



“
It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.”

- Warren Buffet, Chairman & CEO, Berkshire Hathaway

 **Sparks!**

IDEASMAKEMARKET.COM

ISSUE 2 | 21st July -30th August 2014

Did you know?

In 1902, Willis Carrier developed the air conditioner not to cool homes but to remove humidity from the air in printing and food production plants.

In this Issue:

- ❖ The rise of Bitcoins- Prospects and Future
- ❖ Petroleum pricing in India: Under-recovery & Subsidy
- ❖ Role of HR in employee branding
- ❖ The BRICS Bank- Is it the solution?

Geo-Politics



(image source: Reuters)

The World in turmoil: Time to act, maybe?

-by Abhirup Bhattacharya

Well, the title of the story appears to be a gloomy one, but there are indications that the world indeed may be heading in that direction. Today, hardly any part of the world is untouched by the menace of terrorism, political discontent and wide spread disparity between the haves and have nots.

Take for instance, the rise of ISIS in Iraq. After almost two and half years of American troops having left Iraq, the country is still in a disarray. While the Kurds in the northern region of Iraq are demanding a separate country, ISIS (Islamic state of Iraq & Greater Syria) is planning to redraw the entire map of the middle-east region by creating a new state comprising parts of Iraq and Syria. Its leader, Abu-Bakr-Al-Baghdadi has proclaimed himself as the new "Caliph" of the Islamic world. According to various estimates, ISIS troops range from 11000 to 50000 men and some of them even hold European passports. The outfit currently controls several key towns in Iraq including Tikrit(hometown of former dictator Saddam Hussein) and Mosul and there is a serious possibility that the group may overrun Iraq in the near future. In fact, such is the savagery of this outfit, that even the

Al-Qaeda has denounced it. The war in Syria between rebel and government forces also seems to show no signs of ending so far. MH-17, the ill-fated Malaysian airline flight, which was shot down by former Soviet Union made BUK Missiles can also be seen in the same scheme of things. The death of 298 people, across various nationalities, stand testimony to the dangerous world that we currently live in.

If we consider the continent of Africa, the rise of outfits like Boko Haram and ethnic clashes in Central African Republic are a definite cause for alarm. In addition to this, the continent despite being energy and mineral rich, has some of the lowest rates of development and nutrition. Even progressive states like Egypt have been in a political turmoil for quite some time. Same holds true for war-torn Libya.

The crisis in Middle-east is further aggravated by ongoing Israeli occupation of the Gaza strip. The bombing by Israeli troops on Palestinian settlements, killing thousands of civilians including children, has so far been largely ignored by

the western press. How long can we continue to turn a blind eye to these problems?

The situation in Pakistan is even more critical and the attack on Karachi airport should set the alarm bell ringing. Pakistan, being a nuclear state, cannot be allowed to fall into the hands of extremists as it will bring prophecies of a nuclear winter true. Afghanistan recently held its Presidential elections, however with the planned

Around the world



US secretary of state John Kerry visited China to discuss bilateral relations between the two countries. Mr. Kerry reiterated that America's interest does not lie in trying to contain China.



In Nigeria, 63 women are supposed to have been kidnapped by Boko Haram, an Islamic militant organisation. This was followed by a government offensive against the outfit killing more than 50 militants.

(image source: Reuters)

From the editor's desk

We are extremely thankful for the massive support that our readers have shown towards the first edition of our magazine. The magazine was downloaded more than 2000 times in the first four days after the launch.

In this edition, we focus on several key issues like the future of Bitcoins, the impact of BRICS bank & Role of employee branding for an organisation. Based on the suggestions that we received from you for the inaugural edition, we have tried to bring in the changes in this edition. The coming few months will see a number of event launches on our portal including ideation challenges and writing competitions. We hope you continue to support us always.

-Abhirup Bhattacharya
Founder & Editor-in-Chief

For feedback/writing articles, email us at ideasmakemarket@gmail.com.



(Image source: Reuters)

The rise of Bitcoins- Prospects and Future

-by Sravanti Badam

In 2008, the aftermath of subprime mortgage crisis led to quantitative easing by the Federal Reserve, global recession and the European sovereign debt crisis. Confidence in government issued currencies began to come into question. It was the perfect storm for the emergence of a new crypto currency: **BITCOIN**.

Since the birth of the internet, there have been movements to create virtual cash. However, the early attempts could not solve the Double Spending problem. The way around this is to verify whether a token has been sent or not by a trusted source. While a central authority can be used, it also creates weakness in the system by having a Single Breaking Point.

Bitcoin bypassed this by using the **Block Chain**, a public ledger of transactions where each transaction is verified by extensive decentralised network of computers. Bitcoin is a digital currency that enables an individual to transfer money and make payments to anyone across the globe. However, the first thing to understand about Bitcoin is that it is not just money transfer or upgraded money. It is instead a programming environment, a publicly audited ledger which accounts for all transaction in terms of property, ownership and contracts

Case for Bitcoin

Transacting on a Bitcoin platform is easy and hassle-free. The user can start as soon as he/she obtains a Bitcoin wallet which takes only a few minutes. As compared to other currencies, Bitcoins offer several advantages:

i. Not Inflationary

Bitcoin was designed to have a maximum number of coins. According to the original specification, only 21 million will ever be created. After that, the number of Bitcoins won't grow, so inflation won't be a problem. Many inflation hit countries like Argentina and Cyprus are seeing an increased use of Bitcoins.

ii. Decentralisation

Bitcoin environment uses Peer-to-Peer (P2P) exchange so there is no bank or intermediary that can be a gatekeeper or rent seeker. When a transaction is initiated, it is digitally signed and secured. Verification would be done by an unknown miner and then the transaction is complete. The user is anonymous to the merchant, unless an arrangement is made to inform about the user.

iii. Impossible to counterfeit

Bitcoin is designed to be a huge step forward in making money more secure and could also act as a significant protection against many forms of financial crime. Bitcoin allows money to be secured against theft and loss using very strong and useful mechanisms such as backups, encryption and multiple signatures making it completely impossible to counterfeit. Users can fully control their payments and cannot receive unapproved charges such as with credit card fraud. These transactions are irreversible and immune to fraudulent chargebacks.

iv. Reduced Prices

Currently, credit and debit card companies charge very high commissions for their services. This seems fit as these companies spend approximately 30%- 40% of their profits fighting lawsuits on fraud. This commission cost

is transferred to end consumers leading to high prices. But if there is a way of transferring these kind of transactions to Bitcoins - through smartphones or Bitcoin cards - the costs would reduce substantially. Bitcoin transaction fees are minimal, or in some cases free.

Case against Bitcoin

i. Volatility

The number of businesses using Bitcoin and those in circulation are very small compared to the potential use of Bitcoins. So, small events or business activities can significantly affect the price. In addition, as people are still experimenting with the currency and trying to identify the advantages of using this virtual currency, it would take time for the currency to stabilise. Volatility would reduce as Bitcoin markets and technology matures. Since it is a start-up currency, it is difficult to imagine how it will eventually play out.

ii. Illegal activity

Bitcoin network is seen as a haven for money laundering and many other criminal activities. Recently, Silk Road, an online market which used Bitcoins as a medium of exchange was closed under the federal law. It turned out that this clandestine currency was being used for many nefarious purposes. What further aggravates the situation is the fact that it is not possible to trace the source or the destination of money, much less what is being traded.

iii. No Backing

A government is required to back the money supply with assets like gold. But Bitcoins are neither backed by hard assets nor by faith of the government. This makes them a risky proposition during bankruptcy. Some analysts, however, argue that Bitcoins are backed by the "processing power". This seems illogical as there is no fundamental means of repayment in case the process crashes.

The Future

Although Bitcoins have several advantages, it's not very easy to convert Indian rupees to other currencies since the Indian currency is not fully convertible. Due to this hindrance, obtaining Bitcoins in India is not as hassle free as it is in other countries. Another problem with obtaining Bitcoins in India is that there is no electronic method to transfer funds safely; most transfers happen through NEFT. Due to these hindrances, liquidity of Bitcoins is relatively scarce in India, though it is picking up.

The future of Bitcoin is still clouded as the entire economic and financial community has mixed opinions about its viability as a currency. However, going by the current trend of growth in its use, the potential of Bitcoins as a currency seems to be rising. We can only expect Bitcoin's meteoric rise in popularity to continue. It will challenge the way in which people and governments think of money and currency.

[The author is presently pursuing her MBA at Management Development Institute (MDI), Gurgaon]

Deals, Wins & Market Buzz

Indian IT major **Wipro** has signed a 1.1 billion USD deal with ATCO group, one of Canada's largest corporations. As part of the deal, Wipro will acquire the IT services of the company for around 195 million USD and provide outsourcing services over a period of ten years.

The **State Bank of India** is likely to raise over 20,000 crore rupees in the next two years from the stock market. The sale of shares will dilute the government's stake to about 53% from the current level of 58.6% at prevalent valuations.

The **Reserve Bank of India** has kicked up a storm by proposing differentiated licensing as part of financial inclusion. This will allow companies like mobile operator Idea to enter financial services in rural parts of the country.

The Indian finance ministry is seriously considering opening the **Indian railways** for foreign investment. According to various sources, Arun Jaitley, the finance minister, is believed to be favouring foreign investment upto 49% via automatic route.

Petroleum pricing in India: Under-recovery & Subsidy

–by Saurabh Aggarwal

During the recent elections, news that India had the most expensive petrol among its neighbouring countries spread like wild fire in social media. On exploring further into the issue, I found the news to be completely false. Venezuela had the cheapest oil among all the countries. In fact, it is the country where petrol is cheaper than water. But there were many developed countries that were paying exorbitant prices for petrol like Italy, Netherlands and Norway.

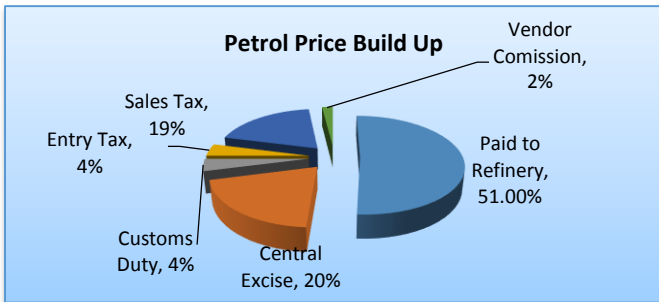
There are several factors that affect the price of petroleum products in a country:

Crude oil: The presence of oil reserves in a country affects the price. Countries like Venezuela, which has one of the largest oil reserves in the world, can have prices as low as INR 7 per litre.

Taxes: State imposed taxes add to the price of various petroleum products. Every country adopts different taxing mechanism. Norway, the world's fifth-largest oil exporter, has the costliest petrol in the world. The government levy heavy taxes on petrol to discourage people from using private vehicles in order to fight climate change.

Marketing and distribution: The location of the country from the exporting nation or refinery adds to the price. Nepal has no refineries or reserves. It imports 100 % of its petroleum products from India. The distribution adds to the cost of petroleum products and as a result, the price of petrol in Nepal is higher than India.

Other factors: These include war or natural calamity like situation in the oil producing country. Political instability in the Middle East in countries like Syria and Iraq have recently caused spike in the international oil prices due to uncertainty of supply.



Petrol price build-up in India

In 2010, Indian government decided to deregulate the petrol prices. As a result, it presently fluctuates in accordance with international markets but the taxes remain unchanged and any change in the price is passed on to the customer. Nearly 47 % of the price is in the form of taxes paid to the government. Out of the remaining, 51% goes to the refinery including the transportation cost and paltry 2% commission is left with the vendors. Local taxes may vary from state to state leading to price disparity within the country.

In 2012, Goa reduced the VAT on petrol to .1% leading to lowering of price by INR 11. Goa became the first state to have petrol price lower than diesel price. The price build-up of diesel is almost similar but taxes are little lower as compared to petrol. It's not only the consumers who are at receiving end but also oil companies in India which are struggling to make ends meet. To understand this, we need to know the supply chain mechanism of petroleum products.

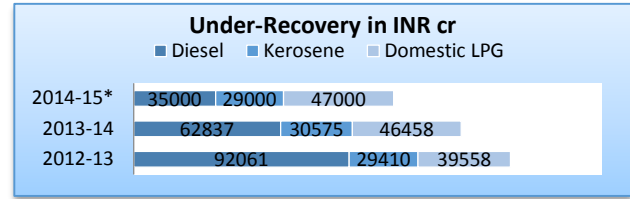
Supply Chain of Petroleum Products

The petroleum industry is divided into upstream, midstream and downstream segments. The upstream sector includes searching for potential underground or underwater crude oil and natural gas fields, drilling of exploratory wells and operating the wells. The major players in E&P sector are ONGC, Oil India and GAIL. The midstream sector involves transportation (by pipeline, rail, barge, oil tanker or truck), storage and wholesale marketing of crude or refined petroleum products. The downstream sector includes refining of petroleum crude oil, marketing and distribution of products derived from crude oil. The major players in Petroleum refinery and marketing in India are Reliance, BPCL, HPCL and IOC.

Under-Recovery

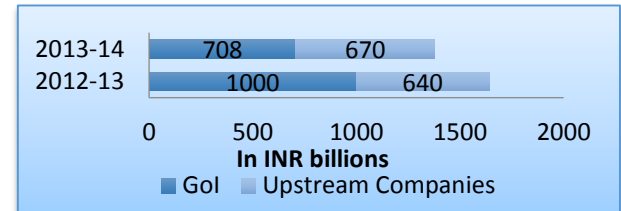
Oil marketing companies (BPCL, HPCL and IOC) buy oil from E&P

companies (ONGC, Oil India and GAIL) and sell it at a discount to customers. The selling price in India is pegged to Singapore markets, but OMCs sell petroleum products to consumers at a lower price due to prevalent price regulation in petroleum products by government of India.



This difference in price accounts for under-recovery. The under-recoveries are shared between the government and oil companies, both upstream and downstream. These are not to be confused with losses as under-recoveries are on selling price and losses are on cost price.

After the deregulation of petrol, the under recoveries in petrol have now been tackled to a large extent. Any change in petrol price is passed on to the consumer directly. But diesel, Kerosene and LPG are still regulated by the government. Since 95% of diesel is consumed for commercial use, any change in price of diesel will affect the prices in all sectors including manufacturing and transport industry. From the above figure, it is clear that GoI is trying to reduce under-recoveries. The biggest challenge is to arrest the under-recoveries from domestic LPG consumption which is as high as INR 506/cylinder. The government does not pay full under-recovery but only about 50-60%, the rest being shared by upstream and downstream oil companies



The gross under-recoveries (GURs) of OMCs was INR 1399 billion in FY14. The share of upstream companies in under-recoveries increased to 48% (Rs. 670 billion) in FY14 from 37% in FY13 as the GoI reduced its share to 51% (Rs. 708 billion) from 62% in FY13.

Subsidy

Out of the total INR 3600 billion in subsidy, a sizeable proportion of 27 % subsidy (INR 970 billion) is utilized for petroleum products. Food and Fertilizer subsidy have a higher priority, hence the government always tries to lower petroleum subsidy in each fiscal plan. Petroleum subsidy amounts to about 1% of GDP in India.

Contribution from Petroleum Sector

In spite of the huge amount of subsidy, petroleum sector contributes largely to Indian economy. Last year, the centre collected Rs. 64,335 crore from excise duty on petroleum products, which is more than a third (about 35%) of its entire excise collections of Rs. 1.79 lakh crore in 2013-14. Barring the years 2008-09 & 2011-12, this sector has always contributed significantly to Government exchequer.

Recommendations

Alternate Pricing model: There is a need to find new pricing mechanism for petroleum products. The current systems of pricing using Singapore markets do not reflect the true cost.

Reduction in Under-Recovery: The under-recovery on diesel, kerosene and LPG should be eliminated in a phased manner.

Targeted Subsidy: Subsidy should be given only to people below the poverty line along with direct transfer of subsidy to beneficiary account.

Alternate Source of Energy: Currently, India's consumption of petroleum products is only about 1/5th of world's average per capita consumption. As we move towards being a developed country our energy requirements will increase. To ensure the safety of environment, we should invest in renewable sources of energy.

Growth in Exploration and Production Activities: Nearly 70 percent of India's domestic oil consumption is imported mainly from the Middle East. GoI should emphasize on exploration and production (E&P) activities in the country. Currently, this sector is dominated by domestic players due to several bureaucratic and political hurdles faced by foreign investors.

[The author is presently pursuing his PGDM from T.A.Pai Management Institute, Manipal]

Because you can and you care: Role of HR in employee branding

-by Luna Daniel

"A lot can happen over coffee!" This was reiterated once again when I met with my long lost buddies. The conversation started with the usual banter and touched upon topics such as the World Cup (read Suarez), elections and selection of cabinet ministers, books and music, ISIS, PSLV- C23 launch and finally reached the much obvious- **WORK!** Just like old times, when we never missed a chance to pull each other's leg, my friends (read IT and finance nerds) spoke about their 'trysts' with various companies. It ranged from a recent disastrous experience called 'hiring interview' to a performance appraisal 'sham'. One spoke at length about his experience with a company in the course of his employment search and he swore that no matter what, he would never advise anyone about an association with the organization. Another spoke about implementation of 'people engagement' activities that started with lots of fanfare and gung-ho but failed to sustain the steam and mentioned sardonically, that this company was awarded for implementing innovative engagement practices. One of them spoke about how his self-confidence plunged to an all-time low, after the recent performance appraisal cycle and how despite multiple requests and efforts to understand the gaps, he could not find a consonance between the efforts put in and the ratings awarded. As the evening progressed, the topics went back to the 'happier' days, and we parted, promising to connect with each other regularly, in order to revisit 'the best days of our lives'. For me, the evening was more than revisiting the fun B-School days and I took back lot of 'food for thought'. I pondered over the various conversations that I was a part of, and as I introspected on the experiences shared, something provoked me to think about how an HR could possibly make a difference in all the above scenarios.

-Can HR play a role in making work environment a motivating and conducive one?

-Can HR influence their employees (both prospective and current) and brand the organization as an employer of choice?

-Can HR give their employees experiences that they could boast about?

-Can HR make employees (both prospective and current) feel respected and wanted?

-Can HR want their (both prospective and current) employees to act as brand ambassadors?

The answer without an iota of doubt was a resounding 'YES!' And while every organization is striving to be an employer of choice, it is important to be aware that every 'moment of truth' can be a pitch for claiming a spot in the ranks of being an employer of choice. Wikipedia defines employer brand in the most simplest of ways: Organization's reputation as an employer. However, do awards and external surveys solely help build this reputation? NO! Surely these aspects influence external perception and image of the organization, but I strongly profess that an organization is only as good as how the employees (both prospective and current) experience it in real time!

In various studies, employer branding is linked directly to quality talent acquisition, talent retention, employer value proposition, etc. which helps build a positive image for the organization and makes an association with the organization, an aspiration. I, however, have a different take on this. Should we brand our organization only to attract and retain? Don't we need to look at ways to make people feel genuinely respected, accepted and valued? Think about this, how many times, have you, failed to revert back to an interview candidate who does not 'seem to fit the bill'? How many times have you said 'I will get back to you on this' and never got back? How many times have you planned out initiatives without looking at how it would positively impact your employees (both prospective and current)? How many times have we introduced interventions only for a 'check in the box'?

Yes, it is these things that really matter and in the following paragraphs, I am going to share some tips that can be starting points and can get you to think about how HR can play a huge part in influencing employees to believe that the organization is concerned, forthcoming, transparent and respectful.

While there are many touch points, I am considering few 'top of mind' thoughts to get all of you, irrespective of function or department to think about how you can make a small contribution to make your organization an employer of choice.

A traumatizing interviewee-employer saga: 'The position is on hold'

How often have we used these words or maintained 'mum' after interviewing candidates? How often have we maintained a deafening silence even after reading the umpteenth follow up mail on the status of an interview from a candidate? The worst that one can do is to not revert to a candidate. He/She may not want a detailed feedback on his/her performance, but as a sign of respect for the candidate's time and efforts, we must revert. More often than not, it could be negative, but irrespective of what the end result is, one must remember that the interview experience is the candidate's first experience of the organization and in a way the recruiter/coordinator is the 'face' of the organization to him. When we do not revert to candidates, we are also making a grievous error of making the candidate feel disrespected and not cared about.

A road less travelled: 'I will get back to you on this'

Picture this, you called the customer service hotline for a query and were told 'I will get back to you' and never heard from them again. How would you feel? Frustrated? Cheated? Irritated? Well, my friend, it is the same when you say this phrase to a prospective candidate or an internal employee. More often than not, the latter is not afraid of the negative and looks forward to honesty and transparency. So, while you might be scared of sounding rude or think that this is the best way of retaining a neutral tone, think again. The recipient is a person who goes back with a trust deficit, despair and hopelessness. Always remember to close the loop. Each individual wants to hear the truth and not a diplomatic answer. If there is something that you can't disclose, explain the situation and the context. I am sure you will be relieved as well as not lose credibility.

Passing the buck: 'What can I do? It was not in my hands'

When you take responsibility of a task, it is important to take accountability too. It is important for you to help people get clarity. Rather than saying it was not in your hands, explain the reasons of the outcome. Spare some time to hear the other side and if required act as a bridge to ensure that the person is not left alone to swim against the tide. Passing the buck may seem easier, but if you want to genuinely make a difference you must take the efforts to walk the talk.

Looking back and moving forward: 'This is a current standard of doing things'

Sometimes, one has to challenge the status quo even if things are apparently going fine. Always strive to do something bigger and better. Sometimes looking at the past can prevent you from doing this. Look at unsuccessful employees as potential future recruits, look at oppositions as opportunities to learn and improvise, look at new ways to connect with your employees (both future and current), look at ways to be transparent and share as much of relevant information as you can and build this in your day to day work and all your interactions. Voila! You will see the difference almost immediately.

Assumptions can be injurious to health: 'We have done this because we thought this was what you wanted'

Assumptions are the last things to build your ideas on- whether it is about making a conclusion about a candidate based on his CV only or first impressions of another or designing interventions that you think might be beneficial to others. Always ask and be open for suggestions and feedback and take a neutral view, when in doubt. Make your HR journey collaborative - before starting something new and also after you have implemented something. Spend quality time with others and focus on nurturing relationships.

Context is the key: 'This is something world class companies are doing'

Context is crucial and I always believe that no matter what, if the given context is not suitable, no matter what you do, the end result will be a disaster. Therefore, it is very important for us as HR people to understand the given situation. You can never suggest something that has worked elsewhere or even in your past employment and use it sans context in your current role. You cannot run training programs which will not help your current employees. You cannot ask people to give suggestions, when you aren't going to use them. You can't run engagement programs when the basic hygiene factors do not exist. While suggestions may be welcome, as people partners, we must look at ways to make a difference to their lives and I bet it is going to make a difference in an organizational context.

While these are few 'top of mind' suggestions, I would like to end with the famous words of Maya Angelou, which in itself speaks about what HR or people managers should strive to achieve: "**People will forget what you said, people will forget what you did, but people will never forget how you made them feel.**" It is time to make people you interact with feel special and the time is NOW!

[The author works as an Organisational Development Consultant with T.V.Rao Learning systems]

Evolution in Organizational Diversity

-by Sourav Roy

Organizational Diversity has become the 'Hot Button' issue in every domain. So what do we actually mean by this very term? According to Harrison and Klein, 2007, diversity can be defined as the *collective amount of differences among members within a social unit*. However, according to Cox, 2001, diversity is *reflective of the variation of social and cultural identities among people co-existing in an employment setting*. Alternatively, diversity may be conceived of as the varied perspectives and approaches that members of different identity groups bring to the workplace. Prior to 1990, researchers believed that organizational diversity leads to detrimental effects on the performance factor leading to lower employee satisfaction and higher turnover. This, in turn, creates a sense of lower cohesiveness, higher organizational detachment and higher inter-group conflicts.

But if we analyse the current statistics (as per Corporate Executive Board Company), the scenario has changed. This can be substantiated by the positive results shown in the recent researches by Robinson and Dechant (1997), Carozzi (1999), Griscombe and Mattis (2002), Harrison and Sin (2006) and many more. According to the survey results by CEB, it was shown that discretionary effort and intent to stay in the organization has increased by 12% and 19% respectively due to organizational diversity and inclusivity. In addition to that, team collaboration and commitment, has increased by 57% and 42% respectively.

According to a global survey done on 9300+ executives, across 10 different countries, Indian companies are most ineffective in building an effective and inclusive workforce, though most of the executives believed that their organization has policies and programs that promote diversity at workplace. Why is it so? According to the survey on 1400+ Indian executives, it was reported that female executives are ambitious and are confident of their own abilities; however, they are highly sceptical on the organization's part. The gloomy statistics across the fortune 1000 companies also show that 49% of them have one or no women in their top management.

The common approaches for improving diversity and inclusion are: - Mentoring, Diversity Mission Statement, Affinity Groups, Unconscious Bias training, Employee Resource groups, Diversity Council, Diversity Scorecard etc. But are they enough?

Most of the successful organizations focuses on four additional things apart from these processes:

- **Diversification in Personal Context:** Everyone knows the power of stories. Each time a fact is presented by the top leaders, a story should be attached to it. This will create a huge impact on the employees, resulting in greater diversity and internal stakeholder commitments.
- **Core Culture and Values:** Cultures and values provide the best results if it has a top-down approach. If diversity sets into the core culture and values followed by the top management, then only the people of the organization will bring more of their diversity to work.

- **Targeting Systematic improvement:** Bringing change to the age old system is not possible if it is not systematic. Vision and Mission should be followed stringently by the top management. The process should be in three layers – **Developing talent, Succession Planning and Measuring results to reinforce progress.**
- **Board sparks movement:** Diversity at the board level would be a real advantage towards the successful implementation of the processes. In due course of time, it may be necessary to take action to free up spots or expand the size of the board in order to promote the aforesaid objectives.

The three point plan to create competitive advantage through workforce diversity:

- The organization should allow its business leaders to **focus on relative diversity and inclusivity results**, and not only on the final results. This approach will help the organization move progressively towards the end objective. There are two ways to do so:
 - Develop ownership on a regional basis in order to implement the process successfully throughout the organisation.
 - The management should assess the progress after each pre-decided time period.
- Generally, all the organizations focus on diversity centric recruitment processes, but the success factor lies in triggering the career influencers of the diverse talent pool. Candidates showing inclusive behaviours should be hired.
 - In order to expand the diverse pool of talent, the management should properly consider trusted resources.
 - The management should also reinforce the inclusive behaviour in the candidates from time to time apart from only hiring the candidates showing inclusivity.
- The employees will be more effective if they can objectively figure out what he or she needs to do to reach the leadership positions. The HR department should support the organization as well as its people in creating a process that can minimize biases in talent management decisions.
 - The end variables for leadership positions should be carefully defined and value proposition should be done to encourage diverse talent pool for the organisation.

In a highly competitive market, everyone looks for job satisfaction. This is achieved as a result of a highly diversified but inclusive work force. It is time that we should focus only on the ability of the individual, not on gender, race or ethnicity. So what are you focussing on?

[The author is presently pursuing his MBA in Human Resource from Indian Institute of Management, Ranchi]

Marketing & Branding



Marketing lessons from a fruit vendor

-by Rishabh Bhardwaj

Me: What is the rate of the apple?

Fruit Vendor: Rs.200/- per kg

Me: But in the wholesale market, the rate of apples is Rs.120/- per kg

Fruit Vendor: Sir, there in the wholesale market, you have to filter the good ones but we only keep the best quality apples

And then I realized one thing. How come this person know the concepts of Marketing, yes Marketing! He is charging a premium for providing extra service. Although, he is not an MBA, he hasn't paid lakhs of money in fees but still he knows how to sell his products at premium rates and he is doing it quite

effectively. At the end of the day, he goes back to his home with an empty cart.

But, how does he know all these things? Did someone give tuition to him? In order to satisfy my curiosity, I went to the market and talked to some of the up-market vendors. Yes, that's what they call themselves.

If you observe them carefully, they maintain a difference between themselves and vendors who sell in a wholesale market. They dress up decently. Their shop is normally located at a place where the passers-by are mostly upper class and upper middle class. They stack their fruits in a systematic manner and all the fruits are covered in order to maintain proper hygiene. The fruits also bear stickers which enhances the authenticity of the fruits being of high quality.

Whenever a customer visits, the fruit vendors attend him with eagerness unlike their counterparts in the wholesale market. They will give you time and if you are sitting in your car or on bike, you don't have to move, instead they will come to you. No matter what happens, you can't just win a bargain with them! Many of them also keep a small board with them and on it is written – "No Bargaining, Please". With the help of this board, they are telling their prospective customers that we are providing you quality products, not just an average product with low price. These fruit vendors have created such an aura that their regular customers don't even ask for the price. They simply buy and pay whatever they ask. They have imposed such a perception in their customer's mind that asking for price is considered a low class thing. They portray themselves as Maybach or Rolls Royce of fruit market, providing you with quality, comfort, and hygiene.

Now let's discuss how they segment the market. They segment the market on the basis of income groups and primarily target the upper class and upper middle class. Now, what value are they adding for their prospective customers? They are actually reducing the toil involved in going to the wholesale market (as these markets are mostly away from residential sectors), filtering the good quality fruits, bargaining, etc. They are also hitting on the ego of their customers: Ego in not walking as a common man among the crowd and rubbing shoulders with other people. The most important value they are providing, though, is time and health. They are saving your time so that you can utilize it better and also providing you good quality fruits to stay healthy. But wait, who gave the customers all these perceptions? Yes, these fruit vendors themselves.

Earlier when the only medium of buying fruits and vegetables was the wholesale market, people were forced to go there but now because of these independent fruit vendors, the upper middle class, who can afford to pay premium, prefer to buy from them. When I talked to some of these fruit vendors, I got to know some additional valuable information. First of all, they told me that they also buy from the same distributor from where the wholesalers buy and at the same rate. Then they spend time in filtering only the good looking fruits because according to them, that's the first

characteristic which attracts the customers. This is largely because customers can't taste them before buying. The vendor also told me that he checks for quality by tasting fruits randomly (Sampling). He then asked me that if he sells me a poor quality fruit, will I come again to buy more fruits. I was a little shocked. That person, who didn't even pass his metric, knows how to maintain loyal customers and has also perfected the art of executing it well. He further suggested that whenever a customer comes for the second time, he addresses that customer by saying "Sir" in a manner that makes the customer feel that the vendor recognizes him. This creates a bonding between the customer and the seller increasing the probability of repeat buying in future.

He also told me that he needs to remember the advantages of various fruits. For e.g. if a woman is coming straight to him after workout, to buy some fruits, he will also tell her the benefits of watermelon, papaya, etc. for health. This gives the customer a feeling that the seller is not trying to be pushy but is telling about the benefits of fruits and increasing the probability that the customer may buy more fruits than required.

At the end, he said to me one final thing. He said that Sir, if we are offering so many services and are adding so much value to the customer's life, then we should charge a premium price for that and that's what we are doing. They are actually applying several marketing principles without even knowing them.

One last point, which I would like to raise is that even in the scenario of an economic crisis, the fruit vendors are at an advantage in terms of making profits and retaining customers as compared to other wholesalers. I would like to explain this with the example of Sainsbury Retail. During the 2008 economic crisis, unlike other competitors, Sainsbury didn't lower their prices. Instead they came up with daily offers like Full Day Meal in 5 Euros, etc. The result was that after the crisis was over and the economy regained the momentum, Sainsbury was the only retail outlet which not only showed profits but was also able to retain lot more loyal customers as compared to any other retail outlet.

[The author is presently pursuing his MBA from Indian Institute of Management, Kashipur]

Brand Buzz

Sundaram Mutual Fund is all set to the launch a one-of-a-kind fund that will **invest in leading brands**. The fund is expected to be launched in October this year. As of July, the company's AUM stood at over INR 20,000 crores.

Indian e-retailer **Flipkart** has recently launched its very own electronics brand "Digiflip". The company will source the devices from China through third party vendors and will retail them exclusively on its portal.

Strategy & Operations

Low Cost Airline Model in India

-by Asit Arunav Mohapatra

Traditionally, Europe and America have enjoyed the continued dominance of Low Cost Carriers (LCC). Since 2003, a number of Low cost airlines have entered the Indian market. However, most of them are making losses largely due to high cost of ATF (Air Turbine Fuel) which comprises around 50% of the operational cost. Post-2007, the industry has also witnessed consolidation, the most notable ones being the acquisition of Air Deccan by Kingfisher & Air Sahara by Jet Airlines.

In the year 2003, Captain Gopinath started Air Deccan. It opened up the skies for everyone to fly by offering very cheap air fares. While the established players like Indian Airlines and Sahara initially ignored the move, the urge to fill the seats prompted them to cut fares. This catapulted the boom of LCCs in India and the start of a price war that has cost the industry dearly.

In addition, the market attracted several players like Paramount, Indigo, Spicejet, Go Air to enter an already crowded LCC segment of Indian aviation.

Why airlines companies in India are bleeding

Indian carriers made a loss of around 10000 crores in 2012-13 while the total industry debt stood at around Rs 78000 crores with only Indigo and Go Air being profitable in 2012-13. The spiralling cost of Air Turbine fuel, falling rupee, economic slowdown and high operation costs are some of the reasons for this downfall. Despite these challenges, Air Asia and Singapore airlines have recently entered the Indian markets. These companies have huge cash pools and have offered tickets at prices cheaper than existing domestic carriers. In such a scenario, it becomes even more difficult for the Indian LCCs to survive.

Pricing and Load factor: These two factors are undoubtedly the biggest challenges of LCCs in India.

Infrastructure: Inadequate facilities in the airports are also impacting operational efficiency.

Increased competition: With more number of LCCs and increased competition, the various

players are unable to achieve the desired load factor leading to declining margins.

Strategy for a good Low Cost Carrier

Choice of Fleet: For any low cost carrier, the choice of fleet is very important. By having a uniform fleet, one can save training, engineering and maintenance costs. Moreover, the average fleet age should be around 4-5 years to maximize the fuel efficiency

Ancillary Revenue: Low Cost carriers in India have understood the importance of ancillary revenue from players in US and Europe. Be it Ryanair of Europe or South-West Airlines, they try to generate revenue from ancillary services like advertising on the cabin seats, advertising on the fleet and in-flight magazines. This trend is also reflected in Indian LCCs.

Capacity Utilization: Successful LCCs should try to utilize their fleet to maximum capacity. The ideal parameter for the LCCs to use to assess capacity utilization is turnaround time which should be around 20-25 minutes.

Organization Structure: If you see the organizational work structure of LCCs in US or Europe, most of them are frugal. The top management emphasizes on cost savings wherever possible. For a successful LCC, it is

highly important to have a workforce, with productivity linked pay structure, that helps the company save costs.

No frills: Low Cost Carriers should not give any frills and the positioning of the airlines should be very clear in this respect: No meals, no baggage transfer and no assigned seats for free. These strategies will help the airline to save time, achieve the target turnaround time and improve profitability.

Overall, if the above steps are carefully implemented, only then a low cost airline in India will be able to operate profitably.

[The author is presently pursuing his MBA from Indian Institute of Management, Indore.]

Challenges for same day delivery services in India

-by Shubham Agarwal

Same day delivery services have been recently launched by E-retailers like Flipkart and Amazon in major cities across India. These services were already present in some B2B segments like industrial distribution of important machineries part and medical products. In US, Amazon started same day delivery services in 2011 followed by Walmart, e-bay and Google. In India, E-retailers like Jabong, Myntra, and Yebhi had already been offering same day delivery service in their home locations but never gave guarantee on such services.

Indian E-retail market is expected to touch \$70 billion by 2020 at an estimated CAGR of over 60%. A primary research was conducted to study shopper buying habit and following factors were found to influence online purchase decision of a buyer (Arranged on the basis of priority)

1. Cost of product
2. Price and discounts available
3. Ease to return products
4. Delivery time
5. Faster checkout time

Research shows that the cost of product is the most important influencing factor in this respect.

Success of same day delivery services depends on following factors:-

1. **Location:** Same day delivery services are more feasible in densely populated areas as these shipments cannot go through regular hub and spoke delivery model because of compressed timeline. So it is better to focus on larger cities initially.
2. **Type of Product:** It is very difficult to deliver certain large size products like home furnishing items on same day basis. Customer's expectations about delivery time also varies depending on the product category. Food, grocery & flowers need faster delivery followed by apparels, electronics and other items.
3. **Product margin:** Delivery cost is not completely recovered from delivery charges. A part of it is also recovered from product margin. Same day delivery on low margin products will have an adverse impact on the profitability of the company.
4. **Customer:** Customers of different demographics have varying expectations on delivery time.

Strategic alignment of firms and realm of complexity science

-by Avinash Pallela

Complexity has always pricked the brains of the best men throughout human history. Is there one unique way to define what complexity really means to organisms? In a utopian world, perhaps yes. It means different things to different areas of science.

To my mind, complexity captures the realm of dynamism and configuration change. The area of science that tries to find answers to some of these complexities is what is known as complexity science. Complexity science if viewed as a system could be paraphrased as: Complex Adaptive System (CAS) as the system needs to bring in a certain degree of adaptability to successfully respond to the unexpected changes that are thrown up by the various complexities.

Some of the challenges in implementing same day delivery services are:-

1. **Managing Vendors:** Vendors are required to pre-ship inventory to the E-retailer warehouse.
2. **Location:** Extending service beyond major big cities is a major challenge.
3. **Cost:** Same day delivery services are more costly compared to traditional delivery services.
4. **Logistics Provider:** Forging a partnership with a reliable logistics provider is the key to success in this business. Various parameters like cost, customer experience, reliability, scalability should also be considered while selecting the right logistics partner.
5. **IT Infrastructure:** IT integration with logistics service provider would be required so that service provider can be notified early and he can consequently plan the delivery route.
6. **Inventory:** Stocks are needed to be procured in advance to provide same day delivery service which would increase the warehousing and inventory cost of E-retailers.

E-retailers are developing various techniques to meet the above challenges. Flipkart is integrating merchants, vendors and courier partners extensively to reduce delivery time. Myntra uses remote handheld devices at their warehouse to improve fulfilment time. Tradus has tied up with large number of brick and mortar retailers and uses their available stock to offer same day delivery. Amazon is developing self-delivery locations from where customers can pick up their orders.

Free shipping policies were already eating into the profits of e-retailers and now same day delivery services are going to erode it further. However, policies like these have become a necessity for e-retailers to differentiate themselves and survive in the market.

Way Ahead

In today's scenario, customers are becoming a key factor in the success of any organization. Same day delivery service will help E-retailers to differentiate themselves and also compete against brick and mortar retailers. Let us hope, it spans out best in the interest of the end consumer.

[The author is presently pursuing his MBA from Indian Institute of Management, Indore]

Many great minds have tried to explain CAS using mathematics, as it has been widely believed that the field of mathematics can explain everything in nature. I believe there is an exception to this rule and this is where one wanders into the world of complexity science.

Let us try to understand this field by taking an example of the Orissa super-cyclone of 1999. One of the worst cyclones to have hit our country, this cyclone had a special characteristic. The world of mathematics and physics had predicted the path of the cyclone to be from coastal Andhra, through Orissa, into West Bengal and finally into the Bay of Bengal. The math proved right for the greater part of the cyclone where the trajectory was as per expectations, but when it was almost about to cross Orissa something happened and there was a reversal in its direction and this time the cyclone was more ferocious than when it was on its onward path. It hit speeds of 160 miles per hour and caused heavy damage to both life and property. This is where math failed. This is where we talk of configuration change. This is where we dive into the world of the unknown i.e. complexity science.

In today's world, this field is gaining importance day by day and one of the main reasons for this phenomenal rise is that, it finds applicability in almost every field known to human kind. Whether it is the stock markets, developing economies or even the human body, analysts today are looking up to complexity science to find the answers.

Firms are very much like the human body. They need to be handled very meticulously. With growing competition and ever-rising challenges of sustainability (which is the prime focus of any business in today's world), firms need to strategize and factor in the various configuration changes that it might witness over the course of its existence. The human cornea replenishes itself from the molecular level every 24 hours and yet continues to provide the same functionality day after day. In fact with that degree of regeneration, it is indeed a miracle that we have a continuous stream of vision. The same needs to happen at the firm level. Whether it is recruitment, lay-offs, mergers, acquisitions, downsizing etc., the firms must have a strategy in place to make sure that their functionality doesn't go haywire.

Another important aspect which complexity science talks about is the system of governance. The normal human body temperature is 37 degrees centigrade. Without an internal governance function the body temperature would have oscillated with changing environmental temperatures as per the general laws of thermodynamics. Hence, the presence of the governance function ensures adaptability and the same needs to happen with firms. The strategy, firms have in place should factor in a self-governance function, which keeps the deviation between epistemology (Knowledge of reality) and ontology (Reality) fairly low. In the end, this should be the guiding mechanism of success for every firm. The lesser the deviation, the higher the control and hence better the chances of sustainability.

[The author is presently pursuing MBA at Xavier Institute of Management, Bhubaneswar]

Economy



The BRICS Bank- Is it the solution?

-by Abhirup Bhattacharya

(Image source: Reuters)

The term BRIC(S), was coined by Jim O'Neill to mark the emerging economies of Brazil, India, Russia, China and South Africa. These economies are expected to be the dominant force of world trade and economic supremacy in the coming two decades and together presently control more than 20% of the world GDP. This share is expected to more than double by the year 2050. The recently concluded 6th BRICS summit in Fortaleza, Brazil marked several key agreements among the participating members. The most notable of which was the establishment of the BRICS Bank, the first major breakthrough to challenge the likes of World Bank and IMF.

The headquarters of this newly established bank will be located in Shanghai whereas it will be chaired by India for the first six years, followed by Russia, Brazil and China. In addition to this, the President will be supported by a board and four vice-presidents, one each from the other founding members. While both China and Russia wanted to head the bank in its initial years, it was India that managed to pull off the coup. Here, it must be remembered that the idea to start such a financial institution was initiated by India at the Delhi summit two years ago.

The bank will have an initial equity capital of 50 billion USD, contributed equally by the five nations and ensuring an equal say in its proper functioning and operate under the principle of 'one member, one vote'. China, the world's second largest economy, had earlier expressed desire to have a larger share of the bank which was opposed by both India and Russia, in particular. In addition to this, the bank will also have a 100 billion USD contingency reserve in case of an economic crisis. The use of this reserve pool will be determined by voting which will be in proportion to the contribution made by the members towards it. This pool will prove extremely beneficial for a country like India which has seen a massive depreciation in its currency largely due to global economic factors. In addition, the bank can be a cheap source of funding infrastructure projects in India including the proposed 100 smart cities.

The presence of China in this financial institution is quite interesting. It presently holds the largest forex reserves in the world exceeding 3 trillion USD along with being the largest investor in US debt. Hence it is unlikely to be a borrower with this bank. Its economy is larger than the combined economies of Brazil, India, Russia and South Africa. In short, China could

have created a 100 billion dollar bank itself. Then why did it agree to wait for the next 17 years to head the BRICS bank? The answer lies in Chinese far-sightedness. While analysts in India hailed it as a diplomatic victory for India in shaping the Bank's future, China was looking at the year 2031 when it will have the leadership to head the bank and will be closer to pushing its currency Renminbi as the world's reserve currency. Moreover, as China's economic interests are spread across Africa, the bank will provide it the cheap source of capital to fund activities for safeguarding its interests in the region. China will also look to involve its African & Latin American allies in this bank in order to give itself a much greater say towards its functioning in future. For the moment, China was keen to have it headquartered in Shanghai and has achieved what it desired.

The formation of this Bank should, however, be greeted with optimism as the western economies have been reluctant to grant emerging countries a greater role in the functioning of global institutions like World Bank and IMF. For instance, India's share in IMF is expected to increase to 2.75% from the current 2.44%, however it has been held off due to lack of US Support. In the words of Indian Prime Minister, Mr. Narendra Modi, "A flexible international trading system is very important for the economic growth, economically. Many MoUs have already been signed amid BRICS countries that'll enable efficient trade activities and promote intra-BRICS development." The formation of this bank will go a long way in redefining the Asian dream in the coming decades. The bank is unlikely to have a very high credit rating like its counterparts IMF and World Bank, however, if India can steer a clear path for the bank in its initial years, this will mark a tremendous breakthrough for developing economies. The presence of China can provide the bank the additional financial cushion needed in its formative years. Furthermore, it will open up doors of expansion of BRICS with ASEAN & LATAM countries making it a vibrant power in the global financial system. It can also work as the stepping stone in ensuring political and economic unity among the member states and the adoption of a common currency in future. Let us hope politics does not derail this new-born institution from achieving its destiny and restoring the global economic balance.

[The author is the founder and editor-in-chief of IdeasMakeMarket.com & Sparks! Magazine]

Eco Buzz

The United Kingdom is expected to be the **fastest growing economy** in the G7 club according to an E&Y report. The report predicts the economy to grow at 3.1% for UK in 2014, much higher than other countries like Germany and Canada.

According to a US report, Russia is expected to face further economic sanctions if pro-Russian rebels in **Ukraine** are found guilty of shooting down the Malaysian aircraft, MH-17, killing all 298 on board.

According to a World Bank report, the global economy could have been boosted by approximately **2.6 trillion USD** if the governments had used cleaner technologies and adopted waste management principles in a more stringent manner. The report further states that reducing emissions and carbon footprint can increase global output by 2.2% by the year 2030.

The European Central Bank's newest stimulus tool, the TLTRO program, will hand banks more than **€700 billion (\$950 billion)** of cheap funding. The targeted lending program for banks will boost credit for the real economy while improving the liquidity of the financial system.

Technology



Adieu Orkut- The end of an era

-by Abhirup Bhattacharya

Orkut, the social network, from Google was once the dominant force in social media space. In the year 2009, its popularity in countries like India and Brazil outnumbered its nearest rival Facebook by a wide margin. In Brazil, for instance it had 27 million users compared to 4 million users of Facebook at that time. However by the year 2011, Facebook had surpassed its user base by a distance. Google recently announced its decision to shut down Orkut on 30th September, this year.

So why did Orkut fail? The primary reason that most analysts feel is the interface. Orkut introduced an open lousy public chat room in the form of scraps, whereas Facebook provided a cleaner interface with newsfeeds where users could decide what they want to see. Incidentally, in its initial years, scraps and testimonials that users wrote on Orkut were the primary reasons for its popularity. In addition to this, the process of joining a community in Orkut was far more cumbersome than the simple easy to use like button in Facebook. Concern over privacy was another major issue though it seems to plague both the social networks equally.

The actual reason for Orkut's failure was its inability to evolve. Google somehow missed the potential of social media and focused all its efforts towards building the search engine. Moreover, Orkut did not generate any substantial revenues either. In later stages of its lifecycle, Orkut tried to emulate Facebook, but by then it was already too late. Facebook on the other hand, was always focused on building a credible revenue stream, which today is beginning to compete with Google's AdSense. Facebook further evolved itself from being just another social network to being an ecosystem of applications and a marketplace where consumers could connect with marketers and businesses. For any business to succeed in the social media space it is important to develop and build a sustainable revenue model. If we consider LinkedIn, Twitter or Facebook, they have been able to create their own distinct share in the advertiser market. Google failed on this front in case of Orkut. It only hoped, that just like YouTube did not generate any revenue in its formative years, Orkut too will follow suit and make money eventually.

To make matters worse, Google, rather than fighting back Facebook conceded defeat by launching Google+ and integrating it with all its available solutions. It launched parallel platforms like Buzz, Wave and Schemer clearly indicating its disarray and inability to take on Facebook with a unified effort. The writing, therefore, was always on the wall for Orkut. Sadly, though Google seems to have not yet learnt the lesson.

To some extent, Orkut is reminiscent of Windows98 based desktop computers whereas Facebook can be compared with new-age tablet PCs. We used Orkut in numbers and loved doing so, we still love it but we will never use it again.

Adieu to the world of scraps!

[The author is the founder and editor-in-chief of IdeasMakeMarket.com & Sparks! Magazine]

Tech Buzz

Indian mobile handset market is all set to enter into a price war with the entry of Chinese company **Xiaomi** in the market. Xiaomi has adopted an aggressive pricing in the market with its flagship device Mi3 being retailed online for INR 14000, significantly less than its international price of 270 USD. The Indian market is presently dominated by the likes of Samsung and low cost player Micromax.



Facebook is reported to be venturing into e-commerce soon. The users will be able to buy the product they like directly from Facebook and the update will be shared in the newsfeed of the social networking site. The company has reportedly began trials with few small businesses in US.

In a major challenge to Google, Amazon has decided to launch its own document collaboration service **Zocalo**. The service is being targeted at enterprise clients and will come with a storage space of 200 GB for a monthly fee of 5 USD.



Chinese state media (CCTV) recently called Apple iPhone as a threat to national security due to the phone's ability to timestamp exact user locations.

(image source: Reuters)

Reader's voice

Comprehensive and knowledgeable. Loved the first edition of Sparks! Magazine. Keep it up.

- John Samuel, Trichy

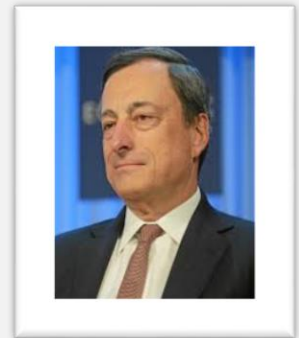
The articles on Modi's trip to Bhutan and Forced ranking methodology were simply fantastic.

-Sushmita Pal, Kolkata

I have been following this blog for the last two years. The magazine is a brilliant initiative.

-Md. Akram, Allahabad

Business Quiz #2



Q1. Identify this head of a prominent central bank



Q2. Name this head of state

Q3. Which popular brand of antiseptic connected with personal hygiene, is named after the British surgeon who pioneered the idea of sterile surgery?

Mail us your answers to ideasmakemarket@gmail.com. We will publish the names of first five correct entries in next edition.

(image source: Reuters)

LIKE US ON



Take advantage of our promotions and help us get to know you better!

<https://www.facebook.com/ideasmakemarket>



@ideasmakemarket

www.ideasmakemarket.com
One World. One Vision. Many Ideas!