we have, and the most important legacy that we can leave behind.”



Bill Weldon CEO, J&J

### The Leader’s New Work

Leaders are designers, teachers, stewards. These roles require new skills:- The ability

- To build shared vision,
- To surface and challenge prevailing mental models, and
- To foster more systemic patterns of thinking.

In short, leaders in learning organizations are responsible for building organizations where people are continually expanding their capabilities to shape their future –

**Leaders are responsible for learning !**

### What is the issue?

- Companies can’t rely on success factors of past
- To survive & succeed through uncertainty, BOM need to identify what business and employees should to be **doing differently**
- Critical 1st step : **identify the talent** that cannot be lost
- Ensuring right **reward structures** are in place for employees, ahead of competitors.
- To support this, **regularly communicating** with your employees to reinforce their commitment to business & increase chances of retaining

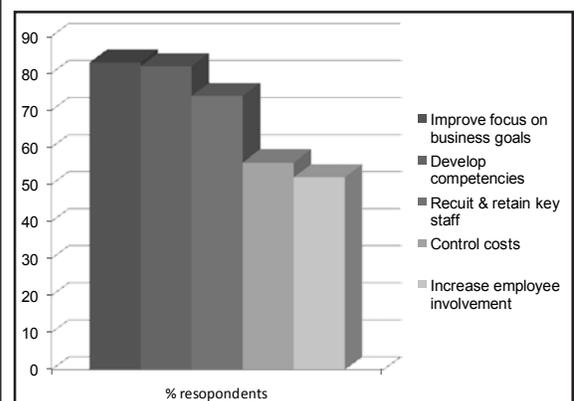


### Lessons of the downturn : Drivers of Change

- Impacts of Downsizing
- Increasing customer demands
- New and emerging roles
- Technology impacts
- Alternative methods of service delivery
- New skills and competencies

We’ve had one of these before, when the dot-com bubble burst. What I told our company was that we were just going to invest our way through the downturn, that we weren’t going to lay off people, that we’d taken a tremendous amount of effort to get them into Apple in the first place — the last thing we were going to do is lay them off. And we were going to keep funding. In fact we were going to up our R&D budget so that we would be ahead of our competitors when the downturn was over. And that’s exactly what we did. And it worked. And that’s exactly what we’ll do this time.

### Top priorities for HR function : CIPD HR Survey Report, 2008



### **Opening the right door Focus areas in the downturn**

- Scenario planning
- Cash generation
- Cost reduction
- People
- Risk
- Stakeholder management

**Source: PWC Study**

### **Survival depends upon...**

- Managing people costs effectively
- Motivating employees to flex output as per business needs
- Financial housekeeping like Costs such as ESOPs, benefits and car schemes, pension schemes : quick wins to ease hit to P&L
- If no alternative to redundancy, planning essential : managing legal complexities, using tax efficiencies & making tough decisions quickly will minimise time, cost and risk involved.

### **Recognize value of people**

- **Map talent** across the business
- Identify possible **succession risks**
- Develop strategies to hold on to employees who may be targets for headhunters; act now
- Think about using your talent differently
- Offer employees **new challenges** in a different part of the organisation.
- Most importantly, continue demonstrating you value your employees, offer **development opportunities** and discuss their future with the organisation.

### **Who comes first?**

#### **Employees, Customers or Shareholders?**

**“Employees come first. If they are happy, satisfied dedicated and energetic, they’ll take real good care of the customers. When the customers are happy, they come back. And that makes the shareholders happy.”**  
**Kelleher, CEO, Southwest Airlines**

### **So the new “New Deal”...**

- A compelling **vision & strategy**
- A meaningful **voice of employees** in decisions
- Effective **performance management**
- Effective **leadership**

### **Walking on the Way ahead**

- **Have people statistics at your fingertips**
- **Justify and evaluate your spending**
- **Check your contractual and legal obligations**
- **Communicate extensively with employees**
- **Persistence**

### Survivor's guide to thriving in the downturn

- 1 Take a closer look
- 2 Act Decisively
- 3 Remember 'Cash is King'
- 4 Focus on what really matters
- 5 Manage your cost base
- 6 Reliable management information
- 7 Plan for different scenarios
- 8 Recognize the value of people
- 9 Take stakeholders with you
- 10 Take advantage of opportunities

### Call to action

- Give your staff resources to recover from negativity.
- Up the time spent on strategic HR and don't stop until you have a positive vision for everyone in the company.
- Work with senior managers. **When they are glum, they make everyone else glum, who then make them even more moody!**

**SO THE 8 POINT ACTION PLAN**

### #1 – HR must sit & be heard at the Senior Management “Top Table”



### #2 – Downsizing & Cost-Cutting Planning & Implementation



### #3 – Maximise Transparency & Communication in the Organisation



### #4 – Re-align the Involvement of Employees in the Business



**#5 – Ensure no slowdown in Talent Development**



**#6 – Ensure continued focus on Employee Training and Coaching**



**#7 – HR plays larger role in growing the Business**

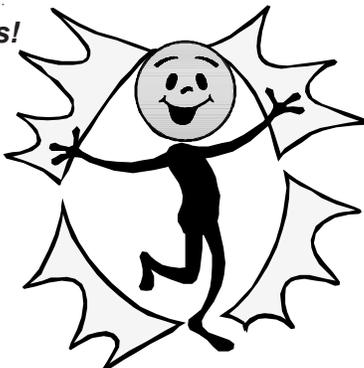


**And finally in spite of all the doom & gloom –maintaining a Fun & Positive Work Environment!**



**My final advice...**

*It works!*



***There is always a way!***

**THANK YOU**

# Global Meltdown – Lessons to be learnt From Villains to Victims - Cultivating Vactors !

**Mr. Virendra Gupte**  
*Keynote Address*

## PRESENTATION

### Global Meltdown Lessons to be learnt From Villains to Victims - Cultivating Victors

Keynote Address  
**Virendra S Gupte**  
Chief – Trade Services  
Tata International Limited

#### The Villains

- Customers – Living beyond their means as if there is no tomorrow – easy credit, mortgages, cheap debt
- Banker / Salesman – Sold fake dreams, developed dubious financial models
- Investors – Flush with funds from other economies .Driven by greed , short term gains by embracing toxic instruments
- Government – Wait and Watch ...fence-sitters .. Allowed “asset bubble to grow”
- Central Banks – Why they did not apply the brakes ?
- Regulators – Ignored the writing on the wall!
- Rating Agencies – Legitimized toxic assets
- Media – Sensationalism without sounding caution

#### Meltdown Learnings.....

- Chinese character for “CRISIS” contain 2 symbols :
  - Danger
  - Opportunity
- Financial crisis that hit US in 2007 triggered by sub-prime mortgages leading to credit squeeze and global recession in US and EU and spill over other geographies
- 2007 and 2008 were difficult years which created grave hardships across the board – House-holds, Consumers, Organizations and Countries

#### Leadership

- Root cause of financial crisis – “short-termism” – obsessed with next “quarter” success driven by Wall street pressure to play short term game!
- Ignored responsibilities to sustaining and building long term fiscal health / business of the Company
- Key Lessons :
  - Walk the “floor” ... Ivory tower is doomed to fall
  - Build a sustainable business model
  - Set realistic expectations / clarity of thoughts/goals
  - Drive results – as per milestones / metrics
  - Celebrate success !

- Leaders failed to follow their “True North” – Internal compass of their beliefs , values and principles!
- Leaders succumbed to “ at any cost quick fix”
- Leaders succumbing to seduction of instant gratification that offered Money , Status and Power
- Lessons: (Practice “value-centered leadership”)
  - Tell them what you know
  - Tell them what they do not know
  - Tell them what you are going to do next
  - Listen to them

### Governance

- Lessons for Board of Directors –
  - Deeper involvement in the Company beyond “short-term focus on shareholder value”
  - Pro-activeness – asking the right / crucial questions
  - Understanding Company’s business , Industry, Customers, Strategy, Regulations, Competition, Technological challenges etc
  - “Early warning system / process” – Agility in decision making
  - Robust risk management process
  - Compliance and Regulatory oversight
  - Stakeholder accountability
  - Reputation Management

### Strategic and Operational Issues

- Revamp organization structure / systems to address market focus , customer sensitivity , accelerate decision making and use crisis to focus on future competitive position
- Revise post crisis strategy in re-positioning and concentrate on plan execution and adaptability to changing customer/market conditions

### Action Plan... Downturn priorities

- Relook at Customers ... changing needs and priorities ... from high end goods to affordable “value driven merchandise”
- Price-Value proposition – Consumer willingness /ability to pay, Margins, Promotions, Discounts, Bargains etc
- Addressable market expansion – Consumer at the Bottom of the Pyramid ! - An emerging paradigm – “Grameen Bank”, “Nano” model
- Reducing operating/overhead costs
- Maintaining revenues from existing businesses
- Optimizing working capital – “Cash is King”
- Reduction/Reprioritization of capex
- Investments in R&D / Innovations / New markets
- Expanding capacities/Outsourcing opportunities
- Debt restructuring

- Retaining key suppliers
- Disposing non-core businesses/underperforming assets
- Exploring investment opportunities including M&A – low valuations
- More frequent management reviews
- Tracking external environment
- Monitor Competitor moves and new launches
- “Out of the Box” Strategy re-visit : GE’s example of “Reverse Innovation” – Ideas emerging from developing markets disseminated to advanced markets
- HR dimension – Employee as a victim of layoffs / downturn fallout – Emotional mix of sympathy, sadness , guilt , shame ,anxiety and anger!
- Employee engagement – Motivation , Reward and Retention of best talent to prevent attrition ,skill building and capability development process

### In Conclusion ...

- Self Belief
- Visionary and Inspirational Leadership
- Value driven business model
- Question the unquestioned
- There is no sacrosant ‘model’ any more
- Employee and Customer Intimacy
- Robust yet Flexible processes – Adaptability
- Competitor is smarter than YOU
- Culture of Innovation and Creativity
- **Change is the only Mantra**

# Global Meltdown – Lessons to be Learnt Finance Perspectives

Dr. Vishnu Kahere

## PRESENTATION

### Global Meltdown: Finance Perspectives



### GLOBAL MELTDOWN



- Affected countries world over
- Grippled Banking, Finance, Insurance and almost all sectors
- Severe Downturn, Recession and Depression
- Entire fiscal structure was shaken and has gone out of shape - melted

**IT IS A MELTDOWN and MORE**

### REMINDS ME OF MURPHY'S LAW

1 IF THINGS CAN GO WRONG.....

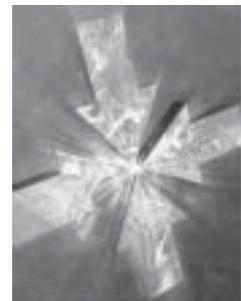
**MURPH**



1 .....THEY WILL !

### WE ARE FACING THREATS FROM ALL FOUR SIDES

- Climate change crisis
- Oil and energy (price) crisis
- Food (and hunger) crisis
- Financial and economic crisis



## CLIMATE CHANGE

- ❖ Affect the poor most
- ❖ Aggravate financial & economic crisis
- ❖ Eat up all margins
- ❖ Will find itself on the back burner
- ❖ Is fuelling and is closely linked with the other three



## OIL & ENERGY CRISIS



- Its like death – we all know about it, but push it out of sight out of mind every day
- Affect the poor most
- Aggravate financial & economic crisis
- Eat up all margins
- Will find itself on the back burner
- Is fuelling and is closely linked with the other three

## FOOD & HUNGER CRISIS



- ❖ Affect the poor most
- ❖ Aggravate financial & economic crisis
- ❖ Eat up all margins
- ❖ Will find itself on the back burner
- ❖ Is fuelling and is closely linked with the other three
- ❖ Our politicians = Nero fiddling as Rome burns

## IT'S A GLOBAL MELTDOWN – CRISIS OF CONFIDENCE

- *“The crisis has been different from anything I’ve ever seen because it has paralyzed major aspects of both the banking and securities industries simultaneously”*

—Alan Greenspan, *The Age of Turbulence*  
Former Federal Reserve Chairman

The Lehman Brothers collapse gave a dramatic extra push to the vicious cycle of:

- falling asset prices
- banking distress
- lower economic activity

## CULTURAL IMPACT: NATIONALISM - FROM GLOBALIZATION TO LOCALIZATION



- Economics is global and politics is local
- The politicization of the crisis challenges globalization
- Heightened sense of Nationalism and Protectionism

## WHAT WENT WRONG?

### THE LAW OF UNINTENDED CONSEQUENCES

- Ignored fundamentals and followed sentiment
- Euphoria and greed, fuelled by herd mentality and media hype
- Innovative structured financial instruments meant to spread risk, instead concealed and multiplied risk.
- Companies dressed up and posted growth quarter on quarter (Window Dressing, Frauds and Ponzi Schemes abounded)
- Rare, improbable, extreme events do occur and have a big effect

- *The Black Swan*, Nassim Nicholas Taleb



## INDIA UNAFFECTED

- Rural Agrarian Economy
- Greater market imperfections – resistance to fall
- Sixth pay commission implementation
- Democratic parliamentary elections

No Doubt, there is some damage:

- Reduction in capital flows
- Temporary impact on financial markets
- Fiscal stress
- Perception of credit crunch

## PARADOX OF PLENTY AMIDST POVERTY

- On the one hand – meltdown, lack of resources, lower employment, lower incomes
- On the other hand – Huge numbers, inelasticity of demand, huge markets
- A word of caution –
  - This can lead to stagflation or even worse inflation, which we are already witnessing

## IT IS STILL A FLIP – FLOP STORY

- Lack of confidence, extreme diffidence overseas
- Partly reflected in India
- Auto sales are a good guide
- Even these numbers are going up and down

## WORLD ECONOMIC INSTITUTIONS

- Post IPCc and other debacles-
  - Have lost teeth
  - Have lost trust
  - Have lost focus, and above all
  - Have lost the desire to bring about change

## Why Destination India? OPPORTUNITY OR PERIL?

- Safer Haven – solid banks
- Huge relatively untapped market
- Biggest English speaking workforce
- Quality Education
- Vibrant Democratic Values
- Skills, Acumen, Research and Knowledge

A sound and smart choice  
INDIA



## TOMORROW'S RULES WON'T BE THE SAME AS TODAY'S

- ❖ The crisis has surprised everyone repeatedly
  - Financial institutions, investors, borrowers,
  - governments, regulators, credit rating agencies...
- ❖ A sense of humility is called for...
- ❖ The crisis is still unfolding...credit losses may be barely half way through
- ❖ Further falls in asset prices may expose further casualties, intensifying the backlash
- ❖ Even if the markets are past the worst, rising unemployment will have serious economic and political ramifications



### THE TEN COMMANDMENTS FOR OVERCOMING THE MELTDOWN

- Plan Ahead – get serious about retirement
- Pay off your debts and credit cards
- Make savings a habit
- Start investing and diversify your investments
- Protect your assets
- Continue to Learn
- Back to basics, keep it simple
- Age of Frugality – live simply within your means
- but also have some fun – the Paradox of Thrift
- Be charitable

### WHAT SHOULD THE STATE DO?

- Rule of the Law (Dharma)
- Tougher discipline will be imposed
- Central bank will pay more attention to asset prices
- More competitive financial ecosystem will evolve
- A new world order multi currency? multi centric?



### WHAT SHOULD PEOPLE DO?

- ❖ It is a time for:
  - capacity building
  - Picking up and Consolidating from where you are left off
  - Learning and research
  - Try and diversify to derisk the operations
- ❖ Creativity will hold the key to finding winning solution that will overcome the current negative trend.



### CONCLUSION – SIMPLER, SAFER, SMALLER, SLOWER

1. Simpler – simpler business models and products, rationalised systemic regulation
2. Safer – ‘de-risking’, protected ‘narrow’ banks separated from riskier activities, with bigger capital and liquidity buffers
3. Smaller – big institutions may be restricted or broken up
4. Slower - although growth will return, the desire for stability may come at a price
  - 1 Hibernate but do not freeze to death
  - 1 Prepare yourself to be there at the right positions, at right place, at right time when revival happens



### OPPORTUNITY OR PERIL?

If Learning > Change then it is an opportunity

If not we flow with the tide and perish

### LEARNING > CHANGE

- There are times of change, and so long as we are learning from the situation it will be possible to overcome and stay ahead of the change.
- Experience is the costliest teacher and those who are singed by the crisis will be better safe than sorry.
- One cannot just be passive onlooker, you have to do something although whether it is the right step, and when it will bear fruit is neither certain nor clear.
- Even when unexpected things are happening all around and you are not sure what more is in store for you, even then being an immobilised target does not make sense.

**L > C**



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Mr. Sabherwal

# Global Economic Crisis - Operation and Logistics Perspective

## PRESENTATION

**Global Economic Crisis -  
Operation and Logistics Perspective**

**Mr. Sabherwal**

### **Under Utilization Of**

- Machines
- Manpower
- Materials
- Methods

### **Preserving Cash**

- Defer Capital Expenditure
- Liquidate Inventory
- Reduce Credit
- Reduce Travel

### **Cost Cutting**

- Downsizing Staff
- Recruitment Freeze
- Zero Inventory
- Low Interest Borrowings
- Strict Vendor Performance

### **Improving Internal Processes**

- Smaller Lot Sizes
- Maximize Custom Built
- Waste Reduction
- Cutting Frills

### **Opportunities**

- Implement Operational Excellence
- Become Lean
- Capability Building
- Inorganic Growth

### **Toyota Production System**

### **SEVEN MUDAS**

- Over Production
- Motion
- Waiting
- Transportation
- Processing
- Inventory
- Rework

- Reduced Demand
- Poor Availability of Credit
- Fluctuating Input Cost

### **Forecasting Extremely Difficult**

**Forecasting Extremely  
Difficult**

**India Inc.  
Appears  
Cautiously Optimistic  
About  
Future**

**India Inc.  
Perceives  
Significant Opportunity and Benefits  
In  
Achieving  
Increased  
Operational Effectiveness**

**Lean Organizations  
And  
Cost Structures  
Due**

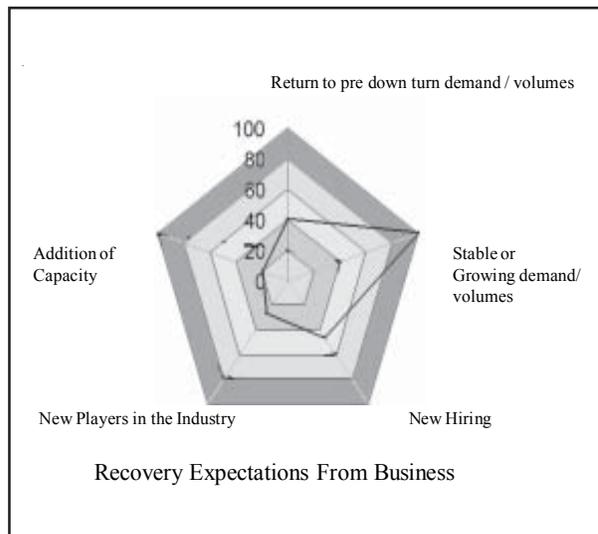
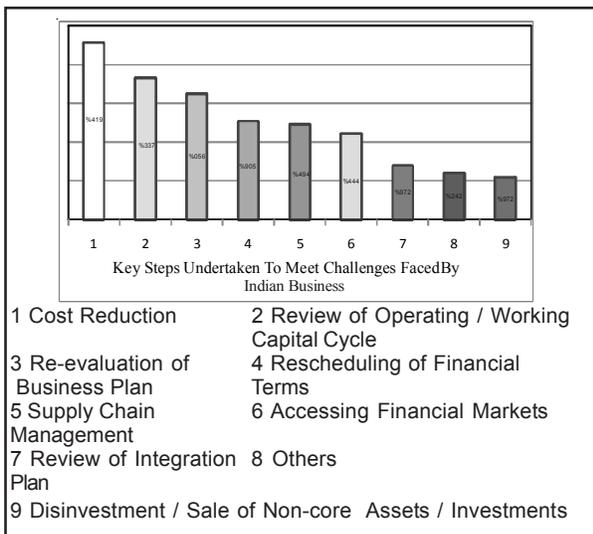
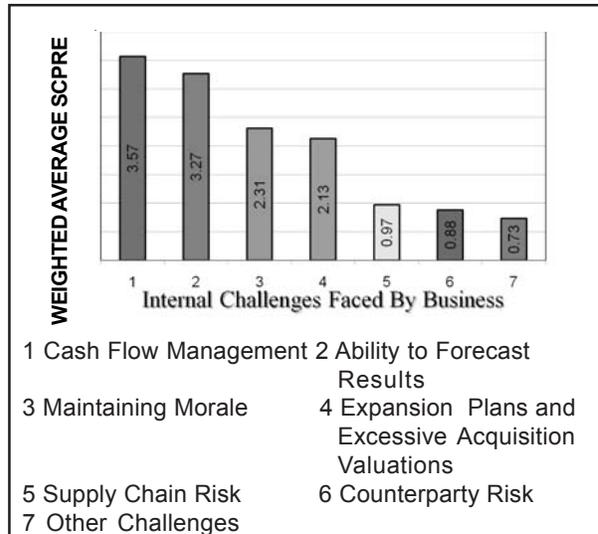
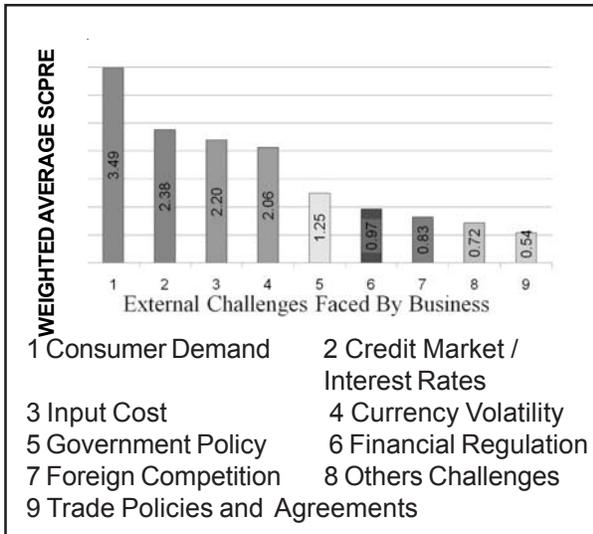
- Cost Reduction
- Working Capital Reduction
- Supply Chain Optimization

**Are  
Enduring Benefits**

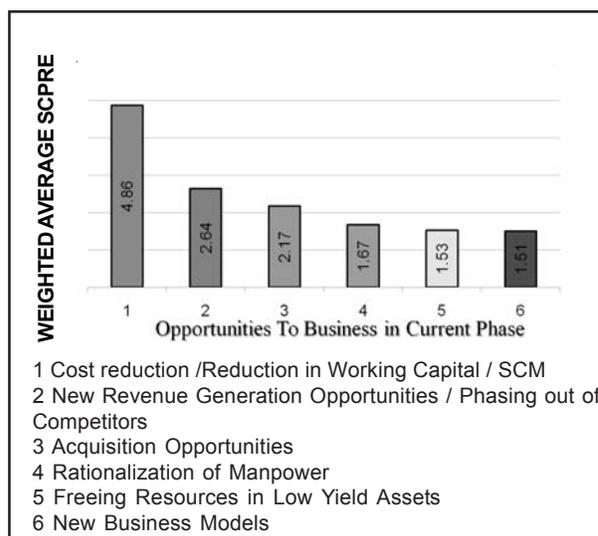
**Organic Growth  
Key Strategy  
Over  
Medium Term**

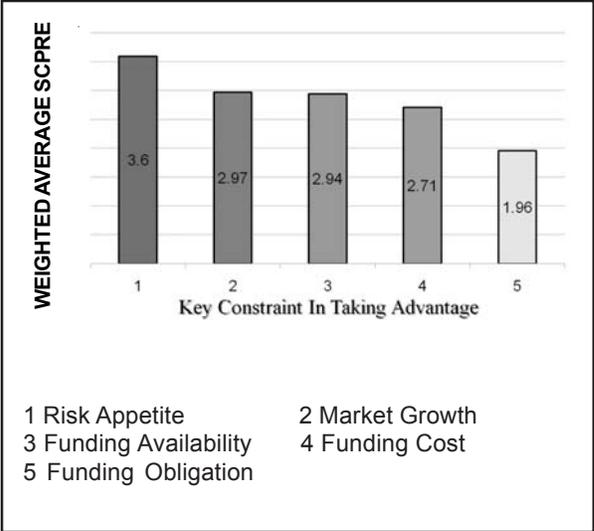
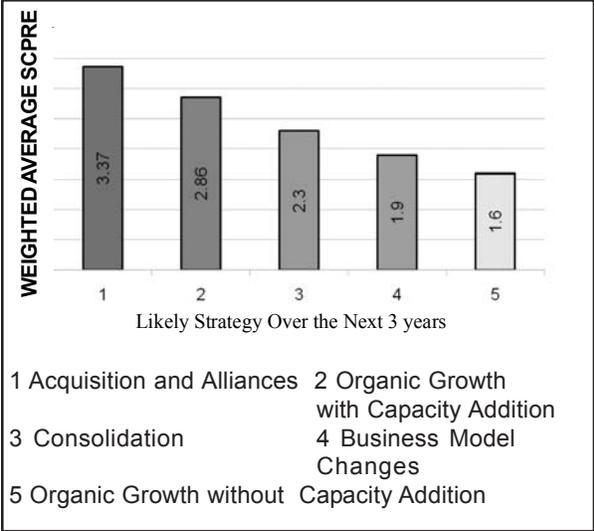
**Challenges**

- External
- Internal



- ### Key Issues
- Critical Review of Existing Business Model ?
  - Critical Review of Acquisitions Including Cross Border ?
  - Given Focus on Growth Did Operational Efficiency Get Back Seat ?





Mr. Subhash Dixit

# Recovery in Manufacturing and Service sectors

## PRESENTATION

### “Global Meltdown- Lessons To Be Learnt” Recovery in Manufacturing and Service sectors

Subhash Dixit

13th February 2010

### Outline

- 1 Global Economic Scenario
- 1 Current Scenario in India
- 1 Manufacturing Sector
- 1 Service Sector
- 1 Opportunities at BOP

### World Economic Outlook 2010

- ☞ In January of 2009, the International Monetary Fund (IMF) forecasted that recession would not exit in advanced economies the until the middle of **2010**.
- ☞ Fortunately, these economies posted, on average, GDP growth of about 2% in 3Q 2009
- ☞ Growth in emerging economies accelerated to about 8% in 2Q and 3Q which is 2% higher than forecasted.
- ☞ Global trade and industrial production are on a sharp recovery path.
- ☞ Although most projections show a continuation of positive growth in 2010, questions about the strength and sustainability of the recovery remain.

### Economic Outlook

- The stimulus and financial rescue efforts in advanced economies largely worked.
- Asia recovered rapidly, helping pull the rest of the world to recovery.
- Emerging economies are driven by domestic growth factors rather than exports; The growth and investment in these economies is therefore more than advanced countries.
- The world succeeded in avoiding large-scale contagion effects, including sovereign debt crises, competitive exchange rate devaluations, and trade wars.

### Study by The Asian Development Bank

- India is poised for a strong recovery this year
- The country has emerged from the global financial crisis relatively unscathed, mainly on account of :
  - ♦ Generous economic stimulus
  - ♦ Past reforms,
  - ♦ Robust domestic consumption
  - ♦ Banks' limited exposure to the global financial system.
  - ♦ Implementation of 6<sup>th</sup> Pay Commission award
  - ♦ Farmers' debt relief and
  - ♦ RBI's monetary policy measures
  - ♦ Some increase in private spending.

### Some Statistics about Indian Economy

- ❖ GDP : \$1.209 trillion, 12<sup>th</sup>; \$3.298 trillion (PPP)- 4<sup>th</sup>
- ❖ GDP Growth : 6.7% , 7.5%
- ❖ GDP per Capita: \$1,017; \$2,780 (PPP)
- ❖ Gini Index : 36.8
- ❖ Population below poverty line: 22%
- ❖ Labour force : 523.5 million
- ❖ Exports :\$175.7 billion
- ❖ Imports :\$287.5 billion

### Scenario in India

- ❖ The Indian economy has weathered the global downturn relatively well.
- ❖ After slowing sharply in late 2008, growth recovered during the first half of 2009 and recent high-frequency indicators suggest that momentum is strengthening.
- ❖ In the near term, the ongoing recovery will be only modestly hampered by poor monsoon rainfall.
- ❖ Growth is projected to reach over 7% in 2010 and 7½ per cent in 2011.
- ❖ Inflation has been rising since mid-2009 and is expected to remain high over the projection period

### Scenario in India

#### The Index of Industrial Production (IIP):

<u>Period</u>	<u>Rate</u>
<sub>1</sub> 2007-08	8.5%
<sub>1</sub> 2008-09	2.7%
<sub>1</sub> April-Sept. 2008-09	5%
<sub>1</sub> April-Sept 2009-10	6.5%

### Factors which sustained demand

- ❖ We have a large and robust Domestic market
- ❖ Mindset of large section of middle class and middle-age group is conservative and saving oriented; percentage savings of GDP has been favorable in India
- ❖ The mindset of younger generation is changing rapidly which is fueling demand
- ❖ Large Young Population
- ❖ Social Transformation has boosted consumption which gives impetus to economy
- ❖ Our dependence on export is limited

### Consumers Market Scenario

- Shift in Customer spending
- Gold to consumer durables
- People are willing to try new brands
- Customers are becoming more knowledgeable
- Customers are becoming Internet-savvy
- Use and throw concept replacing "longer life" expectation
- Moore's law which was applicable for Intel chips is becoming relevant to many products, though not in the same magnitude
- Social transformation
- These factors have fueled demand which has helped India in weathering partially the global recession

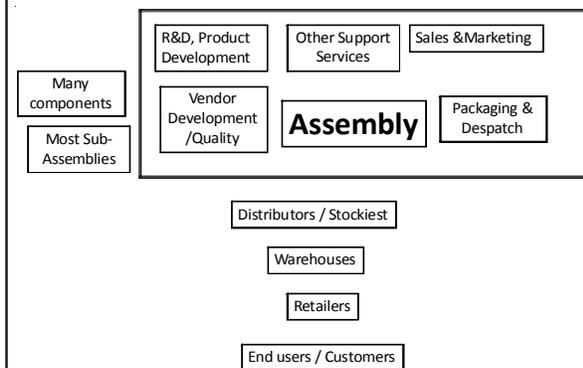
## Product Differentiators

Focus	1950s	1970s	1980s	1990s	2000+	2010+
Availability	✓					
Quality		✓				
Cost			✓			
Features				✓		
Brand					✓	
Innovation						✓

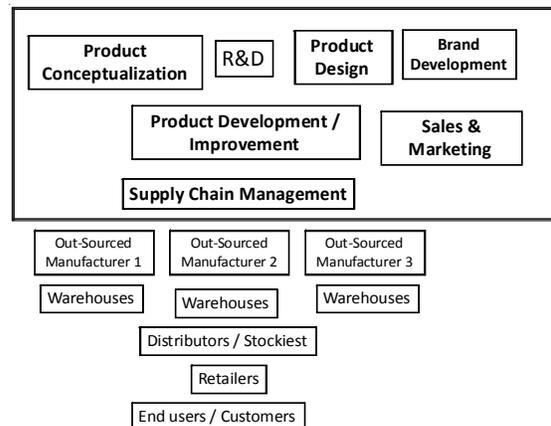
## Manufacturing Focus

Focus	1950s	1970s	1980s	1990s	2000+	2010+
Production	✓					
Quality		✓				
Efficiency			✓			
TQM / 6 Lean				✓		
Supply Chain					✓	
Innovation						✓

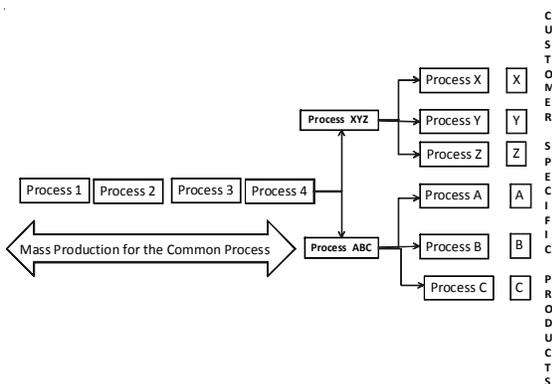
## Evolving Manufacturing Scenario – Phase I



## Evolving Manufacturing Scenario – Phase II



## Mass Customization



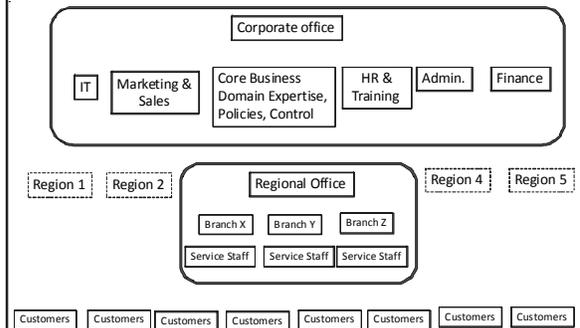
## Service Sector

- Service sector is becoming increasingly important and contributes over 50% of GDP and provides employment to over 150 million persons
- Historically Agriculture was the main source for income and employment before Industrial revolution; Then Manufacturing progressively became the Key sector
- We are now entering an Era when service sector dominates with large employment and GDP contributor
- Service Sector pervades wide spectrum; While organized sector is visible, there are scores of services catered by the unorganized sector

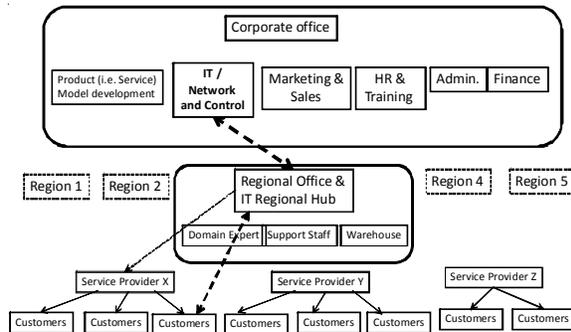
## Service Sector

- Our perception of the Service sector is rather limited to the visible segment namely – Banks, Financial Institutions, Call centres, Service centres of Consumer durables, Travel Agencies, Hospitality Industries etc.
- These sectors will no doubt grow fast in the near future
- However there is tremendous opportunity at the Bottom of Pyramid – The growth in this avenue in India would be fueled by:
  - 1 Social Transformation
  - 1 Powerful TV medium
  - 1 Rising expectations of people at BOP

## A Typical Service Organization



## Emerging Service Organization



## What needs to be done to Develop Service Sector

- The service sector of future will be IT oriented. The customers will be computer-saavy and place their requirements on-line. They would even place order electronically
- Either the company service personnel or the service provider will render the requisite service to the customers at his place.
- Core competency of a company would be product conceptualization, IT network, training and supporting service personnel through continuously updating their domain knowledge and skill
- The education system and the syllabus may need radical and pragmatic changes to enhance “employability” of students and change the mindset of the entire society

## Tremendous Opportunities at BOP

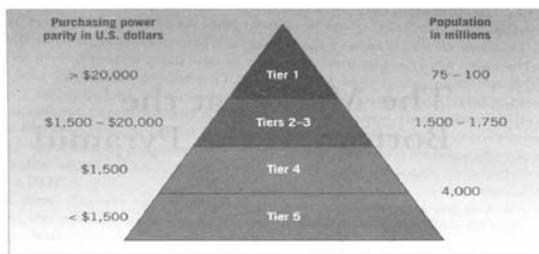


Figure 1.1 The economic pyramid. Source: C. K. Prahalad and Stuart Hart, 2002. The Fortune at the Bottom of the Pyramid, *Strategy+ Business*, Issue 26, 2002. Reprinted with permission from *strategy + business*, the award-winning management quarterly published by Booz Allen Hamilton. [www.strategy-business.com](http://www.strategy-business.com).

## What needs to be done

- BOP market is different.
- The challenges are in terms of:
  - Cost competitive
  - Logistics and Logistic costs
  - Develop products to suit diverse needs of different regions
  - Effective promotion of products and services in local languages at optimum costs
  - Supply chain management to cater to highly diverse locations

*What needs to be done*

**Quality and Cost Competitiveness**

- Quality is important to customer even at BOP. We need to implement “Lean Six Sigma” extensively to:
  - Reduce cost by eliminating non-value adding activities
  - Reduce cycle time to in turn reduce costs
  - Dramatic improvement in quality in mass production
  - Make the products robust
  - Apply these principles across the supply chain partners
- For BOP customers the products have to be simple and need not have all the features – “frills, bells and whistles”

*What needs to be done*

**Logistics and Logistic costs**

- One of the biggest impediments in India is lack of good roads, ports and cargo terminals to handle the ever growing logistic needs of the country
- In spite of a large coast line and rivers in Northern part of India the most of the material movement in the country is through rail and trucks
- Our warehouse facilities need to augmented and modernized
- There is tremendous scope for optimizing inbound and outbound logistic cost across the entire supply chain

**Service Sector Opportunity at BOP**

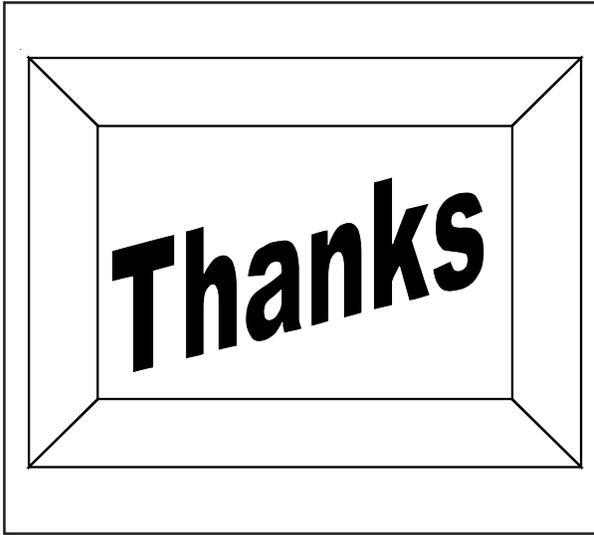
- Traditionally we look at Service sector which caters to either overseas customers through BPOs, or to the higher echelons and middle class of society Financial Services
- This sector was affected due to global recession
- However the market at BOP had little connection with the global recession
- Telecom industry has already witnessed the market explosion
- Other Service sector in organized sector can definitely exploit these opportunities

**Economic Challenges**

- Given the resurgence of inflationary pressures so early in the recovery, a key challenge facing policy makers is ensuring a timely withdrawal of fiscal and monetary policy stimulus.
- Reining in the large fiscal deficit, which has widened further in 2009, will be particularly difficult given both its magnitude and the permanent nature of recent increases in spending.
- Salary expenditure of employees at Municipal, State and the national level takes away substantial part of the revenue collection. Subsidies, Loan waiver takes another chunk leaving paltry amount for development, Infra-structure, Education and Healthcare

**Wish List**

- Visionary and Pragmatic Politicians
- Transparent, Honest and Competent Bureaucracy
- Responsible Private sector
- Robust Education System which would create and support Values, innovation and employability
- Health care for all
- Infrastructure to improve quality of life



**Thanks**

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Dr. Amol Gore

# Study of Response by the Indian Industry

Dr. Amol Gore made a presentation on response of the Indian industry to the global crisis. He also motivated on the factories of the future and status of the Indian industry vis-à-vis global developments.

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## PRESENTATION

**A PRESENTATION**  
by  
**DR. AMOL GORE**

*“Industrial data suggests that manufacturing grew by 11.1%. The positive momentum in the recovery is also reiterated by the latest car sales figures which spurted 61% in November 2009 from a year earlier.”*

*– The Times of India, 12 December 2009*

*“India’s manufacturing grew at its fastest pace in almost 18 months, boosted by a sharp rise in new export orders. Services sector also grew at its fastest pace in 16 months.”*

*- The Economic Times, 03 February 2010*



There is an element of growth that is taking place which I believe will be sustained."

-Montek Singh Ahluwalia  
Dy. Chairman, Planning Commission

"Rural demand and growth will move India's economy forward as the country rapidly emerges out of recession."

-Anand Mahindra  
Managing Director, Mahindra & Mahindra



### Indian Automobile Domestic Sales Growth Rate (%)

2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
16%	13%	13.7%	-4.6%	0.7%



### Jan, 2010 auto sales jump record 45%, cars 32%

#### In Top Gear

Segment	Jan '10	Jan '09	Change (%)
Cars	1,45,905	1,10,300	32
Motorcycles	6,50,633	4,52,809	44
Scooters	1,39,016	96,017	45
Comm. Vehicles	53,447	23,154	130
Three-wheelers	38,722	26,435	46
<b>Total (Domestic)</b>	<b>11,14,157</b>	<b>7,68,698</b>	<b>45</b>
Exports	1,50,780	1,03,496	46



SOURCE:- The Times of India,  
p-27, 10<sup>th</sup> February, 2010

MARUTI SUZUKI  
INDIA LTD.



MARUTI  
SUZUKI

Count on us

- The year 2008-09 was marked by pressure on both volumes and costs. However, the impact on profit margins was relatively limited.
- The company was on schedule on its capital investment programmes and the operational cash flows were satisfactory. The company was able to take substantial steps for the long-term.
- Production Capacity expanded to a million cars.
- Launched A-star, a fuel efficient car model
- Building R&D Capability

MARUTI SUZUKI  
INDIA LTD.



**Company has identified four major pillars of manufacturing excellence viz. Safety, Quality, Productivity and Cost.**

- 1 Company engineers have developed and deployed software tools in-house to adjust to major changes in production plan with agility and without compromising quality.
- 1 In-house automation projects undertaken.
- 1 Commissioned technical training centre.
- 1 Kaizen technique
- 1 SCM - Japanese principles utilized
- 1 Innovation is encouraged through suggestion schemes

MARUTI SUZUKI  
INDIA LTD.



- Second line of leadership was created.
- Utilized shared leadership model
- Working with banks and finance industry to ease loan process.
- Targeted rural segment and government employees who have benefitted by the government policies.
- Innovative marketing techniques being considered.

*Other Automobile Companies*



*Other Manufacturing Companies*



### Other Companies in Automobile Sector

- ⇒ Introduction of new products to complement the existing product portfolio.
- ⇒ Cost reduction programmes. However, employee costs changed marginally
- ⇒ Sophisticated techniques and processes to forecast demand of new products
- ⇒ State-of-the-art ERP systems in place
- ⇒ Anti fraud programme

### Other Companies in Automobile Sector

- + Hero Honda commissioned its third plant at Haridwar.
- + Lean Manufacturing
- + Greenest automobile plant
- + JIT applied: Around 100 ancillaries will be setting up their manufacturing base in Haridwar over the next two years to ensure a fully integrated supply chain.
- + Developing rural network
- + Flat organization structure
- + Dealer management system

### Other Manufacturing Companies

- + Slowdown has made the cost of acquisition of coking coal and other mines abroad more affordable.
- + SAIL continued its expansion plan.
- + Optimization in procurement, prudent cash management, better product mix, increase in value added products, marginalized the impact of global recession
- + Contracted prices were reduced, supplies deferred, control



“The economic revival in India is expected to be robust. However, Tata Steel has taken aggressive steps to meet the challenges through major initiatives in cost reduction, process improvement and production rationalisation.”

**-Ratan Tata**  
Chairman, Tata Steel

In 2008, Tata Steel won the Deming Prize. It bears testimony to the long-term approach of the company and the ability to embrace change with ease.

### Other Manufacturing Companies

- + Technology tie-ups, risk analysis, capacity augmentation
- + Stress on agile manufacturing
- + Initiative at L&T included: global sourcing, effective utilization of quantitative tools, operational excellence initiatives.
- + A new initiative launched at L&T called ‘Enterprise wide collaboration for alignment with strategy.’
- + Knowledge Management (L > C)

### **Factories of the Future**

- + Research projects to foster excellence
- + Cost Cutting to Value Adding
- + EU (National Platforms)
- + Intelligent Products
- + High performance processes
- + Energy efficiency
- + Product configuration
- + Adaptive production

SOURCE:- DAAAM Symposium Vienna, 2009

“Despite global financial crisis, Volkswagen continues to enjoy the confidence of the capital markets. Volkswagen aims to be a good, honest and reliable partner for people and we have got what it takes to emerge stronger than before from the crisis with strong brands and right vehicles. Innovative ideas and technologies are the basis for the Volkswagen Group’s growth and business success.”

- **Prof. Dr. Martin Winterkorn**  
**(Chairman, Volkswagen Group)**

**Lt. Col. V. Raman  
(Retd.)**

## **Surviving Recession – HR Issues**

Lt. Col. V. Raman presented the HR issues based on his study of annual reports of various companies in diverse sectors.

### **PRESENTATION**

#### **SURVIVING RECESSION – HR ISSUES**

**Lt. Col. V. Raman (Retd.)**

#### **IT INDUSTRY – HR ISSUES**

- According to Ms Nandita Gurjar, Senior Vice-President and Global HR Head, Infosys Technologies, India's leading IT company is adopting recession-based HR practices such as better communication, a Performance Improvement Plan, variable pay and cost efficiency in managing human capital.

### WORDS OF WISDOM FROM A GREAT LEADER

- According to Mr N.R.Narayanamurthy, Chairman and Chief Mentor Infosys, “A leader has to create hope- a plausible story about a better future for the Organization. Everyone should be able to see the rainbow and catch a part of it. This means instilling trust which requires adherence to a value system that enhances the confidence, commitment and enthusiasm of the people.”

### FROM THE ANNUAL REPORT 2008-09 OF INFOSYS

- The theme page which is the commencement of the Report of the 28<sup>th</sup> AGM has this to say to its shareholders
- “Enhancing trust
  - The past year has seen a sharp decline in several things we considered infallible.
  - Once revered financial Institutions have fallen from their pedestals.
  - There has been an erosion of the single factor that makes us tick, namely **TRUST.**”

### FROM THE ANNUAL REPORT 2008-09 OF PATNI COMPUTERS

- In these challenging economic times, Patni sees opportunities to improve their financial and competitive position through strategic initiatives.
- The unfavorable conditions also present an opportunity to craft solutions specially designed to help their customers face the turbulent times.
- Their intensive campaign against the recessionary pressures aims to ensure that the downturn does not impede our growth

### FROM THE ANNUAL REPORT 2008-09 OF PATNI COMPUTERS

- A testimony of this belief is given below:
- They received the ‘Managing Health at Work’ and ‘Innovative Retention Strategy’ awards at the ‘World HRD Congress’ 2008-09, in the regional round under the ‘Employer Branding Category’.

### PHARMA INDUSTRY- HR ISSUES

- It is true that recession has gone soft on the Pharma Industry. In contrast to other industries that are cutting down on their employee strength in the name of recession, job seekers still find opportunities in Pharma companies.
- This is because “illness does not take a vacation”. Healthcare costs are ballooning in most developed and developing countries. To cope with increased demand, Pharma companies are expanding vigorously.

### PHARMA INDUSTRY- HR ISSUES

- “In a way, recession has endorsed the Pharma industry as one of the most secure places for jobs,” says Divakar Kaza, President, Human Resources, Lupin.
- According to him the future of the industry also looks promising, with increasing instances of globalization and new avenues being explored and tapped into

### **PHARMA INDUSTRY- HR ISSUES**

- The Indian Pharma industry is currently in a state of transition and as such has been and is dynamically evolving - both in the domestic as well as the global context.
- what the industry now needs is - an individual to be 'street-smart', and also abreast of the latest developments in the industry.

### **FROM THE AGM REPORT OF RANBAXY**

- "The year 2008 witnessed an unprecedented economic downturn across all markets globally.
- There has however been a renewed and concerted effort by us on the technical and regulatory front to resolve these issues. The internal team along with a set of experts is engaged with a high degree of focus and commitment towards implementing a comprehensive plan of corrective actions."

### **THE TEXTILE INDUSTRY – HR ISSUES**

- Garment manufacturers in India seem to be getting more hurt than their Asian competitors.
- This indicates that there are reasons other than recession for the deteriorating performance of Indian exports.

### **THE TEXTILE INDUSTRY – HR ISSUES**

- Increased cost of production on account of labour, infrastructure, energy, bank interest and lower duty drawback incentives are commonly cited as the main reasons by industry leaders for the diminishing competitiveness of India.

### **THE TEXTILE INDUSTRY – HR ISSUES**

- Experts say that it is possible to improve productivity in Indian factories by 50-70% by right interventions.
- Industrial engineering, work flow process, lean manufacturing and training can take productivity to new levels.

### **THE TEXTILE INDUSTRY – HR ISSUES**

- The Indian garment industry has by and large failed to attract the best talent at all levels. Investment in training and development is rare.
- Labour practices remain rudimentary. The industry needs to totally revamp its human resource management.

**THE TEXTILE INDUSTRY  
– HR ISSUES**

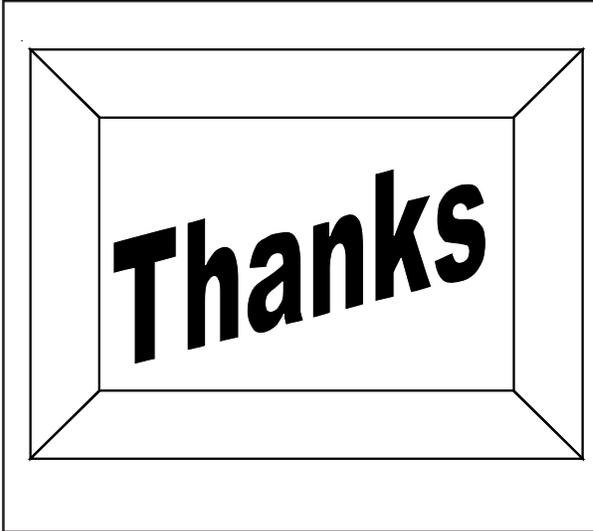
- ❑ Corporate responsibility, if deployed strategically, has a huge potential for reducing costs and improving operational efficiencies.
- ❑ While asking the government for more sops is not bad in itself, long term solutions to the industry's problems lie in its own hands.
- ❑ Recession may have presented a good opportunity to restructure and re-strategize the industry

**FROM THE AGM REPORT OF  
MAFATLAL LTD**

- ❑ Economic slowdown during the year under review substantially affected export orders resulting in lower utilization of manufacturing capacities of the Company during the year under review.
- ❑ In spite of reduced level of orders, all-out efforts were made to improve product-mix by increasing higher value addition products thereby minimizing the losses to the extent possible

**FROM THE AGM REPORT OF  
ARVIND MILLS LTD**

- ❑ The global market conditions are highly unpredictable with major consuming nations being in recession and therefore any forecast is subject to unplanned surprises.
- ❑ However, based on current known factors like macro economic conditions and Company's thrust on cost and productivity improvements, the company is hopeful of significantly improved financial performance in the coming year.



**Thanks**

Ms. Sonal Dabke

# Marketing Through a Recession

Ms. Sonal Dabke expressed the marketing perspective and provided some tips about sailing through the recession.

## PRESENTATION



**Marketing Through a Recession**

**Global Melt Down Seminar**



**The India Impact**

- ✓ Robust growth in GDP at 7% for 2008-09
- ✓ Agriculture grew by 2.6%
- ✓ Rural Economy was also buoyant
- ✓ Services sector grew at a healthy rate
- ✓ Industrial production was impacted



## Clarify Strategy: Choose Where and How to Win



Source: Harvard Business Digital 02/11/09  
by James Allen and Darrel Rigby

## Soap Opera – Godrej Consumer



Dalip Sehgal, MD

"Our philosophy has been to win brand loyalty during hard times"

- Focus on a Few Key Brands, improve market share
- Launch variants
- Double advertising and promotional spends
- Expand in Rural India
- Capture the lower price points
- Acquisitions

## Creating Income Rivers – Indusind Bank



Romesh Sobti,  
MD & CEO

"We adopted a theme of Productivity, Profitability and Efficiency"

- Used the technology platform to deepen it's customer relationships
- Repositioned Indusind as a **Tech-Savvy Bank** with a new Brand Campaign "**Makes you feel richer**"
- Revamped the branches
- Crossselling
- Concentrated more on low cost deposits

## Markets & Margins - Infosys



S. Kris Gopalakrishnan

"Our model has proved to be resolute"

- Focused on higher productivity and margins businesses such as systems integration, consulting and enterprise solutions
- Entry into non BFSI segments such as retail, energy and utilities
- New Markets because of the wave of M&As across the industry

## Spark of Life - Exide



A.K. Muherjee,  
CFO & Director

"Greater focus on replacement market"

Made new friends in the rural India and entered the tier II and tier III towns

- Distribution centres were increased from 30 locations in 2008 to over 200 today
- Cut costs by reducing it's dependence on lead imports
- New opportunity in the form of general power shortage
- Focused on BTL publicity activities

## Some More Strategies – Launching New Products



### Creating New Segments



### Merry in Hinterland

- Buy more to save more
- Tactical promotions
- Bundled offers
- Right pack sizes at the right price points
- Brands for rural India



### Jet Airways – Soaring High

“We are bleeding. Everybody is bleeding. Giving a helping hand to the airline industry is done all over the world,”

*Naresh Goyal of Jet Airways, while asking the government for a ‘rationalization of taxes’.*

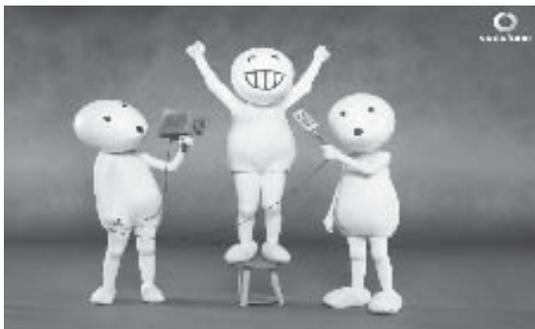


### What happens to advertising....?

- Advertising as an anti-recession tool
- Digital & Internet marketing
- Leveraging Social networking sites



### Vodafone: Go the “Zoo-Zoo” Way



### The Last Word.....

- Listen to the customer
- Offer more value to your customer
- Look out for new opportunities
- Increase communication with your customer
- Maintain good costs, prune bad costs



## **SECTION - 3**

**Article contributed by Ms. Gitanjali Kapoor,  
Faculty, Dr. V. N. BRIMS**

### **Global Meltdown Causes, Consequences and Recovery: An Indian Perspective**

Excerpts of the Workshop:  
Global Meltdown - Lessons to be Learnt  
held at Panini Sabhagruha, Dr. VN BRIMS  
14 November, 2009



Article contributed by:  
**Ms. Gitanjali Kapoor,**  
Faculty, Dr. VN BRIMS

# Global Meltdown Causes, Consequences And Recovery: An Indian Perspective

## Introduction

Banking and financial crises have been a common phenomenon throughout the modern economic history of mankind. Since the great depression of 1929, the world has witnessed hundreds of such crises and the frequency of the crises has increased over time. According to a World Bank study of 2001, there were as many as 112 systemic banking crises from the late 1970s until 2001. Most of them, including the current one have shared some common features: They each started with a hasty process of financial sector reforms, which not only created a vacuum in terms of regulations but also deteriorated the basic economic fundamentals though massive inflows of foreign capital and finally ended up with a change in investor expectations and a consequent mess in the financial markets.<sup>1</sup> The financial sector crisis that arose in the latter half of 2007 and was precipitated by the collapse of Lehman Brothers on 23 September 2008 shared most—if not all—of these features. However, what makes the current crisis exceptional is that it broke out at the very epicenter of global capitalism and its contagion spread very quickly to the entire globe. India, being an integrated part of the global economic order, was also exposed to the adverse impact of the global economic crisis.

## Cause of the Financial Crisis

The basic cause of the crisis was largely an unregulated environment, mortgage lending to sub-prime borrowers. Since the borrowers did not have adequate repaying capacity and also because sub-prime borrowing had to pay two-to-three percentage point higher rate of interest and they have a history of default, the situation became worse. But once the housing market collapsed, the lender institutions saw their balance-sheets go into red. Inadequacy of banking supervision in coping with financial innovations, contributed to the severity of the crisis. When the sub-prime crisis occurred, it

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<sup>1</sup> [www.realinstitutoelcano.org/wps/portal/.../Content?](http://www.realinstitutoelcano.org/wps/portal/.../Content?)

triggered a wide contagion affecting many of the large global financial institutions. Banks in particular, appear to have ceased to trust each other's creditworthiness leading to difficulties in the money markets in the US, Europe and the UK resulting in drying up of liquidity, since each financial institution attempted to shore up its own liquidity to meet its obligations.

### **Effect of The Global Financial Crisis on India**

Although at one time it was thought that this crisis would not affect the Indian economy, later it was found that the Foreign Direct Investment (FDI) started drying up and this affected investment in the Indian economy. It was therefore felt that the Indian economy will grow at about seven per cent in 2008-09 and at six per cent in 2009-10. The lesson of this experience is that India must exercise caution while liberalizing its financial sector.<sup>2</sup>

### **Effect on Stock Markets**

Indian stock market has seen its worst time with the global financial crisis. Mostly all the industrial sectors experienced a consistent low in their stock prices.

### **IT Sector**

A weakening of demand in the US affected our IT and Business Process Outsourcing (BPO) sector and the loss of opportunities for young persons seeking employment at lucrative salaries abroad. India's famous IT sector, which earned about \$ 50 billion annual revenue, is expected to fall by 50 percent of its total revenues. Nearly half of the IT sector firms' revenues come from banking and financial institutions. The IT companies have these investment banks as their clients. With the effect of financial crises, IT companies are not able to enhance their business with these investment banks, and, in turn, started retrenching their employees.

### **Banks**

The direct effect of the global financial crisis on the Indian banking and financial system was almost negligible, thanks to the limited exposure to riskier assets and derivatives. The relatively low

presence of foreign banks also minimized the impact on the domestic economy.

### **Real Estate**

Real estate was badly affected by the current financial downturn. The investment banks had given huge amounts of money to real estate companies for development projects. With the large investment banks going bankrupt, the projects had to be discontinued, leading to the slump in the real estate market as well.

### **Exports**

Exports suffered a setback and there was a setback in the production of export-oriented sectors. The government advised the sectors of weakening demand to reduce prices. It provided some relief by cutting down excise duties, but such simplistic solutions were doomed to failure. Weakening demand led to producers cutting production. To reduce the impact of the crisis, firms reduced their workforce, to reduce costs. This led to increase in unemployment but the total impact on the economy was not very large. Industrial production and manufacturing output declined to five per cent in the last quarter of 2008-09. Consequently, a vicious cycle of weak demand and falling output developed in the Indian economy annual revenue is expected to fall by 50 per cent of its total revenues. This would reduce the cushion to set off the deficit in balance of trade and thus enlarge our balance of payments deficit. It has now been estimated that sluggish demand for exports would result in a loss of 10 million jobs in the export sector alone.

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2 [www.mainstreamweekly.net](http://www.mainstreamweekly.net) (2009) 3) March 2009

**FOLLOWING TABLE GIVES AN OVERVIEW OF THE CRISIS ON INDIA**

<b>Table : Trends in Capital Flows (US \$ million)</b>			
<b>Component</b>	<b>Period</b>	<b>2007-08</b>	<b>2008-09</b>
Foreign Direct Investment to India	April-August	27.6	31.7
FII's (net)	April – Sept 26	20.3	-15
External Commercial Borrowings (net)	April- June	17.5	6
Current Account Balance	April-December	-15.6	-35.5
Foreign Exchange Reserves (variation)	26-Sep-08	110.5	-57.7
GDP Growth Rate		9.4 percent	6.7 per cent (revised estimates)
Industrial Production		7.40%	2.70%
Fall in Imports			12.50%
Fall in Exports			20.00%
Trade Deficit		\$88.5 billion	\$119.1 billion
Current account deficit		\$17.0 billion	\$29.8 billion
Net capital inflows		US\$ 108.0 billion	US\$ 9.1 billion

Source: Official Website of Ministry of Finance Government of India

### **Policy Measures of The Government**

To lift the economy out of the recession the Government announced a package of Rs 35,000 crores in the first instance on December 7, 2008. The main areas to benefit were the following:<sup>3</sup>

**(a) Housing** - A refinance facility of Rs 4000 crores was provided to the National Housing Bank. Following this, public sector banks announced to provide small home loans seekers loans at reduced rates to step up demand in retail housing sector.<sup>4</sup>

- (i) Loans up to Rs 5 lakhs: Maximum interest rate fixed at 8.5 per cent.
- (ii) Loans from Rs 5-20 lakhs: Maximum interest rate at 9.25 per cent.
- (iii) No processing charges to be levied on borrowers.
- (iv) No penalty to be charged in case of pre-payment.
- (v) Free life insurance cover for the entire outstanding amount.<sup>5</sup>

The housing package is the core of the government's new fiscal policy. It will give a fillip to

other sectors such as steel, cement, brick kilns etc. Besides, the small and medium industries (SMEs) too get a boost by manufacturing all kinds of fittings and furnishings.<sup>6</sup>

**(b) Textiles**—Due to declining orders from the world's largest market the United States, the textile sector have been seriously affected. An allocation of Rs 1400 crores has been made to clear the entire backlog in the Technology Upgradation Fund (TUF) scheme.<sup>7</sup>

**(c) Infrastructure** - The government has been proclaiming that infrastructure is the engine of growth. To boost the infrastructure, the India Infrastructure Finance Company Ltd. (IIFCL) has been authorized to raise Rs 14,000 crores through tax-free bonds. These funds will be used to finance infrastructure, more especially highways and ports.<sup>8</sup>

**(d) Exports**—Exports which accounted for 22 per cent of the GDP are expected to fall by 12

3 [www.indiabiznews.net/2008\\_08\\_01\\_archive.html](http://www.indiabiznews.net/2008_08_01_archive.html)

4 [www.mainstreamweekly.net](http://www.mainstreamweekly.net) > 2009 > 3) March 2009 -

5 [www.thehindubusinessline.com/.../2008122150310700.ht](http://www.thehindubusinessline.com/.../2008122150310700.ht)

6 [recessionindia.com/housing.html](http://recessionindia.com/housing.html)

7 [www.mainstreamweekly.net](http://www.mainstreamweekly.net) > 2009 > 3) March 2009 -

8 [www.mainstreamweekly.net](http://www.mainstreamweekly.net) > 2009 > 3) March 2009 -

per cent. The government's fiscal package provides an interest rate subsidy of two per cent on exports for the labour-intensive sectors such as textiles, handicrafts, leather, gems and jewellery, but the Federation of Indian Export Organization (FIEO) felt the measures are not enough as they will not make the exports price-competitive and, therefore, will not boost exports. G.K. Pillai, the Commerce Secretary has estimated a loss of 1.5 million jobs in the export sector alone during 2008-09 on account of the \$15 billion decline in the expected exports.<sup>9</sup>

In short, the fiscal package is aimed at boosting growth in exports, real estate, auto, textiles and small and medium enterprises. The aim is to encourage growth and boost employment which has been threatened by the recession in the world economy, more especially in the United States.<sup>10</sup>

Just within a month, the government announced another package to bail out the Indian economy. Dr Montek Singh Ahluwalia said: "We should expect, from all global projections that the next year (2009) is going to be a very difficult year for the global economy."<sup>11</sup>

### The New Package Included The Following Measures

1. To boost investment and spending to revive growth, the RBI cut the repo rate, which it charges on short-term loans to banks from 6.5 per cent to 5.5 per cent and also reduced the Cash Reserve Ratio (CRR)—the share of deposits which has to be kept with the RBI from 5.5 per cent to five per cent.<sup>12</sup>
2. To revive exports which have resulted in a contraction of industrial output, drawback benefits have been enhanced for some exporters. Export-Import Bank also gets Rs. 5000 crores as credit from the RBI.<sup>13</sup>
3. To help the realty sector, realty companies have been allowed to borrow from overseas to develop "integrated townships".
4. To boost infrastructure, the India Infrastructure Finance Company Ltd. (IIFCL) has been allowed to raise Rs 30,000 crores from tax-free bonds. Besides, Non-Banking Finance Companies (NBFCs) need no government

approval to borrow from overseas for infrastructure projects. This will sustain the growth momentum on infrastructure.

5. To make more funds available, ceiling on foreign institutional investments (FIIs) in corporate bonds has been increased to \$ 15 billion from \$ 6 billion. The purpose is to seek much bigger FII investment.<sup>14</sup>

On February 24, 2009, the government announced a slashing down of excise duty from 10 per cent to eight per cent—a reduction by two per cent. In addition to this, the government decided to cut service tax from 12 per cent to 10 per cent<sup>15</sup>

Commerce and Industry Minister Kamal Nath announced a small relief package of Rs 325 crores for leather, textiles, gems and jewellery on February 26, 2009.<sup>16</sup>

### Assessment of The Impact of The Fiscal Package

There is no doubt that the government is motivated with good intentions and is thus aiming to spend a huge amount of Rs 1,00,000 crores for developing infrastructure in roads, ports etc. which pose a serious handicap to growth. Besides, the aim of other measures is to boost exports and help sectors like textiles and small and medium industries which are labour-intensive and generate more employment.

But the success of the fiscal package will depend on the quality and speed of implementation so that delays in implementation may not aggravate the economic recession to move into the dangerous zone of depression.

9 [indiabudget.nic.in/es2008-09/chapt2009/chap33.pdf](http://indiabudget.nic.in/es2008-09/chapt2009/chap33.pdf)

10 [indiabudget.nic.in/es2008-09/chapt2009/chap33.pdf](http://indiabudget.nic.in/es2008-09/chapt2009/chap33.pdf)

11 [news.indiamart.com/news.../bailout-packages-fis-3203.html](http://news.indiamart.com/news.../bailout-packages-fis-3203.html) -

12 [www.rbi.org.in/Notifications](http://www.rbi.org.in/Notifications)

13 [rbi.org.in/Publications](http://rbi.org.in/Publications)

14 [www.finmin.nic.in/the\\_ministry/dept\\_eco\\_affairs/.../ReportEGFII.pdf](http://www.finmin.nic.in/the_ministry/dept_eco_affairs/.../ReportEGFII.pdf)

15 [www.thehindubusinessline.com/iw/2008/.../2008121450440700.htm](http://www.thehindubusinessline.com/iw/2008/.../2008121450440700.htm)

16 [commerce.nic.in/PressRelease/pressrelease\\_detail.asp?id...](http://commerce.nic.in/PressRelease/pressrelease_detail.asp?id...) -

One of the major stumbling blocks which may neutralise the positive effects of large expenditure on infrastructure is corruption. In case corruption is not simultaneously curbed to reasonably low levels, it may delay and reduce the much-desired effect in enlarging infrastructure. It may result in the Indian infrastructure network being geared into a temporary employment generation programme with much smaller impact on the economy as against the intended objectives.

For reducing corruption, two things need to be ensured—transparency and avoidance of arbitrariness. By cutting arbitrariness in decision-making, corruption can be curbed to a great extent. Transparency instills confidence in the government.

Secondly, there is a need to orient the fiscal package towards inclusive growth so that the weaker sections benefit. This would require special emphasis, for instance, on rural infrastructure—rural roads and housing, instead of only highways and urban housing.

Similarly, a much larger expenditure on primary and secondary education, health and sanitation can also result in a more inclusive growth process.

Although there is a demand for a much larger Fiscal Package to bail out the Indian economy, there are serious limitations faced by the government because it has to fight terrorism on the one hand and financial meltdown on the other. The government has to undertake a huge expenditure at the Central as well as State levels to enhance security. Consequently, the Budget deficit is bound to increase.

### Signs of Recovery

The current year, 2009-10 has shown some signs of recovery. Industrial output which virtually stagnated in the second half of 2008-09 has shown positive growth of 3.7 per cent in the first quarter of 2009-10. The group of six core industries consisting of power, coal, steel, cement, crude oil and refinery products has improved with its composite index growing at 4.8 per cent in the first quarter of 2009-10. The purchasing managers' index (PMI) has been above 50 (showing expansionary conditions) in the

last few months. There has been a strong recovery of the stock market and a substantial rise in capital market mobilization from March 2009 onward. The Reserve Bank of India's "business expectations index" for July-September 2009 has crossed the neutral 100-mark. Also, corporate profits have recovered strongly in the last quarter of 2008-09 and the first quarter of 2009-10 with their growth at 15 per cent and 17.5 per cent respectively in contrast to sharp declines in the previous two quarters.<sup>17</sup>

### Conclusion

There was a drop in India's GDP growth rate of India from 9 per cent in 2007-08 to 6.7 per cent in 2008-09 and the global crisis has been one of the factors behind this growth slowdown. The growth is estimated to drop further to 5 per cent in 2009-10 due to the continued impact of global crisis and a crop failure. Huge fiscal deficits and rising public debt are likely to hamper recovery prospects by putting an upward pressure on interest rates. No further monetary easing is not expected as inflation is rising rapidly in the context of the failure of the monsoon. The global economy while showing some signs of levelling off is not expected to recover strongly anytime soon. A vigorous recovery is predicated on the unwinding of the severe balances among deficit and surplus countries and the repair of the broken financial system of developed countries. Those may take years and India may not be able to return to the 9 per cent growth path on the back of a global recovery. Nevertheless, the Indian economy can recover fast if it can get a big boost in domestic business and consumer sentiments which are badly shaken by the global crisis. This is very well possible by undertaking structural and procedural reforms.

There are broadly five areas in which fresh reforms are needed:

1. Infrastructure
2. Education
3. Agriculture
4. Investment climate
5. Delivery of public services

<sup>17</sup> [www.die-gdi.de/...](http://www.die-gdi.de/...) *Global %20Financial %20Crisis%20and%20Impact%20on%20India...* -

The first item in the reform agenda is to organize massive investments in social and physical infrastructure. It is well known that infrastructure is a key binding constraint for India's growth. Next is the reform of the education system at both school and university levels aimed at improving both access and quality. This sector requires radical reforms to eliminate barriers to entry and to create autonomy for curriculum modernization; The third is to carry out reforms in the long-neglected agricultural sector. A sensible approach is to end the open-ended farm subsidy system and to confine fertilizer, water and power subsidies to only marginal and small farmers owning small holding of land. Fourth is further regulatory reform. While the "license-control raj" has been significantly eroded as a result of reforms in the 1990s, there still remain significant obstacles to doing business in India. The government should substantially relax its "permit and approval" system by carrying out procedural reforms. The removal of regulatory constraints will substantially improve investment climate. Fifth is reform in the quality of delivery of public services like education, health, poverty alleviation and employment generation. Currently, India is facing a challenge. It is not a new phenomenon as India has faced challenges in the past and has overcome them. Our nation has strength to overcome the current challenges. It is very essential that Indian public rise to the occasion and convert the challenge in to an opportunity to establish new highs. This is the time for unity of purpose and resolute action. If the government takes the right policy decisions, this could just be the opportunity for India to emerge.

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## **Excerpts of the Workshop**

The Workshop on Global Meltdown – Lessons to be Learnt was held on 14 November 2009 at the Panini Sabhagraha, Dr. VN BRIMS. The MMS students were assigned to different groups as Economics, Finance, Marketing, Operations and HR. The faculty members of Dr. VN BRIMS provided the necessary guidance, advice and expert comments. Furthermore, three faculty members of Dr. VN BRIMS, Ms. Sukhada Tambe, Ms. Sanskruti Kadam and Ms. Seema Agarwal made presentations on specific topics, namely, HR dimensions with regard to the global crisis, post recession implications for HRM, and corporate culture links to global meltdown, respectively.

### **Global Meltdown: The Road to Recovery Economics Group**

With the collapse of Lehman Brothers and other Wall Street icons, there was growing recession which affected the US, the European Union (EU) and Japan and also showed a ripple over effect on other growing economies. This was the result of large scale defaults in the US housing market as the banks went on providing risky loans without adequate security and the repaying capacity of the borrower. The principal source of transmission of the crisis has been the real sector, generally referred to as the ‘Main Street’. This crisis engulfed the United States in the form of creeping recession and this worsened the situation. As a consequence, US demand for imports from other countries indicated a decline.

The students of MMS Programme of Dr VN BRIMS made presentations on various aspects of global meltdown. The economics group made a presentation on “Global meltdown: the road to Recovery”. This presentation was made under the guidance of Ms Gitanjali Kapoor and Ms Deepa Rohit.

Students started their presentation with statistics showing that India experienced a slow down and not a recession. They outlined in brief the impact of Global recession on world economies. They also explained the Great Depression of the 1930’s. They explained the theories which have been adopted in past and present to tackle depression and recession. Then they went on to explain the policy decisions which have been suggested by economists to solve the problem of great depression.

The students also explained the policies adopted by various countries in general and India and U.S.A in particular to bring their economies out of depression. The students outlined the opportunities which have emerged for India due to the global meltdown.

The students also reflected on the failure of all economic systems viz. communism, socialism and capitalism to deliver in times of crises. They concluded by saying, ‘We need to evolve and forge a society where ethics, values and responsibilities are not debased and devalued’.

**Guided by -  
Ms. Gitanjali Kapoor  
Ms. Deepa Rohit**

## **Global Meltdown – Lessons to be Learnt**

### **Finance Group**

Global financial meltdown that erupted in mid 2008 went like tsunami sweeping across the whole world leaving no one untouched through 2009. It affected small and big alike. The sub-prime crisis exposed hollowness of many financial entities, many financial theories and models and greatly mocked at rocket scientists of the Wall Street. It turned the economies backwards.

Lot of discussions across the globe ensued at various forums. Governments initiated rescue measures in the form of bailout and stimulus packages. Discussions on various aspects of the sub-prime that triggered financial crisis of gigantic proportions found there place into corporate board rooms, media, politics, academia and so on.

It is in the backdrop of this environment that the students of Finance group came out with certain interesting presentation on sub-prime crisis viz. causes, impact and learning. The presentation gave a broad and vivid view of the various factors related to the sub-prime, causes of the crisis and finally the lessons learnt.

The presentation elucidated in simple style the sub-prime lending. It attempted to differentiate between traditional and sub-prime models for home lending and borrowing. The entities exposed on account of the sub-prime crisis were aptly pointed out. The presentation further described in brief the growth of sub-prime lending over a period followed by the growth in collateralized debt obligations (CDOs) and the trend in Fed interest rates. The impact of sub-prime crisis covers general economy and various segments of financial and home markets. Further, the impact in terms of global dimensions was discussed with adequate focus on Indian economy and its market.

Finally, the presentation attempted to look into the aspect of probable financial recovery out of the crisis and ended with some interesting learning on account of the catastrophic global event.

**Guided by -**  
**Mr. R.S. Verma**  
**Ms. Maheshwari Rajan**  
**Ms. Suchitra Phadnis**

## **Marketing Your Way through Recession Marketing Group**

The students of the marketing specialisation presented a role play cum presentation on the topic 'Marketing your way through recession'. The presentation focused mainly on the effects of the recession on various sectors in the business world. Recession World over started due to the real estate troubles in the United States of America. However, the various sectors that were targeted were:

- Real Estate Sector
- Aviation Sector
- Information Technology Sector
- Retail Sector
- FMCG sector

Considering the individual sectors, the presentation discussed the scenario that prevailed in these sectors at the onset of the global meltdown, the impact of the global meltdown on the sectors and the conditions at the end of the global recession.

The presentation also focused on different measures taken and the strategies adopted by the industry as a whole during the phase of global meltdown. The global meltdown had impacted the IT

industry the most leading to the maximum number of job cuts. The industry that had been affected the least by the recession was the FMCG industry.

Thus, the entire effects of the global meltdown were presented, highlighting different dimensions of the recession and the effects on industries.

**Guided by -  
Ms. Seema Agarwal  
Ms. Sonal Dabke**

## **Global Meltdown – Lessons to be Learnt Operations Perspective**

The World faced a major global meltdown in 2008 that deleteriously affected both, the manufacturing companies and the services sector, resulting in losses of gargantuan proportions and worst moments in the World's economic history. The effects of the global meltdown continued in the first half of the year 2009 and although the last quarter of 2009 is witnessing recovery World over, the impact and reminiscence of this meltdown is likely to last forever. The MMS, Operations specialisation students analysed the effects of the global meltdown, explored the manufacturing strategies during meltdown and further attempted to develop learning from this extraordinary occurrence. The students' presentation focused particularly on the automotive sector and the IT & BPO services.

The reason for selecting the automotive sector as a key area for studying the impact of global meltdown was that the growth of auto industry in India is expected to reach 11% of GDP, thereby promising lucrative opportunities and as the General Manager of Larsen & Toubro (L&T) expressed at the Bombay Chamber of Commerce and Industries (BCCI) seminar on 13 November 2009, "India is going to be an automotive hub – a dream destination for engineering industries." The global meltdown saw a dip in performance for commercial vehicles as well as passenger vehicles during FY 2008-2009. The alternatives available to companies were to continue with frequent partial shutdowns or entirely shutdown and divest. The slowdown in automotive industry affected the entire supply chain and the manufacturing strategies needed to take into account several relevant factors viz. evolving planning system that addressed the frequent changes, identification of inefficient processes, inventory issues and converting stock to cash, utilization of ERP systems, changes in scale of production, production for new markets, et al. Moreover, the significance of improved data collection about customer trends, forecasting and technology enhancement is underscored.

The global meltdown effects on the IT services sector was indeed concerning since a number of projects were delayed or abandoned and several thousand employees were benched or eliminated. The presentation provided the example of IT major Infosys by quoting the Chairman of Infosys, Mr. Narayana Murthy: "Many of our clients are reducing their IT budgets and it will result in slow growth for several months." The important realisation for services sector is that organizations have to be flexible enough to reallocate resources from one project to another. Also, the stress has to be on maintenance projects during the slow growth period, with sustained budgets for research and innovation.

**Guided by -  
Dr. Amol Gore  
Ms. Saroj Mishra  
Ms. Suman Mathur**

## **Global Meltdown – Lessons to be Learnt**

### **HR Group**

During recession, similar to other department of the organization, HR too had to undergo the hardships. Most affected functions were Recruitment, Training and Compensation. The key strategies which were employed by HR were optimizing manpower strength, working on compensation and benefits or training and development programs, being proactive, incorporating flexibility and have a clear communication throughout the organization.

Normally, recession is considered as a curse for the corporate. It can be considered as an opportunity for the HR to act as a strategic business partner for the organization. HR department can play a key role in guiding succession management, knowledge retention, and other enterprise-wide initiatives. It is a backbone for providing manpower, infrastructure, training (internal/external) and other valuable resources. At the same time goes beyond the delivery of cost-effective transactional services, and provides value added services and expertise on how to anticipate, develop and leverage talent to create true marketplace differentiation. Optimistically, recession is the time to consolidate and invest. It is the time for employees to enhance skills and improve performance. It is a time to re-look at their costs, tighten the budgets, cut the flab and implement changes.

#### **Corporate Examples**

1. TCS has kept promotions on hold. Though the company has completed the process of assessing individuals who are eligible for promotions, it has put on hold promotions in view of the extremely challenging business environment. There will be no increase in wages until 2010.
2. L&T InfoTech has postponed Training Programs and Campus Placements.
3. Ramco Systems, a Chennai-based IT solutions company, has decided to cut salaries of their senior managers by 10-15 percent. The move came as an effort to cut costs and will affect nearly 220 of its total 1,663 employees.

#### **Companies still hiring**

1. Bharati AXA Life plans to add another 4000 employees to their payroll 9000 employees.
2. In private security business, estimated about 2,00,000 requirements in the next two years
3. Infosys Technologies will be making around 20,000 offers, an 18% increase in same fiscal.

The presentation was followed by an interesting Role Play.

The HR group concluded stating that there is always light at the end of the tunnel.

“No matter how big the problem is, no problem is insurmountable.” (Dr Robert H Schuller’s *Tough Time’s Never Last, But Tough People Do.*)

**Guided by -**  
**Ms. Sukhada Tambe**  
**Lt. Col. V.V. Raman (Retd.)**  
**Ms. Sanskruti Kadam**

## **SECTION - 4**

Overview of the Upcoming  
**Workshop and Seminar**  
**"Creativity and Innovation in Business"**



## Contributed by Dr. Amol Gore

### Introduction

Organizations are increasingly recognizing the vital need to engage in the ongoing processes of experimentation, creative problem solving, innovation and continuous improvement, as they face unprecedented challenges in today's dynamic, complex and uncertain global business environment, typified by highly demanding customers. The current and emerging issues including flexibility and speed in responding to customers, improved operational efficiency to lower costs, effective management of diverse workforce and sustainability puts pressure on managers to develop and deliver solutions that satisfy various stakeholders of the organization. Hence, managers have to train their minds to develop a habit of imaginative creative thinking in order to meander on the 21st century business platform. As Albert Einstein has said :

“We cannot solve our problems with the same thinking we used when we created them.”

Thus, creativity and innovation are the cornerstones of modern business, industry and contemporary society.

**Creativity implies bringing together of two previously unrelated planes of thought. - Arthur Koestler**

Creativity can be regarded as the quality of products or responses judged to be creative by appropriate observers and it can also be regarded as process by which something so judged is produced. Creativity is not about inventing something totally new, it is about making new synergistic connections. Anyone can learn and develop creativity through practice and by giving oneself permission to be playful, inquisitive, flexible and versatile. Individuals have to be made aware of their creative styles and preferences and their cognitive skills. They need to be motivated to flourish in a stimulating climate. Encouraging people into adventurous ideas helps promoting and provoking creativity. Pipe dreams are fine, however, an idea is only truly innovative if the right brain produces it and the left brain endorses it. The right brain has attributes that contribute to creativity, images, colours, intuition and emotion while the left brain has attributes for evaluation, logic, reasoning, analysis and realism. Hence, a right balance has to be struck between the two so that the product that results from the balance is innovative and acceptable. Although creativity and innovation are interlinked, they differ on at least four counts namely: process, risk, starting points and end results.

***Innovation is the introduction and implementation of new ideas, goods, services and practices that are intended to be useful.***

The main driver for innovation is often courage and energy to better the world. It is the process of bringing a new idea – one that solves problems or addresses opportunities into use. While creativity involves the production of novel and appropriate ideas by individuals or small groups, innovation refers to the successful implementation of creative ideas by the organization. The goals of innovation can vary between improvements to products, processes and services and apply to any organization, thereby dispelling the popular myth that innovation deals mainly with new product development. Although innovation in businesses remains focused on research and development, many innovations can emerge through other routes and practices.

*Thus, creativity is the act of producing new ideas, approaches or actions, while innovation is the process of both generating and applying such creative ideas in some specific context.*

*“Creativity is thinking up new things. Innovation is doing new things.” - T. Levitt*

*“Innovation combines factors in a new way, or that it consists in carrying out new combinations.” - Joseph Schumpeter*

Creativity and innovation are the levers that enable transformation in difficult situations and they do bring in a lot of change and turbulence. However, economic growth stems from corporate turbulence not stagnation. Industries that have displayed excellence in managing innovation have assumed market leadership, transformed into triumphant organizations and brought about transformation of societies and nations.

- ∩ **Nokia** has turned from modest beginnings of riverside mill in Finland to a global telecommunications leader.
- ∩ **Apple** Computer Inc. has used no fewer than seven types of innovation to launch the iPod, lapped up worldwide sales of USD 32 billion in 2008 and unique, admired company reputation in the consumer electronics industry during 2009.
- ∩ **BMW** that initiates new car design by relocating staffers from scattered locations and multifarious functions to the automaker Research and Innovation Center called FIZ, recorded four-wheeler vehicle sales of over 1.3 million units and indisputable recognition for performance and luxury.
- ∩ **Japan** spent a hundreded times more money during 1950s in importing licenses and technology than it did in exporting them. However, Japan tripled its R&D expenditure in the period 1965-1980 and spent almost 13% of the budget in promoting industrial growth. Japan ability to acquire, create and utilize new knowledge has catapulted it from a post-war devastated nation to an economic superpower, topping in high-tech industries, work ethics and R&D growth.
- ∩ Most researchers and managers realize that creativity at individual level represents only part of the challenge. The superior objective is to create an organizational environment that nurtures and thrives with creativity and innovation. Many organizations have bureaucratic processes, layers of rules and authority, corporate norms and reward systems that discourage novel thinking and the challenge is to build an organizational structure and systems that foster creativity and innovation. Further, organizational designs and protocols that simultaneously cultivate ethics and creativity may be more readily adopted by firms than restricted designs aimed at addressing only one of these goals. The objective is to encourage managers to promote creativity by identifying assumptions and generating path to achieve innovative solutions that answer to impeachable ethical standards.

*Peter Drucker had said :*

*“The enterprise that does not innovate inevitably ages and declines. And in a period of rapid change such as the present, an entrepreneurial period, the decline will be fast.”*

Innovation and Creativity in all spheres of life and profession will dictate how we build a competitive edge over other cultures and countries. A firm may also engage in preemptive R&D in a race to gain exclusive rights to a new product or an unassailable position by patenting a new technology. By seeing something before it happens and preparing for it, there is a possibility to gain head start in this highly competitive world with depleting natural resources and rising population.

### **Global Scenario**

Competitive advantage today comes from continuous, incremental innovation and refinement of a variety of ideas that spread throughout the organization. This kind of continuous innovation is possible only when organizations are able to design mechanisms which help them to reflect, review and critique their existing operations and offerings on a regular basis and use this learning for developing better business solutions. As a top executive of the Royal Dutch Shell Group of Companies observes, “The ability to learn faster than your competitors may be the only sustainable competitive advantage.” Learning involves creation of knowledge that enables an organization to innovate, and innovations frequently emerge from the blending of multiple perspectives, such as customer’s needs and the designer’s knowledge base, or a combination of two unrelated different disciplines. Consequently, innovation is fostered in organizations that promote integration of multiple perspectives by linking the various organizational parts more closely and by linking the organization more tightly to its customers. If successful, innovation defines the industry standards for quality of products and services. A technological innovation might have an added advantage of creating proprietary knowledge. A patented product or technology allows the innovating company to restrict entry of competitors and mould the market structure to its own advantage. Hence, business organizations world over are spending a significant amount of their turnover on innovation and often the programs of organizational innovation are linked to organizational goals, business plan and market competitive positioning. National competencies in research are also an important input into firms’ technological capabilities. Particularly in large firms, R&D laboratories actively seek support, knowledge and skills from national basic research activities like those in universities. In many countries, national advantages in natural resources and traditional industries have been fused with related competencies in broad technological fields and that then become the basis for technological advantage and competitive edge in new products. Innovation therefore involves attempts to deal with an extended and rapidly advancing scientific frontier, fragmenting markets flung right across the globe, political uncertainties, regulatory instabilities, and a set of competitors who are increasingly coming from unexpected directions. The spreading of net wide and picking up and making use of knowledge signals are essential for effective management of innovation. The World’s most innovative Companies dazzle with new ideas and prove beyond doubt how business is a force for change.

**The World's Most Innovative Companies (Source: Business Week, 2009)**

<b>Rank (2009)</b>	<b>Company</b>	<b>Particulars</b>
1	Apple	iPhone, iPod, iPad
2	Google	Google Voice, Google Search, YouTube
3	Toyota	Automotive industry – Corolla, Prius, Scion brands
4	Microsoft	Windows Vista, Windows XP, SQL Server, MSN
5	Nintendo	Interactive entertainment products - Video Games
6	IBM	IT products and services
7	Hewlett-Packard	Printers, PCs
8	Research in Motion	Blackberry smart phones
9	Nokia	Mobile Handsets, GSM
10	Wal-Mart	Retail Stores

Businesses pay much attention to formal R&D endeavours for breakthrough innovations and developed economies are known for their impressive investments in R&D. The term research and development covers three activities viz. basic research, applied research, and experimental research. R&D comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture, environment and society, and the use of this stock of knowledge to devise new applications.

**Top R&D Investing Countries** (Source: OECD Factbook, 2008)

<b>Rank</b>	<b>Country</b>	<b>R&amp;D Investment as percentage of GDP</b>
1	Sweden	3.7
2	Finland	3.5
3	Japan	3.4
4	Korea	3.2
5	Switzerland	3.0
6	United States	2.8
7	Austria	2.7
8	Denmark	2.6
9	Germany	2.5
10	France	2.3
42	India	0.7

### R&D Investment in terms of USD

Rank	Country	R&D Investment (Billion USD)
1	USA	517
2	Japan	180
3	Germany	82
4	France	58
5	UK	48
6	China	47
7	Canada	27
8	Italy	23
9	Spain	14
10	Russia	11
13	India	6

### Global Innovation Index (March, 2009)

Rank	Country	Score
1	South Korea	2.26
2	United States	1.80
3	Japan	1.79
4	Sweden	1.64
5	Netherlands	1.55
6	Canada	1.42
7	United Kingdom	1.42
8	Germany	1.12
9	France	1.12
13	China	0.73
15	India	0.06
16	Russia	-0.09
17	Mexico	-0.16
20	Brazil	-0.59

The driving force for creativity and innovation is obviously the research and development efforts requiring massive investments, however, a recent global research underscores the importance of culture. The research conducted in 759 public companies from 17 countries including USA, Germany, Japan, India, and China, revealed that radical innovation is correlated to future market orientation, willingness to cannibalize and a tolerance for risk (Source: Tellis et al., Innovation in companies across nations: New metrics and drivers for radical innovation, 2007). Moreover, the capability to continuously innovate and transform industry standards is dependent on more than just the quality of an organization's accumulated knowledge-base. This implies that to leverage on invisible knowledge in the market, an organization requires knowledge that is

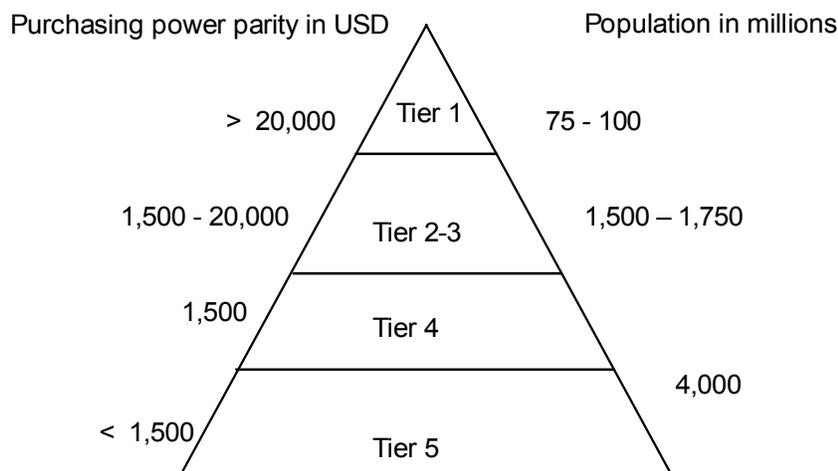
## Gandhian Engineering

According to Dr. Mashelkar, President of Global Research Alliance, innovation is about doing things differently, making a big difference, making the impossible possible and the best manifestation can be through the example of Gandhiji and hence the term ‘Gandhian Engineering,’ that goes beyond simple inclusive growth. Innovation leaders convert problems into opportunities, grow small ideas into major businesses, and develop a strong hindsight, foresight and insight.

***Gandhian Engineering is about: “Getting More from Less for More and More.”***

The engineering challenge is always to get more from less, for example, decades back, computer occupied one full room while today’s laptop is even more powerful and occupies space of less than a square foot. Gandhian engineering says, if the laptop costs \$1000, not many people can afford it and hence, it needs to be thought through how laptop of \$100 can be made available without compromising on performance so that we start traversing at the bottom of the pyramid, yet profitably. Another example is that of an artificial foot. An artificial foot in the US can cost anywhere between USD 12,000 to 18,000 which means that people at bottom of the pyramid would require at least 15 years to buy an artificial foot. Now, the challenge is to make the USD 12,000 foot affordable at \$ 30 and yet 10 times better in terms of performance since the Indian foot needs to subsist in rugged conditions. The innovation of Jaipur foot is one such attempt to align with the changing paradigm.

The concept of ‘Bottom of the Pyramid’ pioneered by the management guru C. K. Prahalad establishes the economic pyramid depicting the distribution of wealth and capacity to generate incomes in the world. More than four billion people live at the bottom of pyramid on meagre income; however, by focusing on the bottom of pyramid consumers’ capacity to consume, private-sector businesses can create a new market.

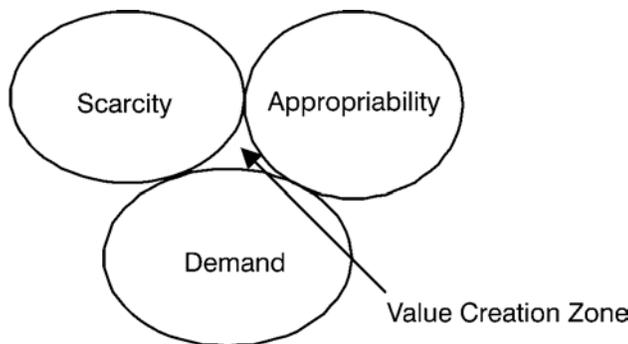


***The Economic Pyramid (Source: C. K. Prahalad, The fortune at the bottom of pyramid)***

If we take nine countries – India, China, Brazil, Mexico, Russia, Indonesia, Turkey, South Africa, and Thailand – collectively they are home to about 3 billion people, representing 70 percent of the developing world population and combined GDP of USD 12.5 trillion—certainly not a market to be ignored! Moreover, with cell phones and televisions, the bottom of pyramid consumer has unprecedented access to information as well as opportunities to engage in a dialogue with the larger community. Both current market size and growth rates bear testimony to the fact that the bottom of the pyramid market is a critical factor in worldwide wireless growth and the proliferation of wireless devices from Grameen Phone in Bangladesh to Telefonica in Brazil indicate the budding opportunities for business. The critical requirement is the ability to invent ways that take into account the variability in cash flows of bottom of pyramid consumers that makes it difficult for them to access the traditional market for goods and services oriented toward the top of the pyramid. The bottom of pyramid as a market provides a new growth opportunity for the private sector and a forum for innovations although old and tired solutions cannot create markets at the bottom of pyramid.

Each firm possesses a unique bundle of resources – tangible and intangible assets and organizational capability to make use of those assets. A firm can develop competencies from these resources and creative augmentations can translate as sources of competitive advantage. Typically, the dynamic interplay of the three fundamental market forces viz. scarcity, appropriability and demand, determines the value of a resource or a capability. The resources are more valuable when they are critical for meeting a customer’s need better than other alternatives, are scarce, drive a key portion of the overall profits and are durable or sustainable over time. In other words, the resources that contribute to competitive superiority are the most valuable ones.

**What makes a resource valuable?**



Innovator is one who looks at something that everyone sees, but sees something that no one has seen. Many have seen the whole family of 4 or 5 in India riding a two wheeler but when Ratan Tata saw it, he wanted to change this and that is how USD 2000 Nano car was born. Nano is a transformational innovation that has not only innovation and passion but also compassion, an excellent example of Gandhian Engineering. Bajaj Auto also subsequently announced a small car project to be developed in tripartite joint venture agreement of Bajaj, Renault and Nissan. Bajaj small car intends to utilize 70-80 percent of parts from its two and three wheelers with a design

focused on delivering fuel economy. Thus, innovation at bottom of the pyramid markets can reverse the flow of concepts, ideas, and methods. For an MNC that aims to stay ahead of the curve, experimenting at bottom of pyramid markets is increasingly critical and no longer an option.

### **Creativity Techniques**

Although creative activity may be present in most decision making situations, the potential contribution of explicit creativity techniques often remains unexplored. Creativity techniques have the potential to provide an unusual solution that is required by complex organizations and complex technology. There are several techniques for exploiting human creativity. However, they can be structured into four main categories:

Free Association: Brainstorming, Synectics, Black box technique

Forced Relationship: Catalogue technique, focused object technique

Analytical: Attribute listing, Grid analysis

Eclectic Approach: Combinations or extensions of other techniques

Creativity then, is the capacity to imagine new, useful and viable solutions to problems. It is a drive or initiative to see things in a different light or in a form other than they seem.

*“When a low probability line of thought leads to an effective idea, there is a ‘eureka’ moment and at once the low probability approach acquires the highest probability.”*

*- Edward de Bono*

It has been argued that in order to enhance creativity in business, three components are needed viz. expertise, creative thinking and motivation (Source: Amabile T., Creativity and role of the leader, HBS, 2008). Further, creativity is also seen as an important element in the recombination of elements to produce new technologies and products, and consequently, economic growth.

### **Innovation Models**

Early models viewed innovation as a linear sequence of functional activities and the two versions commonly promoted were ‘technology push’ and ‘market pull.’ However, these models faced numerous criticisms since they ignore many feedbacks and loops that occur between the different stages of the process. Much recent work recognises the limits of linear models and tries to build more complexity and interaction into the frameworks since most innovation is messy, involves false starts, dead ends and out of sequence jumps (Tidd et al., 2009). The current generation of innovation concept sees innovation as a multi-actor process which requires high levels of integration at both intra and inter-firm level and which is increasingly facilitated by IT-based networking. Another similar taxonomical approach subtly describes the models of innovation for the knowledge economy as science-based, user-based and integration-oriented. The scientific approaches seem to conquer new ground all the time and are significant at the upstream stages

wherein they are of direct value in developing process and product innovations. The user-based innovation implies that the user is motivated to find a solution that fits exactly with his or her specific needs and circumstances. Integration-oriented innovations are more close to the current, complex business scenario in which modularity is both a solution to growing complexity and a new method for management of innovation.

The influential work of Clayton Christensen (Source: *The Innovator's Solution*, HBS Press, 2003) focuses on two distinctive categories viz. sustaining and disruptive, based on the circumstances of innovation. In sustaining circumstances when the race entails making better products that can be sold for more money to attractive customers, evidence shows that the incumbents are likely to prevail, while in disruptive circumstances when the challenge is to commercialize a simpler, more convenient product that sells for less money and appeals to a new or unattractive customer set, the entrants are likely to beat the incumbents. A sustaining innovation targets demanding, high-end customers with better performance than what was previously available. Disruptive innovations, in contrast, do not attempt to bring better products to established customers in existing markets. Rather, they disrupt and redefine that trajectory by introducing products and services that are not as good as currently available products. However, disruptive technologies offer other benefits – they are simpler, more convenient, and result in to less expensive products that appeal to new or less-demanding customers. Since the processes start coalescing within a group that is confronted repeatedly with doing the same task, the engine that propels accomplishment in well managed companies gradually becomes less dependent on the capabilities of individual people, and becomes instead embedded in processes. Furthermore, the ability to create successful disruptive growth businesses can become ensconced in a process as well that can be termed as ‘disruptive growth engine.’ Thus, a disruptive business model that can generate attractive profits at the discount prices required to win business at the low end is an extraordinarily valuable growth asset.

### **Corporate Experiences**

Google a fastest growing company ever, has recorded almost nil attrition rates in India since 2004. The secret behind this is innovative working environment which lets great minds think indigenously. In fact, 20% of the time is reserved for innovative pursuits and there is Google news created by the principal scientists of Google to enable employees to pursue innovation.

General Electric files more US patents than almost any other US firm year after year. It is one of the world largest companies with revenue of USD 180 billion and leading producer of items from light bulbs and dishwashers to locomotives and power plants. The famed former CEO, Jack Welch said, GE is a place where people have freedom to be creative, a place that brings out the best in everybody.

Sony is the leading company in consumer electronics, introducing some 1000 products each year; 800 of those products are new versions of old products while 200 are totally new. When Walkman was introduced in 1979, thousands of companies around the world started making and selling pocket-size audio cassette players. Sony managed to maintain its leadership by continuously introducing upgraded models of Walkman at a phenomenal rate between 1979 and 1992 it had introduced 227 new models of Walkman, that is, about one new model every three weeks.

## **Leadership for Creativity and Innovation**

Leaders can influence levels of motivation by shaping technological development climate. Doing so, this climate can have a significant impact on the attitudes of employees, technical staff and managers towards innovation. If a strategic leader is able to communicate and create a positive consensus around objectives, then there is increased likelihood to attain better motivation levels and development. Strategic leadership contributes to increase innovative efforts and innovation with positive results. Similarly, involvement in team work provides a strong positive relationship with higher motivation to innovative efforts. Also, evidence shows that successful leaders of business innovation score higher on dimensions of transformational leadership. According to Burns (Source: Leadership, Harper & Row, New York), transforming leadership occurs when one or more persons are engaged in such a way that leaders and followers raise one another to higher levels of motivation and morality. Transformational leaders achieve superior results by operating in four Is, namely, idealized influence, inspirational motivation, intellectual stimulation and individualized consideration.

## **Future Trends**

Wealth producing resources of any society in the future shall be driven by knowledge and knowledge in turn depends on innovation which stems from creativity. The progress of business through the paradigms of creativity and innovation is taking place at an unprecedented speed and the rate of learning by business has to be greater than the rate of change. Hence, individuals, groups, institutions and business enterprises have to try and ingrain the key principles of creativity and innovation in business and personal lives and survive in the whirlwinds of change, cold competition and collaborations of new, may be weird, unheard forms of partnerships and organizations.

## **Dr. V N BRIMS Annual Seminar and Workshop**

The theme of the annual seminar for 2010-11, Creativity and Innovation in Business, will be addressed from various angles. The approach will be to relate creativity and innovation to management process viz. planning, organizing, directing, staffing, action and control. Creativity and innovation as affecting the functional areas of management viz. operations, marketing, finance and human resource management, will also form part of the deliberations of the annual seminar. All those concerned with management - students, teachers, researchers, writers, practising managers, people at the helm of business organizations and academic institutions will be the focus group expected to contribute to the seminar. Research ideas, papers, experiences of practising managers and researchers on the theme of creativity and innovation will be invited from the network of stakeholders associated with management. The workshop scheduled for 23rd October 2010 will be a platform to initiate the learning process and the knowledge developed will facilitate value addition to our know-how on the theme. Students, teachers and others will be encouraged to research upon various aspects of the theme to make presentations and other related contributions viz. writings, case studies, video-clippings et al. The annual seminar, scheduled for 12th February, 2011, will present a galaxy of speakers on the theme of creativity and innovation with multifarious perspectives cutting cross different segments of society and management viz.

1. Creativity and innovation for social, economic and technological development
2. Creativity and innovation for environmental protection, projection and promotion
3. Creativity and innovation in different sectors of the economy viz. primary, secondary and tertiary
4. Creativity and innovation in various functional areas of management and also across the different steps in the management process
5. Creativity and innovation in the context of liberalization, globalization and privatization
6. Creativity and innovation in the context of learning organizations and knowledge society and
7. Last but not the least creativity and innovation interface to the hapless and helpless billions of people at the bottom of the pyramid so that the World is a safer, better and happier place to live for one and all.

# Vidya Prasarak Mandal, Thane, India

## Group of Institutions

- Dr. Bedekar Vidya Mandir ( Marathi Medium School)
- Sou. A. K. Joshi English Medium School
- B. N. Bandodkar College of Science
- K. G. Joshi College of Arts
- N. G. Bedekar College of Commerce
- VPM's TMC Law College
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- VPM's Centre for Foreign Language Studies
- VPM's Department of Defence and Strategic Studies
- VPM's London Academy for Education and Research