

**W**e are in midst of a severe economic crisis which has seeped deep into the developed as well as the emerging economies. No industry has remained untouched by the sweeping economic downturn. Even the companies that were considered too big and too solid to collapse are falling, selling or downsizing. Bad news is pouring in from all quarters, hardly giving us time to adjust to one disaster before another happens. Before we could come to terms with the shock of the downfall of Lehman Brothers, AIG and other financial sector giants, the news of tremors in America's much-hyped and glamorous automakers surfaced. While we are all discussing the issue, the focus is more on the high-flying executives of the big three car makers and their private jets. I would like to share with you all the anatomy of the auto crisis and the triggers that set it all off.

The auto makers have themselves to blame for most of their troubles. Lavish lifestyles, huge executive compensations, high employee costs, demanding unions and above all a blinkered approach to market reality are few of the reasons that have brought the American automakers to the brink of bankruptcy. Both management and labour at the Big Three have compensation scales that are substantially higher than their competitors. Further they have huge retirement and health-care costs which put them at a disadvantage with their Japanese competitors. In addition to excessive labour costs, The Big Three have problems with their product line also. They raked in huge profits for years from gas-guzzling SUVs. When gasoline prices shot up in 2007, Americans took to driving less, rediscovering mass transit and switching to more fuel-efficient cars sold by foreign makers, bringing the sales of SUVs down. That was quickly followed by an economic crisis that reduced the sales of all types of vehicles. The Detroit automakers do have small cars but those products cannot be judged to be competitive with Asian automakers' reliable products with fuel-saving technologies. Lack of good products at all levels has eroded the market share of the Big Three over the years and this is also a major part of the problem they are now facing. As recently as 10 years ago, they had about 70% of U.S. auto sales. Now they have only 47%.

#### **The Big question is: Bailout???**

Advocates of both bailout and bankruptcy are quite vociferous in expressing their respective opinions, adding to the mayhem. Those favouring bankruptcy strongly believe that court protection would allow the automakers to reorganize, shed excess baggage and emerge stronger. Countering this argument, the bailout supporters feel people could hardly be expected to buy cars from troubled companies, pushing sales even lower. This would in turn make it impossible for bankrupt automakers to get financing. Without funding, liquidation, sale of assets and closure would be the only option left. Such a move would send shockwaves through the economy by the magnitude of job loss and deeper plunge in the general investor mood. However, the bankruptcy-seekers claim that as large as the automakers are, they don't pose nearly the risk to the economy as does Wall Street and the nation's banks.

It is also automakers' tough luck that where the financial sector is getting hundreds of billions of dollars of bailout, they have been denied a measly 35 to 49 billion dollars for all three put together. The main reason behind this denial or should I say delay and ultimate scaling down of the bailout package is US politics. Private jets, lack of a coordinated recovery plan and other issues have just been used as a smoke screen to deny or delay financial help to the auto giants. The Democrats, who have been the auto industry's traditional political strength, no longer, see the auto companies as particularly important to their region, or friendly to their green causes. On the Republican side, the industry's support has been compromised by the rise of foreign-owned auto plants concentrated in Republican-leaning states in the South, which actually stand to benefit if the Big Three American companies go down.

As the action in Washington continues, the world watches with baited breath.

**Dr. Ashok Gupta**  
**Director**



FROM THE  
DIRECTOR



## EDITOR'S NOTE

Belying Andy Rooney's words "Death is a distant rumour to the young", catastrophe has struck our country unbelievable number of times in the year 2008, taking away many promising young lives. Team OORJA mourns the deaths of hundreds of innocents in the last year's terror attacks and salutes the bravery of our security forces.

Despite the sorrow in our heart, we are all realistic enough to know that we are victims largely due to our own shortcomings. Perhaps it is callous to say so but the recent terror attacks in Mumbai offer a huge lesson in **change management**. We have become so vulnerable because we, as a nation, have failed to change and adapt to the changing environment around us. Those who are a threat to us, have evolved over the time and have changed continuously to keep themselves a step ahead of us. Who can forget the new, Versace clad, suave face of terror that stares into our eyes everyday from our newspapers and television screens. Its bone-chilling to realize that the terrorist who is out to get us is just like us, at least in appearance.

It is so disappointing to know that despite concrete intelligence, our security agencies failed to take a coordinated action to prevent the attacks. Perhaps it is time to apply **management theories** in the running of our key public offices. I feel our failure to protect ourselves is mainly on account of the absence of effective '**knowledge and information management**'. We can easily take care of this problem by creating the post of '**information managers**', who would be the foci of all their organizational information and would be charged with the percolation of the same to the concerned agencies. Also such managers should be **people with management background** so that they understand the importance of the timely dissemination of the information, follow-up of the action taken thereafter and the resultant feedback.

I beg our readers' indulgence for my digression in discussing the matters that are not pertinent to the journal. I am confident that each of you is feeling equally and strongly outraged and shocked at the events of the past year. If your sorrow and indignation on the issue of the terror attacks has found expression in any way, be it poem or prose, please send it to us for publishing in the upcoming issue of OORJA.

The current volume is, as usual, a great combination of the latest information and happenings in the field of management and IT. Hope it makes an interesting and informative copy.

**Shalini Talwar**  
Editor-in-Chief