

“Character is like a tree and reputation like its shadow. The shadow is what we think of it; the tree is the real thing”.

-Abraham Lincoln

Message from R S Murali

A Values Check

From time to time we have been discussing on “values”; we even say ‘values beyond consulting’ is our motto, and we have defined four types of values: professional, ethical, human and spiritual. Just to recap:

- Professional values are those that enable ‘technical’ delivery of our services without any compromise;
- Ethical values are enablers for being straight forward and not compromise our morals for any material or personal benefits;
- Human values are those that ensure what we do professionally does not result hurt or harm human beings;
- Spiritual values, the highest of all the values, elevate us in such a way that there is no difference between us and our work.



In fact, it is the spiritual values that govern all the other three aspects of the value system. For more clarity, let us understand the characteristics of spiritual values:

- Spiritual values have nothing to do with religion; they actually go beyond all religions – as there are no set conventions;
- Spiritual values are beyond any process dogma; as there are no set rules, regulations or orthodoxy;
- Spiritual values enable us understand the true self in us – which is the true self in everything in this existence;
- Spiritual values actually go beyond concepts; and hence provide us with the source of new concepts – provide creativity.

We could go on and on about the characteristics, but the idea is to somehow instill and develop spiritual values in us, so that we do the best in both our personal and professional life. The following are some of the check-points; look at them – more you have them – you have less spiritual values:

- I do not plan my day - I know I can handle things;
- I do not spend time with myself – I do not sit and contemplate on what I do, what I did not do, and what I want to do;
- I feel bad if I do not get importance – at home, at office, with friends, etc.;
- I do not read anything other than news and those items that benefit me financially;
- I link the benefits I get (financially and otherwise) in doing my work to the effort I take for the same;
- I feel that the reason for poverty and ugliness in the world is because of the people’s ‘karma’ and I can do nothing about it;
- I can get my works done through someone – I need not know how to do it (if only I can manage);
- I do not spend time regularly on exercise; if required I can always go on a crash diet to reduce my weight;
- I have problem with people who are poor, who look ugly, who are dark in colour, who do not belong to my community, who look dirty, who are not educated, and so on;
- I get annoyed if someone confronts me or if someone outsmarts me in any argument or work;

These are just ten random points. There are many more. If you can grade yourself in a 10 point scale for each of these as to where you are; ‘1’ being ‘fully No’ and 10 being ‘fully Yes’. And if you feel comfortable in sending the Excel file to me – I can evaluate and tell you what and where you need to work on?

Are we measuring “Spiritual Values Quotient” (SVQ)? Can there be any threshold value? Can we develop and improve the SVQ?

Hope these inputs are of some value to you.



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Project Management (11)

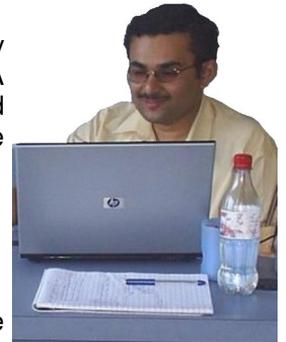
Recap: **Project Integration Management, Project Scope Management, Project Time Management, Project Cost Management**

Project Quality Management

Project Quality Management includes the processes required to ensure that the project will satisfy the needs for which it was undertaken. Needs include stated needs and well as implied needs. A critical aspect of project quality management is the necessity to turn implied needs into stated needs by Project Scope Management (**see project management 8 – May 09**). Following are the major project quality management processes:

- Quality planning
- Quality assurance
- Quality control

An important point to note is that project quality management processes must cover the management of the **project** as well as the **product** of the project.



Ashok Rao

Quality Planning

Quality planning is all about identifying which quality standards are applicable to the project and determining how to satisfy them. For example, achieving the desired quality may require cost or schedule adjustments. The quality standards may be standardized like ISO, SEI CMM or customised like Total Quality Management, Continuous improvement etc. The quality policy and the scope statement (**see project management 8 – May 09**) are the primary inputs for this process.

The key outputs of quality planning are:

- i) Quality management plan;
- ii) Operational definitions – also called metrics which describes what something is and how it is measured in the quality control process; and
- iii) Checklists – tools to verify whether a set of specific tasks have been performed. Checklists can be phrased as imperatives (eg: “Do this”) or as interrogatives (eg: “Have you done this?”)

Quality Assurance

Quality assurance is all the planned and systematic activities undertaken to provide confidence that the project will meet the quality standards prescribed in the quality management plan. It is performed throughout the project and generally by a separate Quality Assurance department. The primary inputs to this process are the quality management plan, operational definitions and the actual measurements. Quality assurance process is generally carried out in the form of audits of quality management activities. The quality assurance process results in quality improvements as an output.

Quality Control

Quality control involves monitoring project results to determine whether they comply with relevant quality standards and identifying ways to eliminate causes of unsatisfactory results. The quality control team must be aware of the differences between:

- Prevention (keeping errors out of the process) and inspection (keeping errors out of the hands of the customer);
- Attribute sampling (result conforms or does not) and variables sampling (rating of results on a continuous scale for conformity);
- Special causes (unusual events) and random causes (normal price variations);
- Tolerances (the result is acceptable if it falls within the range) and control limits (the process is in control if it falls within the control limits).

The quality management plan, Work results, operational definitions and checklists are the inputs for quality control. Tools and techniques for quality control include Inspections, Control charts, Pareto diagrams, Statistical sampling, Flowcharting and Trend analysis. In order to keep the discussion brief these tools and techniques are not discussed in detail. More information on these tools and techniques is available publicly. The outputs of quality control are in the form of quality improvement, acceptance decision, rework, process adjustments and so on.



Activity: (1) Prepare a quality management plan for your area of work with checklists. Institute a simple quality control mechanism through which you will measure the quality parameters of your work and take corrective action when required. Try to use one of the tools of quality control discussed above. (2) Each of us can individually take up one of the quality control tools namely Control charts, Pareto diagrams, Statistical sampling, Flowcharting, Trend analysis for discussion either in CC or in our weekly sessions.

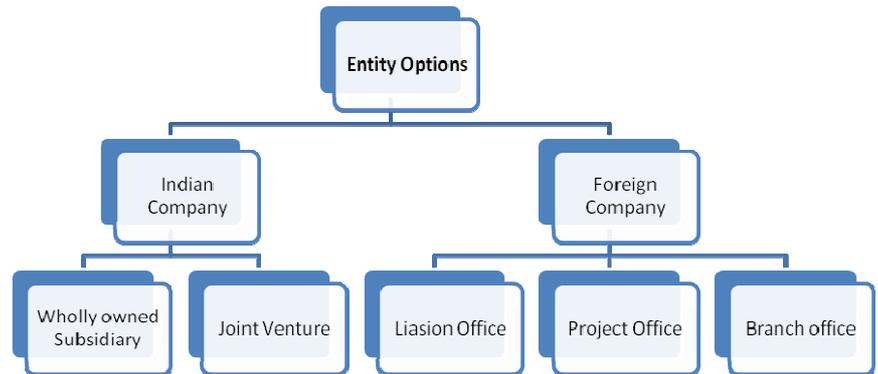
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Entry Options for Foreign Investors



V S Pradeep

In the previous issue of Consultants Corner, the various types of investments and the various authorities concerned with the foreign investment in India were discussed. As a follow up, various entity options available for those foreign investments of a foreign company are discussed here.



A foreign company has the following entity options for its investments in India (So far there have been no guidelines/regulations pertaining to foreign investment in LLP):

1. To operate as a Indian Company

- a) **Wholly owned subsidiaries:** Foreign equity in such Indian companies can be up to 100% depending on the requirements of the investor, subject to any equity caps prescribed in respect of the area of activities under the Foreign Direct Investment (FDI) policy. Such subsidiary is treated as an Indian resident and an Indian Company for all Indian regulations (including Income Tax, FEMA and Companies Act), despite being 100 per cent foreign owned.
- b) **Joint venture:** Foreign investors can enter joint venture with an Indian Partner in the same field to have the Indian experience with the line of activity preferably with majority equity participation.

2. To operate as a Foreign Company

- a) **Liaison Office:** A foreign company seeking to enter India can setup a liaison with the prior approval from RBI and followed by registration with the ROC. These liaison offices can only collect information about the possible market and provide information about the company and its products to prospective Indian customers. A liaison office is not allowed to undertake any business activity other than liaison activities in India and cannot, therefore, earn any income in India, in terms of the approval granted by RBI.
- b) **Project Office:** Foreign companies planning to execute specific projects in India can set up temporary project/site offices in India for this purpose. RBI has granted general permission to a foreign entity for setting up a project office in India, subject to fulfillment of certain conditions. Such offices can not undertake or carry on any activity other than the activity relating and incidental to execution of the project. Project Offices may remit outside India the surplus of the project, after meeting the tax liabilities, on its completion.
- c) **Branch Office:** Foreign companies engaged in manufacturing and trading activities abroad can set up Branch Offices in India for the following purposes, with the prior approval of RBI and subsequent registration with ROC:
 - Export/Import of goods
 - Rendering professional or consultancy services
 - Carrying out research work, in which the parent company is engaged
 - Promoting technical or financial collaborations between Indian companies and parent or overseas group company
 - Representing the parent company in India and acting as buying/selling agent in India
 - Rendering services in Information Technology and development of software in India
 - Rendering technical support to the products supplied by parent/group companies
 - Foreign airline/shipping company

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In general, manufacturing activity cannot be undertaken through a branch office. Branch Offices established with the approval of RBI may remit outside India profit of the branch, net of applicable Indian taxes and subject to RBI guidelines. Foreign companies can, however, establish branch office/unit for manufacturing in a SEZ subject to fulfillment of certain conditions without the approval of RBI.

The Limited Liability Partnership Act, 2009 – An Overview

Background:

The Limited Liability Partnership (LLP) Act, 2008 introduced the well renowned form of business organization – The LLPs into India. The Act considered the suggestions of the various Parliamentary Standing Committees such as the Naresh Chandra Committee, J.J.Irani Committee and the Abid Hussain Committee. The Act was notified on 31st March 2009, and is effective from 1st April 2009.



Nagendra Sai Kishore

Key Features of the Limited Liability Partnership Act, 2008

- LLP is a separate legal entity separate from its partners, can own assets in its name, sue and be sued.
- LLP has a perpetual succession, and remains unaffected by any change in the constitution of its partners.
- The management of the LLP is done through its designated partners.
- One partner is not responsible or liable for another partner's misconduct or negligence.
- Minimum of 2 partners are required to incorporate an LLP. At least one partner should be a resident of India. There is no restriction on the maximum number of partners.
- Should be 'for profit' business.
- The rights and duties of partners in LLP will be governed by the agreement between partners and the partners have the flexibility to devise the agreement as per their choice. Liability of the partners is limited to the amount contributed or agreed to be contributed to the LLP.
- LLP shall maintain annual accounts. However, audit of the accounts is required only if the contribution exceeds Rs. 25 lakhs or annual turnover exceeds Rs.40 lakhs.

Advantages of an LLP

- Restricts the liability of its partners to the amount contributed or agreed to be contributed to the LLP.
- Allows flexibility of its internal structure as in a general partnership. These are governed by the LLP Agreement.
- The requirements as to board meetings, resolutions, annual meetings etc are not mandatory except when required by the Agreement. Hence there is lesser paperwork in case of LLPs.
- There are no restrictions as to managerial remuneration, distribution of profits etc
- There is no limit as to the maximum members of a Limited Liability Partnership.
- LLP is a separate legal entity which is not affected by the change in constitution of its partners.

Key Issues in the Limited Liability Partnership Act, 2008

- **Minor as a partner:** The Act does not expressly prohibit a minor from being a partner of the LLP. But whether he can give consent to act as a Designated Partner?
- **Form of Contribution:** Section 32 provides the option to have the contribution of the Partners in the Intangible Form and further the rules provide that the intangible contribution should be certified by Practicing Chartered Accountant. In case of intangibles like know-how, is it practical to have a Chartered Accountant certify the value of the intangible asset?

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- **Act or Agreement?** The LLP Law is silent on the overriding effect of LLP Act on the LLP agreement as compared to Section 9 of the Companies Act, 1956 wherein it is specifically provided that Companies Act would override to contrary provisions provided in the Memorandum and Articles of Association of any Company. No such provision is provided under LLP Act 2008 clarifying the position of the Act and the agreement in case of contradiction.
- **Compulsory Insurance:** According to the Naresh Chandra Committee, there should be compulsory insurance cover and/or or funds in specially designated, segregated accounts for the satisfaction of judgments and decrees against the LLP. This provision seems to have disappeared in the LLP Act.
- **Books of Accounts:** The LLP Act specifies that proper books of accounts be maintained. Both the Act and Rules are silent as to whether electronic books of accounts are valid.
- **Security Interest:** One key condition for the conversion of a company (Private or unlisted Public) to an LLP is that the company may convert into an LLP provided there is no **security interest** subsisting on its assets or in force at the time of application. A key issue is that many companies would have secured bank borrowing by way of pledge of its assets. Is this clause really practical?
- **No option to convert LLPs to Companies:** The Act does not have any option for LLPs to convert into Companies.
- **FDI norms:** The Act permits foreign LLPs to be incorporated. What will be the FDI norms? Whether these will be eligible for automatic route under FEMA regulations?

Conclusion

While still relatively a new term in India, limited liability partnerships promise to become a significant feature of our legal landscape. Even though there are certain issues that need to be addressed in the near future, the LLP will act as an engine of growth for economic development of the country and would lead to the growth of professional services in the country.

The grass isn't always greener on the other side!!

Mr. Gopalakrishnan succeeds Mr. Ratan Tata as Chairman of Tata Sons Ltd., the holding company for many of the Tata Bluechips - like Tata Steel, Tata Motors, Tata Power, Tata Chemicals, Voltas, etc. Possibly, he is the first non-Tata person to head the Tata Empire.

The article below, written by him, is really interesting!

The grass isn't always greener on the other side!! Move from one job to another - but only for the right reasons. It's yet another day at office. As I logged on to the marketing and advertising sites for the latest updates, as usual, I found the headlines dominated by "who's moving from one company to another after a short stint", and I wondered, "why are so many people leaving one job for another? Is it passe now to work with just one company for a sufficiently long period"? Whenever I ask this question to people who leave a company, the answers I get are "Oh, I am getting a 200% hike in salary"; "Well, I am jumping three levels in my designation"; "Well, they are going to send me abroad in six months". Then, I look around at all the people who are considered successful today and who have reached the top - be it a media agency, an advertising agency or a company. I find that most of these people are the ones who have stuck to the company, ground their heels and worked their way to the top. And, as I look around for people who changed their jobs constantly, I find they have stagnated at some level, in obscurity! In this absolutely ruthless, dynamic and competitive environment, there are still no short cuts to success or to making money. The only thing that continues to pay, as earlier, is Loyalty and Hard work. Yes, it pays! Sometimes - immediately, sometimes - after a lot of time. But, it does pay. Does this mean that one should stick to an organisation and wait for that golden moment? Of course not. After a long stint, there always comes a time for moving, in most organisations. But, it is important to move for the right reasons - rather than superficial ones, like money, designation or an overseas trip. Remember, no company recruits for charity. More often than not, when you are offered an unseemly hike in salary or designation that is disproportionate to what that company offers its current employees, there is always unseen bait attached. The result? You will, in the long-term, have reached exactly the same levels or maybe lower levels, than what you would have in your current company.

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A lot of people leave an organisation because they are "unhappy". What is this so-called-unhappiness? I have been working for donkey's years, and there has never been a day when I am not unhappy about something in my work environment, boss, rude colleague, fussy clients, etc. Unhappiness in a workplace, to a large extent, is transient. If you look hard enough, there is always something to be unhappy about. But, more importantly, do I come to work to be "happy" in the truest sense? If I think hard, the answer is "No". Happiness is something you find with family, friends, may be a close circle of colleagues who have become friends. What you come to work for is to earn, build a reputation, satisfy your ambitions, be appreciated for your work ethics, face challenges and get the job done. So, the next time you are tempted to move, ask yourself "why are you moving" and "what are you moving into"? Some questions are

- Am I ready and capable of handling the new responsibility? If yes, what could be the possible reasons my current company has not offered me the same responsibility
- Who are the people who currently handle this responsibility in the current and the new company? Am I as good as the best among them?
- As the new job offer has a different profile, why have I not given the current company the option to offer me this profile
- Why is the new company offering me the job? Do they want me for my skills, or is there an ulterior motive? An honest answer to these will eventually decide where you go in your career - either to the top of the pile, in the long-term (at the cost of short-term blips), or to become another average employee who gets lost with time in the wilderness?

-C.S.Suresh

(Source: - Dr. Gopalkrishnan Chairman - TATA Sons)

Events and Happenings in NCRCL®



Mr. R S Murali, as chief Guest, inaugurated the Students Forum of Alpha Arts and Science College, Porur, Chennai on July 14, 2009



Mr. R S Murali attended a workshop on 'Tipping the balance through Strategic Costing' by SICCI on July 24, 2009

Mr. Kishore attended a workshop conducted by MMA on 'Cutting Cost without Pain' on July 24, 2009

Mr. Ashok and Mr. Mohanty attended a conference on Business intelligence tools by Microstrategy 9 on July 23, 2009

Presentation given to Vice Chancellor, officers and staff of University of Agricultural Sciences, Bangalore on "Preliminary Study for the Implementation of Modern Accounting System"

Group discussion on Unique Identity Card among the staff of Bangalore Office

Mr Ashok's article on "Managing Accounting Reforms in Local Bodies- Key Issues and Approaches for Chartered Accountants" was published in "PRUDENCE", the e-News Letter of the Public Finance Committee of ICAI, June 2009.

"Broadly speaking, the short words are the best, and the old words best of all".

Sir Winston Churchill

Know Your Colleagues



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No	Questions	Your Answers
1.	The meaning of your name.	Line
2.	Nick name.	REX.
3.	Your dream job.	To help people in need, to deliver their best both professionally and personally
4.	Your first impression of NCRCL® .	A positive and cheerful environment.
5.	What personal/emotional characteristic of yours do you want to change?	My extreme sensitivity.
6.	Money or job satisfaction?	Job satisfaction with the money of course!.
7.	Your stress buster.	Talking it out with others, long walks in solitude, Music, conversations with my Self.
8.	Do you have a small circle of close friends, rather than a large number of friends?	A number of close friends.
9.	What do you most like about a person?	Simplicity & Humility.
10.	What do you most hate in a person?	Ego and lies.
11.	Team work Vs Individual work – your comments.	Team work with creative individual contributions.
12.	Do you make efforts to get others to laugh and smile?	Yes. Except at times when I need cheering!
13.	Your heart rules your head or your head rules your heart?	My head in tune with the heart. Both need to be in sync.
14.	Special talent.	Understanding/accommodating people, observant, intuitive.
15.	Hobbies.	Reading, writing, solving puzzles.

Words Confused and Misused (11)

Identity – Identification

Identity is often misused for identification, as “The body was so mutilated as to make its identity difficult.” The identity of a person is his individuality and personality. To identify a person is to establish his identity. The act of doing this is identification

If – Whether

Id is not now in good use as synonym of whether. “I’ll go if I can” is correct, but not “I don’t know if I can.” Some correct forms are: ‘See whether he is there’; “Ask him whether he will come”; “Try to learn whether this is satisfactory.”

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Imaginary – Imaginative

These words are often confused as “The story is highly imaginary.” Imaginary applies to that which exists only in the imagination, as “Most of our troubles are imaginary,” Imaginative applies to the person or product that is characterized by lively power of imagination, as “an imaginative author, novel, poem, plot.” “Don Quixote was so imaginative that he fought many imaginary battles.”

In Between – Between

In between is redundant. Omit in and say “he lives between the two towns,” “He sat between them.”

Incident – Instance

An incident is a happening of whatever kind, as “A humourous incident occurred yesterday.” An instance is an example, as “let me give you an instance.” An incident is often related as an instance of a truth.



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Smart Corner



This tablet available across the counter has an average daily consumption of 2.5 crore tablets in India. Which tablet are we talking about?

Send in your answers to the editor at bangalore@ncrcl.com

ANSWER TO LAST MONTH'S SMART CORNER QUESTION: This concept popularised by a noted management thinker of our time deals with the business potential of transacting with the poor of the World. Name the concept and the person.

ANSWER::

Concept: Bottom of Pyramid

Name of the Person: C. K. Prahalad

Birthday Wishes



Mamatha.D.A - 05 Aug



Vikas R - 08 Aug



Sivasankaran B - 18 Aug

Happy Birthday to you!

Humour Corner



"Every night the same dream. I have to file for Chapter 11 because of so many taxes!"