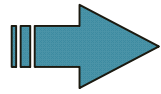


# SONA e-Mag

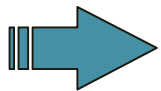
(An e-magazine of Sona School of Management)

<b>Retrenched employees</b>	<b>Leading through crisis</b>
<b>Gaining competitive advantage</b>	<b>Managing Post Layoff</b>
<b>Making the best of a bad situation</b>	<b>Marriage of cultures</b>
<b>Capital Reduction Account</b>	<b>Positive growth of economy</b>
<b>Sectoral shifts needed; but it's not easy</b>	<b>Booming of online advertising</b>
<b>Hybrid Account</b>	<b>Innovate to Excel</b>
<b>Attention Speculator!!!</b>	<b>The Pressure Philosophy</b>
<b>Self Management</b>	



## **RETRENCHED EMPLOYEES**

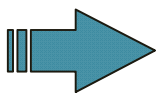
The mindset of a retrenched employee mainly depends on his/her age, financial obligations, Emotional Intelligence and society at large. To overcome stress, retrenched employee can motivate himself/herself by sharing time/mind with parents, creating new opportunities by having conversation with experienced relatives, getting some innovative and practical ideas/support from spouse and friends. In addition to these he/she can improve ones confidence by spending time for yoga and physical exercises. Also he/she should be optimistic to grab any good opportunities in future.



## **GAINING COMPETITIVE ADVANTAGE**

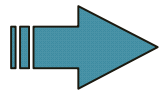
A business cannot succeed without visionary and hardworking employees. The following are the ways to retain them:

- Motivate the employees by fulfilling their needs and making them feel secured.
- Build an attractive workforce environment.
- The employer should serve as a mentor to the employee and providing them challenged assignments for development, offering long term incentive plans and making them to maintain work-life balance.
- Even when the economy is in recession, retain the employees by providing them latest benefits.
- Consider the employees option and involvement in the business.



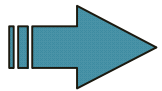
## **MAKING THE BEST OF A BAD SITUATION**

Due to layoff, retained employees feel insecure and lack confidence. A good leader must help them to regain their confidence. It can be done by informing them about what might happen? explaining them why they need to go through the present crisis? allowing employees to participate in decision making & expressing empathy. These will increase their morale, citizenship behavior resulting in productivity and it avoids future layoffs.



## **CAPITAL REDUCTION ACCOUNT**

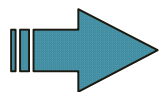
For some companies, the value of investment in overseas market may have declined substantially due to difficult market conditions. Writing off such losses through the profit and loss (P&L) account may lead to heavy fluctuations in profitability. Such a situation may be avoided through an accounting treatment called Capital reduction, the procedure for which has been prescribed under Companies Act 1956. Under this method, a separate capital reduction account is created by using the balance in the equity share capital account, share premium account and general reserve against which losses are written off. This book entry avoids a direct impact of the losses in the P&L account, thus helping to improve ratios such as return on equity, return on capital employed and reflects a better operational efficiency. This helps the company to receive better credit rating and thus it can bargain for interest rates with banks.



## **SECTORAL SHIFTS NEEDED; BUT IT'S NOT EASY**

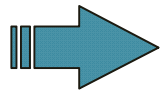
Financial crisis is not only a mistake of US banks/sub-prime lending. It may be due to several reasons such as: The growth of investors' wealth, with the expansion of world trade; Underestimating the systematic risk by investors and over trust on the judgment of other investors; They opted for more risky investments.

Choosing a higher level of risk involves higher returns but leads to greater risk of collapse. Similarly the situation now is that the investors choose safer investments. It makes a collapse in real economy as they move towards lower yielding assets. The markets have become less efficient. The economy has to undergo sectoral shifts than stimulus. But these shifts don't always occur easily.



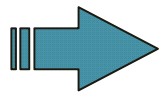
## **HYBRID ACCOUNT**

Afraid of losing out interest because of premature withdrawal from saving account and Fixed Deposit (F.D)... Hybrid account with Sweep-in & Auto -Sweep facility offers solution for this. In Sweep-in facility, a saving account or current account is linked with F.D's and any deficit in them is compensated by withdrawal of an exact value from F.D, interest being lost only for that amount. In Auto-Sweep facility, a threshold limit is to be mentioned and any amount above limit will be converted into F.D for a period as per our wish. These facilities do not cost extra. Efficient use of these facilities can be done for meeting long term as well as immediate needs.



## **ATTENTION SPECULATOR!!!**

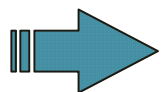
Good companies may not deliver the returns that the investors expect, they characterized by leverage, growth prospects & liquidity of its stock. As per the conventional asset pricing theory & empirical evidences, good stocks do not provide superior returns. The preference & expectations of the investors are unstable because the risk & return judgments depends on the market conditions. A survey conducted by Markku Kaustia et.al found that majority of Finnish financial advisors required a return premium for the characteristics of a company such as higher leverage, poorer growth prospects, low liquid stock, less analyst following. Their opinion on required return for the same is lower, since good stocks have lower risk. Taking risk is a pre-requisite for higher return but the realization of risk may eat away returns which need attention of successful speculator...



## **LEADING THROUGH CRISIS**

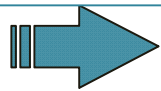
In times of crisis the role of leader becomes vital to retain the employee's motivation and engagement. Many leaders have recently adopted Transformational leadership style. The main objective of this leadership is to develop future plans in form of vision and mission, to motivate employees. But under the current circumstances this leadership style is not suitable.

So now the leaders must step ahead to help the subordinates look beyond their personal needs. They must instill a sense of shared mission to gather the support of employees in good as well as bad times. Instead of restricting to their own level of hierarchy leaders should to strive to develop second level leaders throughout the organization. This resulted in a new leadership style which has emerged recently called Transcendental Leadership.



## **MANAGING POST LAYOFF**

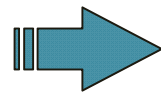
Due to the current economic crisis, organizations are implementing strategies to reduce their cost and increase productivity. Employees are laid off to reduce cost, which in turn affects the retained employees in the organization. The post lay off behaviors of an organization on employees are, creating stress by giving huge workload and employees in turn are worried about security and about financial sustenance in the future. To overcome this unity among employees is to be built, towards common vision and mission. Also the organizations should formulate strategies for the future.



## **MARRIAGE OF CULTURES**

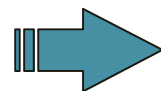
As several companies go for acquisitions; consideration of culture is top priority. Italian based Fiat, Canadian auto supplier Magna International and New York based Ripplewood holdings are the bidding companies for the acquisition of Opel, a German company. The unions at German expressed their opposition against Fiat publicly as the cultures would be entirely different. E.g.. German culture is that they strongly stick to processes wherein Italian culture is just the opposite.

Working with the cultures which are poles apart is a difficult job and need to be handled carefully. Otherwise mergers and acquisitions won't last long. This is the reason Magna is more inclined to acquire Opel because of similarities in culture which would be easy to manage.



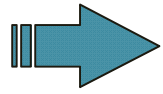
## **POSITIVE GROWTH OF ECONOMY**

Formation of stable government has contributed to the growth of Indian market. Foreign Institutional Investors (FIIs) has increased \$1.15bn into Indian equities and fiscal deficit at 12% of GDP. Analysts say that GDP would move further up to 7.5% from current 6%. Also experts suggest the following points to growth: renew interest rate in infrastructure, real estate and SEZ; low interest rate regime to enable the focus on growth; more FDI in media, airlines and insurance and disinvest in select PSUs. If these conditions prevail, capital inflows would provide stability to the rupee.



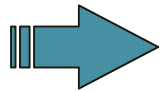
## **BOOMING OF ONLINE ADVERTISING**

Online advertising is about to reach Rs.800cr in 2009-10 from the present Rs.600cr. Advertising networks help as mediators between advertisers and web publishers connecting sites who wish to sell and /or want to reach targeted customers. Advertising networks help the publishers, advertisers by selling their unsold inventories, contributing to higher revenues, finding out suitable sites and target groups. Advertising networks are now emerging as a major internet media tool to reach customers.



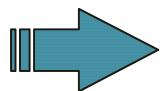
## **INNOVATE TO EXCEL**

Organizational leaders, instead of limiting the thoughts and actions of fresher's, can sow seed of innovation by providing them with new challenges. The process starts with Kick-off meeting, continued by providing them a distinctive designation, necessary resources and freedom and tying them with a mentor. The outcomes of the innovation may be published through various outlets which serve as a sense of pride and recognition to these fresher's. This practice also motivate others to move towards the path of innovation



## **THE PRESSURE PHILOSOPHY**

To have a smooth driving, the pressure level in the tyre should be maintained. Extremes make driving hard. Therefore it should be inflated or deflated accordingly. Consider manager to be a driver and his or her employees as wheels. There are only two jobs for a manager. To steer organization in the correct direction and to ensure the pressure level i.e. when an employee is dull he should be motivated or when an employee is boasted he/she should be brought down to reality. To identify whom to inflate and deflate is a challenge for a manager. Manager should also maintain his pressure level and should not lose his/her balance. This will help the organization to run in the long run smoothly and successfully.



## **SELF MANAGEMENT**

Managing others begins with managing "self". We often see things as we are and not as they are, hence introspection is crucial in any human interaction. One should strive to preserve his or her uniqueness. Acknowledging the mistakes and willingness to rectify it develops positive inner-self. Self-examination paves way to manage the inner-self. In contrast, aggressive ego and false prestige will lead men astral. So recognizing and appreciating people with self control will make mangers shine in personal and professional life.

**(My Sincere and heartfelt gratitude to our MBA student team members who helped in bringing out this June issue of SONA e-Mag)- The Editor, SONA e-Mag**