

IMI Konnect

Let's 'talk' Business

While we keep teaching business here at IMI every day, we thought we will try to make the exercise a little less formal and talk business too among ourselves. Hence this idea of a newsletter. But we soon realised that talking business is not that easy. Somebody took the responsibility of talking about the business environment, somebody about the organization; yet another colleague planned to talk about business innovation. The whole gamut of business activity stood before us. Suddenly, we found we were approaching business in a wholly new way - however informal it might look to be!

This interactivity, we realized, was very different from our usual class lectures. There was a change of attitude and we enjoyed it. We decided to keep going and in the process, draw you, dear readers, into our conversation. Suddenly, we also realized, that like the famous character in Moliere, we were 'talking prose'.

In business, 'talk' is an important ingredient. We talk, write, negotiate, strategize - in fact, use all the ingredients of communication to get our work done. Today we generally call this activity as business 'discourse' and it is a fast growing discipline in business strategy. We use language - and talk is one of them - to achieve our business goals. Talk shapes the organization; and the organization shapes talk. Meetings are the lifeblood of an organization. And business 'discourse' is precisely this: it is 'language' meant to 'act' and that too in the business context.

We realize we are in a dilemma: we don't 'do' business, but simply teach business. But how? 'Strategized' talking, and learning how to talk strategically, we believe, can lead to good business. And this is precisely what we do at the institute - teach good business strategy. This newsletter, we thought, would be another tool to help learn strategy.

We welcome you all, dear readers, to be a participant in this interactive process. Come up with your experiences.

They are valuable. You never know your experiences could become our future case studies! We would like to informalize our teaching, but not dilute it. The rigour that goes with academics comes with much effort. That helps to strategize, to give shape to the raw material of real business.

We talk here - but not without a purpose. The rigour of academics, we know, will endow talk with a sense of direction. Without sounding too pompous, this newsletter, we humbly intend, will lead to develop a new business language: simple, informal, unadorned - but focused.

The newsletter, we hope, will turn out to be a window to look at industry from a wholly new angle. In course of time we will talk more of finance & banking, policy & general economy, industry and manufacturing, infrastructure and services. We hope to reach out to the CEOs and policy makers in all segments and incorporate their views along with our analyses. Our talk will be, we assure you, an enlightened one.

Maintaining regularity of publication, we know, is a difficult sustainable effort. We hope to maintain it with your help. The quality of talk included here, we assure you, will improve with time. What is more important is your reaction and consequently your suggestion for improvement. We assure you we will incorporate your constructive ideas. The tone of informality we hope to maintain; but the content will certainly be of substance and of course of relevance.

Let this newsletter become an effective tool of business learning.



Dr. Buroshiva Dasgupta
Professor, IMI Kolkata



India: On the Path of Losing the Status of an Asian Growth Leader?

By Dr. Paramita Mukherjee

With the slowdown in the GDP growth rate during the second quarter of 2012 compared to her own performance, the emerging concern is whether India will cease to be one of the growth leaders in Asia, especially when economies like Indonesia and Philippines surpassed, and Malaysia caught up with the Q2 growth rate of India (See Table 1). What made these economies sail in such turbulence when, in general, the emerging economies are so vulnerable to weak economic prospects in US and euro area? Why India could not propel her growth being the second largest growing economy in the Asian region, after China? The concern seems to be quite justified.

What explains such a scenario? To understand the conundrum, we have to look at some other economic indicators as well. According to Asian Development Bank, economic growth in Indonesia, the largest South-East Asian economy, was backed by sustained private consumption, stronger investment, and expansion of net exports. In Philippines, too, the economic expansion was mainly the contribution of private consumption supported by remittances from overseas Filipino workers and lower lending rates. In Malaysia, however, along with strong private consumption, government consumption has also boosted economic growth. In China, though growth slowed down compared to the previous year, it was quite high compared to many other countries, supported primarily by factors like high domestic and foreign investment, brisk government expenditure, and increased domestic consumption. Compared to these, the

economic growth in India registered a slide from 8.4% in 2010-11 to 6.9% in 2011-12 because of slowdown in industry, slumping investment activity and weakening in consumer spending. In 2012-13 so far, the growth rate has further decelerated to 5.5%.

TABLE 1:
Economic Indicators of Some Asian Countries

	GDP growth in Q2, 2012-13	CPI Inflation (July, 2012)	Current A/C balance as % of GDP 2012	Budget deficit as % of GDP 2012
India	5.5	9.9	-4.4	5.6
China	7.6	1.8	2.8	2.4
Malaysia	5.4	1.4	8.1	5.4
Indonesia	6.4	4.6	-2.3	2.3
Philippines	5.9	3.2	4.2	2.6

Source: *The Economist*, September 8, 2012

Given this background, let us have a look at some other major economic indicators. Inflation has been a continuous cause of concern for India and the CPI inflation is hovering around the double-digit figure, which is much higher compared to the other Asian economies in question. The external sector in India also present a miserable picture with a deficit of 4.4%, while China, Philippines and Malaysia have surplus and Indonesia does not have a deficit as huge as India. Finally, budget deficit in India is also very high (nearly 6%) which is only close to Malaysia and much higher than others. If India does not immediately resolve the current policy paralyses, it might be on the way to further deceleration of growth.

The War over Blue Gold

By Dr. Tirthankar Nag

Sometime back Satyamev Jayate hosted by Aamir Khan telecast an episode on Water: Every Drop Counts. That water is scarce has not hit us out of the blue. Increasingly while travelling on city roads we come across water tankers or people ferrying water. And it is not surprising that whenever a resource becomes scarce, people would like to trade it for economic benefits.

Diamonds are expensive as they are rare, yet have very little use for our daily needs. But fresh water like air, which is essential to human existence, is often thought of as a free or low priced commodity, mostly due to its abundance. In the near future this may change with demand for fresh water slowly inching towards its supply potential.

India and China with one third of the world's population have less than ten percent of the world's water resources. Some studies project that a fresh water crisis may be in the offing for two thirds of the global population within the next quarter of a century. In addition, countries like India suffer from huge geographical and seasonal disparities in distribution of water with its north-eastern region receiving more than a hundred times more rainfall than its western part and that too concentrated mostly during the summer monsoons. As per estimates, by 2025 a considerable part of India's population will live in urban areas and face issues around water.

Water has two particular features which differentiate it from any other commodity. First, we cannot replace our need for water by anything else. Secondly, using water is not the same as consuming oil - whereas we breakdown the oil into its constituent chemicals, the usage of water only transforms it to a different form. Thus, in the near future, as scarcity builds up, a lot of activities are expected to happen around this sector. In many developed countries like the UK, we come across increasing private sector focus in this sector. In India too, a lot of activities have

started shaping up in the private space in this business.

The water sector can be broadly classified into two segments from a supply perspective - treatment of water and distribution to consumers. Whereas the treatment segment has generated a lot of interest among corporate players, the distribution segment has been slow to take off due to risks around metering, billing and collection coupled with low tariffs. In the treatment segment there is a lot merit in looking at treatment and recycling of waste water, eighty percent of which goes untreated. Also recovering fresh water by treating sea water can be another option. An extreme example can be found in some of the Middle Eastern countries who generate water from the air due to extreme scarcity. However, all these technologies are fairly energy intensive and contribute further to climate change issues.

On the usage side, the sector caters to industrial, commercial, domestic and agricultural consumers. While reforms are being taken up in this sector in India, the business is expected to be regulated with states intent on putting up independent regulatory authorities following the first one in Maharashtra.

Some of the corporate players in India in the water business include names like JUSCO, Doshion Veolia Water Solutions, Degremont, Subhash Projects, IVRCL, Jindal Water Infrastructure, Ion Exchange, Mahindra, L&T and a host of others. Also there are lot of efforts from both the government and corporate to structure meaningful private public partnerships. JUSCO's project in Salt Lake, Kolkata involves supply to industrial/commercial consumers and evacuation of waste.

With gradual dipping of ground water tables and possibilities of many rivers not reaching the sea in the future - water or blue gold may truly become scarce - maybe prized as diamonds! Leaving aside the prospect of drastic innovations or leapfrogging technologies, we can only try at spreading the awareness that usable water as a resource is really finite and aim at adopting various water conservation techniques. And look out for a huge industry that is shaping up around water with its own opportunities and challenges.



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¹Asian Development Outlook (ADO), April 2012.

²Industrial output recorded a growth of 0.4% in April to August 2012 compared to 5.6% in April-August 2011. However, there is a silver lining with IIP registering a growth of 2.7% in August 2012 compared to a 0.2% decline in July 2012.

Solution to Crisis Management: 'Ever-preparedness'

Mr. B. B. Chakrabarti, Vice President, System Operations, CESC Ltd.

IMI: How does CESC manage crises? How did you overcome the recent grid failure?

BBC: The work philosophy of CESC is continuous vigil. At the CESC control room, our eyes are on the network diagrams every minute, every hour. CESC started power generation and distribution in 1897 – an ‘isolated’ event in the country. The distribution grid in the country came into operation only in the 1950s. CESC is linked to the state grid and the national grid but retains its ability to isolate or ‘island’ itself whenever required. On July 30 & 31, 2012 when the power supply collapsed in the entire western, northern, north-eastern and eastern India, we applied our ‘islanding’ device and saved CESC’s four generating units and also the city of Kolkata from a total power collapse.



IMI: Can the management of CESC’s technology of ‘islanding’ and the mechanism of the national power grid be explained in layman’s terms?

BBC: The management of ‘islanding’ is a tough job, not just technically but also from the point of view of human alertness. CESC has a system demand of 1900 MW. Our four units generate 1100 MW. The balance 800 MW we draw from the state and the national grid through our four ‘import’ points. All these four import points are connected ‘radially’ in such a way that only at one point CESC is connected to the national grid. If there is a fault in the state grid – as it happened in July – of under frequency or over frequency, there is an automatic isolation for the CESC system from the state grid. But maintaining this island is a major human effort. The national grid consists of one lakh MW whereas we are just about a thousand. We have to tackle a variation in ‘power number’ in an islanded situation.

It needs constant monitoring. For a variation of 20/25 MW load or generation, there could be variation of 1 Hz of frequency. We have to continuously monitor, shed/connect load at different pockets to maintain correct frequency.

IMI: What precisely happened on July 30/31 and what was CESC’s role?

BBC: On July 30, about 40 per cent of the transmission lines between north and west regions of the national grid were either out of order or were under maintenance. The northern region had a severe power shortfall whereas in the west the generation was high. Since only 60 per cent of the transmission lines were in operation, there was an overload and the system collapsed. There was a phenomenon of ‘hunting’ in the system and a ‘power swing’. The northern grid got isolated from the west and the east and because its demand was high and the generation was low, its system collapsed. But the west, east and the north east survived. Remember, since the south is yet to be linked to the national grid (it will be in 2013) it too remained undisturbed.

But the next day, east could not survive. The parameters were almost the same – huge shortfall in the north, massive power flow from the west. On 31st, the tie lines between the west and east tripped, whereas the delinking was of east with north on the previous day. The network of east, northeast and north became vulnerable with low generation and high demand. Frequency reached the critical level and the system collapsed. CESC got islanded. CESC could save its generating units from shut down but state SEB could not. The sub-stations connected to the import points failed to supply power even to emergency consumers like hospitals and railways. SEB sought CESC’s help and we gave them 150 MW for starting up their generating units as well as provide emergency power to Railway Traction etc. It was a grueling day till the state’s generating units were synchronized late at night with CESC’s help. We got back our links with the national grid even later.

IMI: What is the management lesson for young aspirants?

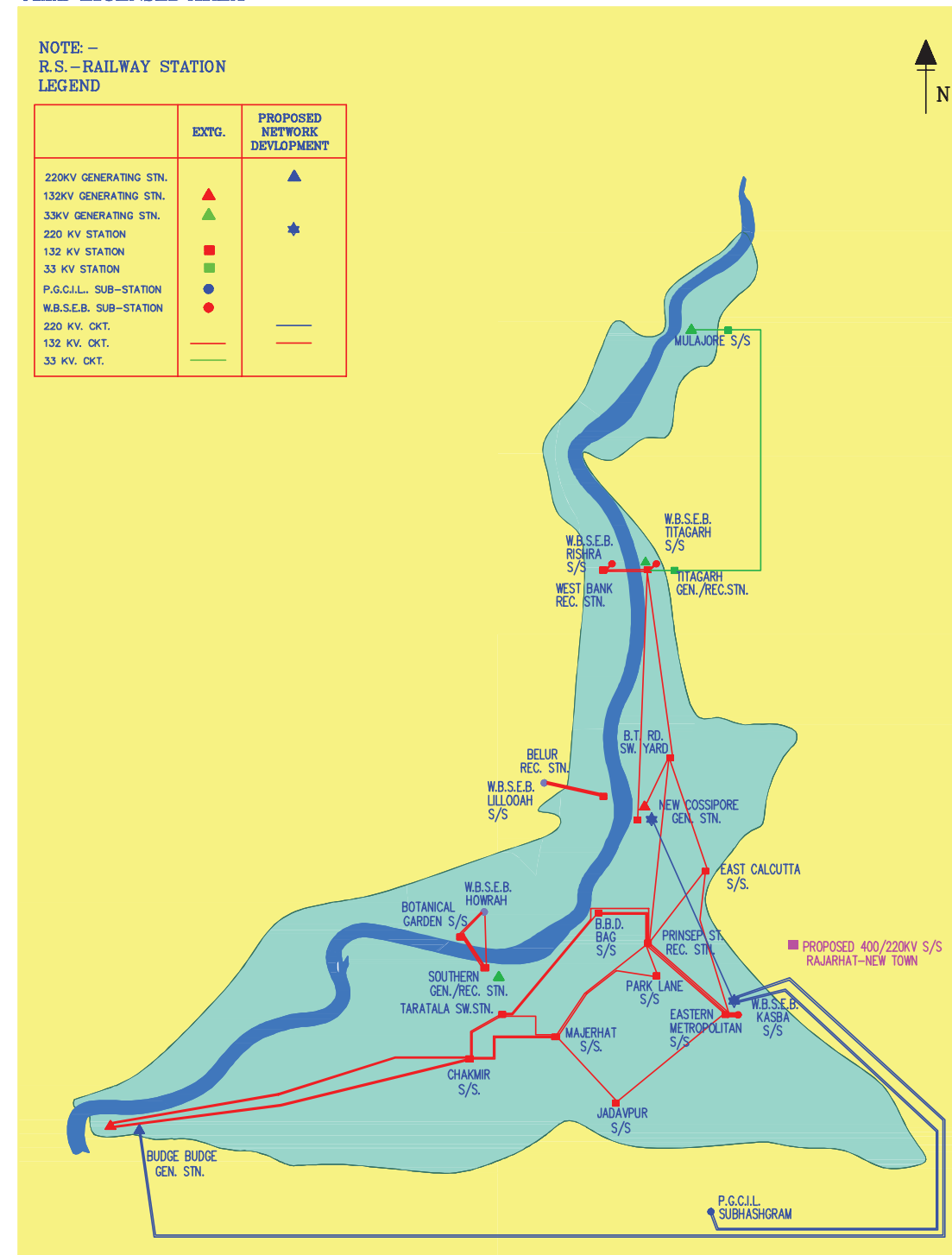
BBC: Such crises can happen in power generation and distribution anytime anywhere. I know at least two such incidents in the USA where half the country

went into darkness because of such breakdowns. One was in as late as 2004. All we need is preparedness and willingness for continuous training and up gradation. It is not just a technical problem. A power company can survive only by its alert manpower.

CELEC LICENSED AREA

NOTE: – R.S. – RAILWAY STATION
LEGEND

	EXTG.	PROPOSED NETWORK DEVELOPMENT
220KV GENERATING STN.	▲	▲
132KV GENERATING STN.	▲	▲
33KV GENERATING STN.	▲	▲
220 KV STATION	★	★
132 KV STATION	■	■
33 KV STATION	■	■
P.G.C.I.L. SUB-STATION	●	●
W.B.S.E.B. SUB-STATION	●	●
220 KV. OKT.	—	—
132 KV. OKT.	—	—
33 KV. OKT.	—	—





Would You Like a Pancake?

By Dr. Devjani Chatterjee

Organizational Structure

Conventional visionaries affirm that a tall hierarchy caters best to complex and big organizations. Tall organizational structure represents one with a long chain of command. Here, the advantages lie in the job role clarity and managerial control, since they provide distinct layers of control with definite responsibilities and explicitly outlined promotion structure. Although, tall structures have good things to offer but practically offers itself with a cost quotient. Managers add high overheads since their salaries, benefits and perks are higher. Moreover, cumbersome tall structures make the most powerful managers farthest from frontlines and raise the risk of the former's decision making accuracy. Here, decision process is also slow.

Flat structures, on the other hand, have lesser managerial layers with wider span of control. Chain of command is less important and employee empowerment is highly emphasized. Collaboration and co-operation is the mantra of such organizations, where autonomy and self-motivation are encouraged at all levels. The added responsibility infused in the employees through empowerment of decision making leverage on their talents and problem solution skills. It is flexible and easily adapts to changes. Moreover, faster communication due to lesser layers helps in quick decisions.

Morning Star

Modern day theorists have emphasized more on the positives of a flat than a tall structure. But still, a company with a structure as flat as a pancake is beyond imagination. Morning Star is the company that proves the exception. It was founded by Chris Rufer in 1970, it is now the world's largest tomato processor, processing almost 25% of the US tomatoes. Four hundred full-time employees produce over \$700 million a year in revenues and is a global market leader. It has no boss, employees negotiate responsibilities with their peers, all employees have access to company's money, and offers no titles or promotions. It can be best explained as either 'no manager is a manager' or 'all employees are managers' here. We must accept that it is an innovation in the structural perspective. The Morning

Star Company is a unique example of an organizational model remotely seen earlier, especially in a commercial organization of its size and capacity.

Philosophy of Morning Star

The company, very uniquely operates with zero hierarchy, and the only boss is the company mission, which they believe intrinsically. "Colleagues at Morning Star signs a Colleague Letter of Understanding (CLOU), which defines each colleague's personal commercial mission, the processes for which they have stewardship, the decision authority for each process, the performance measures for each process (called Steppingstones), and the colleagues to which they are primarily accountable", claims the Morning Star Self-Management Institute on the web.

Maintaining the Culture

Colleague Principles

Morning Star colleagues commit to the following mission, individual goals and teamwork, personal responsibility and initiative, tolerance, direct communication for resolution of conflicts. If a colleague is perceived to be not following the colleague principles, he will be privately discussed by other colleague(s) and resolve the differences.

Recruitment: High importance

Principles and practices as per CLOU, demands that the hiring process should be uncompromising. Person-job fit should be high since only mature and responsible people can respect these practices. Their hiring process includes multiple interviews, detailed reference checks, tests which include aptitude, work style, and integrity and MBTI (Myers-Briggs Type Indicator) for personality. Morning Star refers to the performance measures as "steppingstones". Each colleague measures the performance of the other colleague.

Intrinsic Motivation

People work best when the motivation is intrinsic. Morning Star motivates through participation and not punishment. Its unique philosophy of flat structure ensures that everybody appraises their own performance.

Conclusion

While this concept of a pancake like flat structure looks to be very unique and sound, but its proper implementation demands focused dedication to make it work; accuracy in the hiring process and motivation focusing on self-actualization and self-esteem of colleagues are the key factors.

Dr. Boudhayan Ganguly

Requested by IIT Kharagpur to review one of its courses under the National Programme on Technology Enhanced Learning (NPTEL)- a joint initiative of IITs & IISC, sponsored by MHRD, Govt. of India.

Dr. Chanchal Chatterjee

Financial Restructuring through Share Buybacks in India, Lambert Academic Publishing, Germany, 2012. ISBN 978-3-659-00159-8.

Dr. Devjani Chatterjee

Chatterjee, Devjani and Sharma, R.R.K., *Choosing the Right Control System for Organizational Strategies*, Lap Lambert Academic Publishing, Germany, 2012. ISBN 978-3-659-24386-8.

Dr. Himadri Roy Chaudhuri

Participated in a two day IDRC workshop and conference on Urbanisation at the Institute of Rural Management Anand (IRMA) on August 27-28, 2012.

Invited to join the Editorial Review Board of the *Journal of Marketing Theory & Practice* (M E Sharpe Publication). This is a 'B' journal as per the rating of Australian Business Deans' Council.

Publication

"Assessing the Ethnocentric Tendencies of Different Age-cohorts in an Emerging Market" (with M. Deb), *Journal of Indian Business Research: Vol. 4, Issue 4*, Emerald Publication, 2012."

Dr. Mohua Banerjee

Contributed to the International edition of Pearson's "Retail Management – A Strategic Approach" 12th edition.

'Future Challenges for Indian Retailing for Policy Makers and Retailers, Branded Goods Manufacturers and Wider Supply Chain Partners', *India Retail Report 2013*.

Dr. Paramita Mukherjee

Took two sessions on 'Macroeconomic Theory and Policy' in Management Development Programme conducted by Indian Audit and Accounts Department, a division of Comptroller and Auditor General of India (CAG) at Regional Training Institute, Salt Lake, Kolkata in November.

Dr. Rachana Chattopadhyay

'Performance Appraisal based on a Forced Distribution System: Its Drawbacks and Remedies', *International Journal of Productivity and Performance Management*, Vol. 61, No. 8, 2012.

Dr. Tirthankar Nag

Invited by IIM Ahmedabad to teach a course module in the course titled 'Energy and Environment Policy' for the doctoral students of IIM Ahmedabad.

Invited by IIM Kashipur to jointly teach a course titled 'Core Consulting Skills' for the PGP students of IIM Kashipur.

Invited by several academic institutes for review and examination of doctoral work carried out by their doctoral candidates.

Publications

Transition: Policy and Environmental Shifts - Implications for Technology Strategies and Green Orientation, Lap Lambert Academic Publishing Saarbrücken, Germany, 2012.

(http://www.amazon.de/Transition-Environmental-Implications-Technology-Orientation/dp/3659265411/ref=sr_1_1?s=books-intl-de&ie=UTF8&qid=1352348221&sr=1-1)

Bhattacharyya, A. K., & Nag, T., 'Does corporate social responsibility yield returns? A study of Indian firms', *Financial Management*, Chartered Institute of Management Accountants UK, London, November, 2012, pp. 50-53.



Teaching is the only major occupation of man for which we have not yet developed tools that make an average person capable of competence and performance. In teaching we rely on the 'naturals', one who somehow know how to teach. – Peter. F. Drucker



In the recent times, IMI-Kolkata had several eminent speakers in the campus attending workshops and delivering lectures as guest faculty. Some of them include:

September 28, 2012

Mr. Debabrata Sarkar, the Chairman & Managing Director, Union Bank of India, visited IMI-Kolkata campus. He elaborated on 'Indian Economy: Role of Banking Sector'. Presenting an optimistic view of the Indian economy, he mentioned that despite all odds Indian economy is doing pretty well and its growth will continue in days to come. He explained that among the major contributors to the Indian GDP the services sector has surpassed the contributions of agriculture and manufacturing sectors. This feature of present Indian economy is very surprising since it defies the traditional theory of development where the services sector is supposed to become a forerunner only after the agriculture and industry sectors respectively have grown to their full potential. Within the services sector the banking sector has emerged as a key player. Banks have been able to spread its reach to the rural India to a greater extent. They are providing loans to the farmers and other small rural entrepreneurs on less stringent terms. At the same time they are strengthening the recovery process in order to retain a balance between inflow and outflow of funds.

On a macro-level, this sector is making significant contribution in maintaining a sound monetary health of the economy. Banks are now using improved technologies to provide faster, safer and easy-to-access services to its customers. The banks are also focusing on various

CSR activities in discharge of their duties towards the community and environment. On the flip side, however, the sector is facing some NPA problems, which are adversely affecting the financial status of the banks. He concluded that notwithstanding the adversities, the banks are gearing up to face the challenges of the present as well as the future.

September 3, 2012

Mr. Sunil Kumar, Centre Head – World Bank, Chennai visited IMI-Kolkata. He discussed in details the main constituents of the World Bank group, namely IBRD, IDA, IFC, MIGA and ICSID. He spoke of the two broad purposes of the World Bank – to provide financial and technical assistance to developing countries around the world and to eradicate poverty from the face of the Earth – and how the Bank is achieving its purposes. He also spoke about Leadership Reflections and Workplace Challenges. The lecture concluded with one key learning that efficiency and effectiveness contribute towards growth.

August 25, 2012

Mr. K C Nanda, General Manager - HR, Hindustan Aeronautics Limited (HAL), who elaborated on Changing Mind-set for Managerial Role in an Organization.

August 16, 2012

Prof Aloke Kumar, Communications Advisor to the Government of India, Prime Minister's Office, who spoke on Changing Face of Communication.



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