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February 2018 ■ Rs 100

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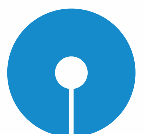

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IMA CFO CONNECT

Volume XIII No. II
February 2018

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Printed and published by Aditya Jain on behalf of International Market Assessment India Private Limited at Bhavya Offset 116, Patpar Ganj, Industrial Area, Delhi and published at P-2, Hauz Khas, New Delhi – 110016. RNI No: DELENG/2006/19967

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International Market Assessment India Pvt Ltd

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Different Strokes

As explained in IMA India's recent economic updates, we expect gross domestic product to rise by 6.4 per cent in 2017-18 and a slightly higher rate in the coming year. Output understandably took a bump in the wake of demonetisation and the subsequent roll-out of goods and services tax (GST). However, we believe these are largely behind us and recovery, going forward, should be robust and sustained. The fact is, consumption has been strong and constitutes the principal driver for growth with investment lagging behind. Be that as it may, in the years ahead the impact of certain government initiatives will play out favourably, as this editorial will in subsequent paragraphs seek to explain.

The perception is that fresh investments have lagged behind and that spending on plant and machinery remains subdued. However, the reality, we believe, is different.

With the bulk of household savings locked up in gold and real estate the net free capital intermediated through the economy was a meagre Rs 8-9 trillion. However, following the demonetisation and Jan Dhan exercises, this has now jumped to Rs 13-14 trillion.

With demand continuing to grow companies are clearly producing more goods from existing capacities. This is by virtue of productivity rises which in themselves constitute an important component of growth. The reasons are a greater investment in automation and IT spending through which more widgets are churned out from existing infrastructure. However, such spends are frequently not amortised as investment but written off as a current account spend on the profit and loss statements. Therefore, whilst capex is not rising rapidly enough it is still much higher than the aggregate figures would suggest.

Transfer Benefits

Since coming to power in 2014, the Modi administration has rolled out a few structural reform initiatives some of which promise to be game changers in the longer term and are approaching a certain level of maturity. The first amongst them is direct benefit transfers (DBT), a programme formally launched in 2013 but subsequently boosted with a serious thrust in 2015. In simple terms, DBT involves the deposit of a subsidy or monetary benefit directly into the intended beneficiary's bank account rather than through intermediaries, in-kind substitutes or cash, each of which are susceptible to pilferage, leakage and diversion. The volume of fund flows through DBT-based schemes has increased from Rs 74 billion in 2014 to around Rs 1 trillion now while the number of beneficiaries has spiked from 108 million to 610 million. According to Government estimates cumulative savings through DBT up to FY17 stood at Rs 570 billion stemming primarily from three schemes – liquefied petroleum gas distribution, the public food distribution system and the national rural employment guarantee scheme. Further, direct benefit transfers removes price distortions in the economy due to controls and regulation which creates inefficiencies with a multiplier impact far worse than the initial folly. More significant perhaps, is a near elimination of pilferage. Some estimates suggest that approximately 50-60 per cent of earlier spending was misdirected, never reaching the ultimate beneficiary. Such money often found its way into poorly monitored sectors such as real estate, creating unreasonable price inflation.

In FY17, savings from DBT at Rs 209 billion amounted to 28 per cent of gross flows in the year i.e. almost a third of total spends were ultimately saved. Total government expenditure on welfare programmes and subsidies adds up to approximately Rs 6-7 trillion annually; by extension therefore the total savings that could ultimately be achieved would be 1.7 per cent of GDP, or Rs 2 trillion. However, the ultimate implications may be well and truly beyond this figure. This is based on the premise that bigger savings can be achieved when Aadhar seeding for a welfare scheme reaches 100 per cent because leakages are invariably concentrated in the un-seeded component. Currently, the

average Aadhar coverage stands at around 77 per cent, up from 65 per cent two years ago. When this approaches 100 per cent the savings surge might be disproportionate, perhaps even 40 per cent or so the logic goes. Further, some schemes with very large leakages such as fertiliser subsidy are yet to be covered by DBT. In the fullness of time, Aadhar based authentication could enable more targeted subsidies and payments, consequently greater benefits with lower costs. Longer term savings could even touch 3 per cent of GDP.

Money in the markets

The second initiative has been the 'financialisation' of savings and the household balance sheet. Households are the largest savers in India contributing to a 60 per cent share of national savings. Private enterprise adds another 36 per cent and state-owned corporations, 7 per cent. The Government of India, on the other hand, dis-saves approximately 3 per cent through its fiscal deficit. However, the bulk of household savings have traditionally been in dud assets such as gold, which offers no return at all, and real estate. Therefore, the net free capital intermediated through the economy added up to a meagre Rs 8-9 trillion. However, following the demonetisation and Jan Dhan exercises, this has jumped to Rs 13-14 trillion. This was made possible because households have rebalanced their investment in financial instruments up from 31 per cent to 41 per cent of their savings. The opening of 250 million new bank accounts and the creation of a digital financial architecture were both instrumental in this. Households now invest considerably larger sums in mutual funds and by extension in bond markets. As a result, mutual fund mobilisations have nearly tripled to Rs 3.5 trillion and bond issuances to Rs 4 trillion over the last 2 years.

Apart from the fact that this change brings in larger amounts of free cash into the economy it benefits individual households in two distinct ways. Firstly, the monetary gains from investment yields can rise by 1.5-6 per cent annually by substituting gold with financial instruments in the savings portfolio. Secondly, the cost of borrowing for households could fall by 2-4 per cent annually by replacing informal borrowings with formal banking debt. Taken together, overall real household income could rise by anywhere between 4 per cent and 12 per cent per annum through a more 'financialised' balance sheet. This translates into a tangible gain in national income as households constitute 60 per cent of GDP.

By substituting gold with financial instruments households can increase incomes by 1.5-6 per cent while borrowing costs could fall by 2-4 per cent by replacing informal debt with bank loans. Household income could therefore rise by 4-12 per cent per annum through a more 'financialised' balance sheet.

Electric dreams

Finally, the benefits of the Government's power sector reforms – specifically Ujjwal Discom Assurance Yojana (UDAY) – are not widely understood. With the first phase of UDAY involving a restructuring of discom debt well underway, interest savings amounting to Rs 170 billion were achieved in the previous year; more importantly, Rs 400 billion of bank defaults were averted. In FY18, savings are likely to be even larger as the full year benefit of deleveraged balance sheets is realised. Further, the scheme has brought about a significant drop in under-recoveries on the sale of power from Rs 0.60 per unit to Rs 0.35 per unit through cost reductions and tariff hikes. In the long term, substantial benefits – of the order of Rs 1.8 trillion – are possible if the programme continues to progress at the current rate.

Theoretically, if everything worked according to plans, the rise in savings, income and investment from these measures could translate into GDP growth increasing by as much as 5 per cent per annum. Even if 50 per cent of the targets were accomplished the impact on longer term output could safely be estimated at around 2 per cent annually. This would be no mean achievement even from the most stringent benchmarks. ■

Adit Jain

Adit Jain, Editor

A Conflicted World: Recasting The Future

Dexter Filkins, Pulitzer Prize-winning author and columnist

For most people, wars happen on the idiot box or in newspaper columns, but Dexter Filkins has spent a large part of his life covering its gruesome reality, in places like Iraq and Afghanistan. He has been shot at, kidnapped, and attacked by mobs. He also, since 9/11, lost 18 of his colleagues in conflict zones – some of whom have died right next to him. Recounting his experiences reporting on wars in India and the Middle East, he also provided a forward view on US foreign policy.

KARGIL: SEEING A WAR UNFOLD FIRST-HAND

Mr Filkins' first brush with war reportage was in Kargil in 1999. Based at the time in Delhi, he heard that 600 Mujahideen warriors had crossed the border, and were heading to Kargil. Something about the situation made no sense to him, so he jumped on a plane to Srinagar. Along the Leh highway, parts of which were nothing but dirt road, and usually lacked a guardrail, he crossed Indian tanks on their way up. Pakistan had chosen to attack that particular sector to cut the supply route to Siachen, and just across the road, its troops were firing on passing cars. About half-way up to Kargil, he came upon a truly surreal sight: sitting on a folding chair, drinking tea, was a moustachioed Colonel ordering his men to fire their enormous Bofors guns nearly straight up, because the Pakistani troops were too close for a horizontal shot. Checking in to his hotel in Kargil later that day, with no power, no running water, and with shells exploding nearby, Mr Filkins fell in love with war reporting.

> The 1999 Kargil War was Mr Filkins' first brush with war reporting, laying the grounds for an entire career

AFGHANISTAN: THE PRE-9/11 YEARS

His next major war experience was in Afghanistan, where the Taliban was then in power. While covering the war, Mr Filkins spent considerable time in Pakistan, and his impression was that of a deeply troubled country headed in the wrong direction. (In Peshawar, he visited madrasas filled with hundred of young men – children really – who were going off to fight in Afghanistan. It could only end badly – as it did on 9/11.) Visas to Afghanistan were hard to obtain, but having secured one, Mr Filkins landed in Kabul to find an apocalyptic scene. A quarter of the population had been driven out, and a million people had died in the war with Russia. Unexpectedly, an official visited him in his hotel room, inviting him to witness an execution as an 'honoured guest'. Held in a stadium, right after prayer time, the event itself was horrifying, but equally disturbing was the numbness he saw in the faces around him.

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A corrupt but well-funded regime in Kabul, Pakistan's double-games, and America's dual focus on Iraq are what gave rise to today's quagmire in Afghanistan

Visitors to Afghanistan were always assigned a 'translator' – usually a turbaned, bearded man whose real job was to follow the person around, taking down the names of people who were saying bad things about the Taliban. On one visit, Mr Filkins was paired with someone he thought to be a very dull man, until he took off his turban that evening in the hotel room, disclosed that he was a communist who hated the Taliban, and offered – for USD 150 a day in cash – to take him wherever he wanted to go. (Payments were always in advance, because of the constant fear of getting caught.) Moving around more freely than before, he witnessed Al-Qaida setting up training camps in the country, just a year before 9/11, but also a secret school for girls. One day, his luck ran out, and he was attacked by the 'vice and virtue police', beaten up, and expelled from the country. He never found out what happened to his translator, who was dragged away in the scuffle.

From optimism, to despair...

Unable to return to Afghanistan after that, Mr Filkins moved back to New York. When he saw the twin towers go up in flames, with F-16s circling around, he immediately understood what had happened. He got another chance, a few months later, to travel to Afghanistan, when the New York Times asked him to cover the war. Initially, the campaign went well, with people cheering US troops in every village, and women throwing off their burqas. It even looked like the battle would soon be over. Slowly, however, the situation turned for the worse, eventually becoming a quagmire that is no better today, 16 years later.

...guided by three factors

Broadly, three things have gone wrong in Afghanistan – none of which have been properly addressed to date. First, the US-backed government was imbued with massive power and money, but no accountability. It was so corrupt that the US Army even coined a special term for it – VICC, or Vertically Integrated Criminal Enterprise. Vast amounts of money flowed in, and government officials busied themselves grabbing as much of it as they could, even extorting much of the little money that flowed through to the local population. The widespread hatred for the government has, over the years, become an effective engine of recruitment for the Taliban – and regardless of who is in charge, whether Hamid Karzai or Ashraf Ghani, its essential character has not changed at all.

Pakistan, and the double-game it is playing in Afghanistan, is the second factor. For years, it has happily taken billions of dollars in US aid, allowing its supply lines to run through the country, while at the same time lending support to the Taliban. The US understands what Pakistan is doing, but concerned that this nuclear-armed state could collapse if pushed too hard, it holds back from being overly confrontational. Mr Filkins has personally met Taliban warlords in the 'bad-lands' of Pakistan's FATA tribal region, who sit around unconcerned while the military supposedly runs operations to 'flush out' people like them.

The third, critical factor that sent the Afghan war spiralling downwards was Iraq. Just when things were looking up, the US decided to launch its invasion of that country. Troops and money got pulled out in vast quantities, redirected to the Middle East. More importantly, America took its eye off the

ball in Afghanistan, and never really put it back. The Taliban got some much-needed breathing space, and within two years, it was back in full force, never to be bottled back again.

IRAQ: ANOTHER QUAGMIRE

In 2003, Mr Filkins was asked to follow the invading US forces all the way to Baghdad. What he saw America doing there was to completely destroy the state, and then spend the next 14 years trying to rebuild it to a point where it can stand on its own. The venture has seen its ups and downs, but so far, it has proved a failure. The heart of the problem is that Iraq is a country that was drawn on the back of an envelope in 1920, with Sunnis, Shias, Kurds and Christians forcibly held together for decades by the 'steel frame' of Saddam Hussein's dictatorship. When that 'frame' was destroyed, there was no real national feeling to bind people together, and the situation exploded. Thousands have been killed and billions spent, but American is not very good at empire-building. It lacks both patience and local knowledge, and is better at bombing a place, than governing it.

> Thousands have been killed and billions spent in Iraq but America is not very good at empire-building, which requires both patience and local knowledge.

Mr Filkins lived in Iraq for 4 years, and, just like in Afghanistan, what he saw there was a situation that quickly fell apart after the initial, euphoric phase. The same sort of dynamics held in both countries: if a bomb would explode under an American tank, all of the local men would be rounded up and shipped off to Abu Ghraib. More generally, the minority Sunni Arab population, which had ruled Iraq for much of its history, found itself displaced, with the majority Shias suddenly put in charge. Ultimately, that is what spurred the insurgency that resulted. Worse, by 2011, when the situation seemed to be stabilising, Barrack Obama came in, promising to pull out the last troops by end-2011. Al-Qaida at that point was almost completely defeated, but as the US left, the Syria rebellion began, and the remnants of Al-Qaida were reborn as the Islamic State. Even as the Islamic State is now being systematically destroyed, the conditions that gave rise to it –the marginalisation of the Sunni minority – have not really changed.

Nor is clear when, if ever, the US can withdraw its remaining troops,

which currently number about 25,000. In both countries, America faces a terrible dilemma. It does not know how to leave, and everything it has tried doing to repair the situation has failed. In retrospect, American generals are willing to admit that they have actually 'lost' both wars, going into them, as they did, wholly unprepared. Given a chance to re-do things, they would perhaps have taken a very different course. Be that as it may, there are no good choices left, and all that America can do is kick the can down the road, keeping enough troops on the ground to ensure that the situation remains in control.

FOREIGN POLICY UNDER DONALD TRUMP

Within America, this is clearly a very odd time, with the administration itself deeply split in any number of ways, including, critically, on foreign policy. To his credit, Donald Trump has had the good sense to appoint some very level-headed people, including Generals Kelly, Mattis and McMaster. All of them are 'tough' individuals, but also very sober about the use of force in defence. They will, in all likelihood, continue to exert a restraining influence on the President. The worry, though, is what happens if one or all of them decide or are forced to leave – though, reportedly, they are actively working to protect each other.

> Today the US administration is split on foreign policy although Mr Trump has appointed some very level headed people.

The Middle East will remain a key focus area. Mr Trump himself is obsessed with Iran, having denounced the nuclear agreement during his campaign. Today he is extremely concerned (not entirely unjustifiably) about the sphere of influence Iran has built all the way from Iraq and Syria to Lebanon, opening for itself a road to the Mediterranean – something that even the Persian empire could never achieve. There is much talk emanating from the White House of 'rolling back' this new reality – something that should make everyone nervous, especially given the closeness Mr Trump and his team have developed with the Crown Prince of Saudi Arabia. At least in part, the Saudis' recent aggression in Yemen and Lebanon stems from the empowerment they have received from the US. Internally, Saudi Arabia faces major problems, including a massive drawing-down of its foreign reserves on account of low oil prices. To his credit, the Prince understands the challenges, and sees that it is in his country's self-interest to change course radically, which is why he has launched a number of internal reforms.

Looking beyond the Middle East, the US faces challenges in terms of China, North Korea, and Pakistan. With China, the main tensions revolve around its rising ambitions – embodied, for instance, in the New Silk Road – as well as the North Korea situation. Meanwhile, fears of a collapsing, nuclear-armed Pakistan are a major concern for agencies like the CIA. Reportedly, there are teams of US Special Forces ready to move into the country and take control, in an extreme situation, of its nuclear arsenal – though it will be a challenge to find all of it. However, what is most alarming of all, particularly for Asia, is the very real prospect of a US war with North Korea. Inside reports suggest that the administration is starting to conclude that nuclear-armed ICBM in Kim Jong-un's hands is a worse situation than a quick, decisive war. ■

This article is based on discussions with Dexter Filkins, Pulitzer Prize winner, Author, and Columnist, The New Yorker, at IMA's Annual CEO Roundtable, held in Thimpu, Bhutan, in December 2017

Global Outlook

The Risk is now on the Upside

The Global and Regional Outlook is extracted from the Asia Pacific Executive Brief, a service of IMA ASIA.

The key messages in this month's Asia Brief are to prepare for upside surprises in demand, for shortages in supply (of goods, services, and people), for more inflation and rising interest rates, and for a return to a strong US$ by mid-2018.

2017 was the first year in six years that growth was much stronger than expected, putting the risk for corporate planners on the upside (being out of stock, not enough staff, etc). 2018 is set to be another year in which risk is on the upside, even though the last month has seen a string of upgrades to global growth forecasts. There are two reasons for this. First, the rising trend coming out of 2017 continues to be stronger than expected. As an example, at Davos in late January, the IMF lifted its 2017 Eurozone growth estimate to 2.4 per cent from a 2.1 per cent estimate made last October, and a 1.7 per cent projection made last May. Just a few days later, the European Commission announced 2017 Eurozone growth at an even stronger 2.5 per cent. The Eurozone stands out for the scale of its rebound, but it's a pattern repeated across the globe. At the bottom lies a synchronised upturn based on a better balance between global demand and supply (for commodities, shipping, industrial goods), a recovery in balance sheets (notably banks, households, and corporates in Europe), and China's surprising 2017 reflation. That has plenty of momentum heading into 2018.

> 2018 carries risk on the upside on account of a synchronised upturn based on a better balance between global demand and supply, a recovery in balance sheets (notably in Europe), and China's surprising 2017 reflation.

The second factor is US tax reform. The cut to the corporate tax rate is a plus for extra investment in the US, although that likely means less investment elsewhere. That's less the case with the 100 per cent depreciation in year one for capex on plant and equipment. In a market where the average age of industrial plant has blown out over the last six years, that should trigger a surge in plant capex in 2018 and 2019. Accordingly, we've lifted our US growth forecast for 2018 to 3 per cent (prior 2.3 per cent) with growth in capex on plant and equipment expected to double from the 4.8 per cent rate reported for 2017, while US consumer demand growth lifts to 3 per cent in 2018 from 2.7 per cent in 2017. In January, the IMF lifted its US GDP forecast for 2018 to 2.7 per cent from a 2.3 per cent projection

IMA Asia's forecasts (guided by IMF)

Real GDP Growth, %	2015	2016	2017	2018	2019
World – Real GDP growth, %	3.4	3.2	3.7	3.9	3.9
- US	2.9	1.5	2.3	3.0	2.8
- Euro area	2.4	1.8	2.5	2.2	2.0
- Asia/Pacific (14)	4.4	4.7	4.9	4.7	4.8
- NICs (4)	2.2	2.3	3.1	2.9	2.5
- Developing Asia (7)	6.7	6.6	6.6	6.3	6.2
- ASEAN (5)	4.5	4.6	5.3	5.3	5.0
World goods & services trade volume, % growth	2.8	2.5	4.7	4.6	4.4
Interest rates, US Fed target rate, year end, %	0.50	0.75	1.50	2.25	3.75
Inflation, CPI, US, year avg., %	0.1	1.3	2.2	3.0	4.0
Inflation, CPI, Euro area, %	0.0	0.3	1.1	1.3	1.5
Crude oil, avg of 3 spot crudes, USD	51	43	53	60	57
USD / Euro 1, year average rate	1.11	1.11	1.13	1.20	1.23
Yen / USD1, year average rate	121	109	112	115	114

The Asia/Pacific 14 = the countries on the forecast summary page. NICs are the newly industrialised countries = Korea, Taiwan, HK, Singapore. The ASEAN 6 = Indonesia, Thailand, Malaysia, Philippines, Vietnam, + Singapore. Dev Asia = ASEAN 5 + China and India. IMA Asia forecasts.

last October.

Trump's tax reform is a big plus for growth, but it hits a US economy already at full employment with many firms sitting on strong order books. We think that means faster wage growth and rising intermediate costs this year. Because of that, we've lifted our US inflation forecast for 2018 to 3 per cent (prior 2.1 per cent) with 2019 at 4 per cent. That will require the US Fed, led by its new chair Jerome Powell from next month, to at least match last year's three rate hikes in 2018 and in 2019.

Given the growth, inflation, and interest rate developments outlined above, we expect the 18-month slide in the US$ to end by mid-2018. That slide was mostly due to a rebalancing of global capital from a strong US recovery over the prior five years into surprisingly strong recoveries emerging in the Eurozone, Japan, and many other countries. With tax cuts giving the US economy another boost, that flow is likely to reverse.

By quite a few measures, the US stock market is overvalued and ripe for a correction at the first hint of weaker earnings growth. But we don't see the economic outlook providing a trigger for that correction, as the rise in inflation and interest rates will still be modest compared to prior cycles. Many of our clients think the bigger risk likes in a US-China trade war, which would undermine business confidence and slow new investment. ■

Regional Outlook

Watch for the Impact of Global Demand Recovery on Asia's production and exports

The two main threats to Asia's growth in 2018 are a US-China trade war and conflict on the Korean peninsula. Both reflect a fundamental shift in policies under a populist US president. As a result, US firms are watching for early warning signs of risk in either area, and are undertaking risk mitigation, ranging from lobbying to shift US administration views, to preparing alternative sourcing strategies, and to in-country public affairs programs that can help contain collateral damage. Non-US firms may want to consider how a US-China trade spat may affect their US suppliers, customers, and competitors.

Asia has two important national elections this year. In Malaysia, PM Najib Razak is widely expected to call an early election in Q1'18. Government spending on key voting groups has helped lift demand at the start of the year, and a victory for the ruling UMNO party looks certain. Once the poll is over, UMNO will settle down to business as usual on major projects. Not very pretty, but a plus for growth.

The military government in Thailand plans to hold an election in late 2018 to return to an elected but army-guided government. We remain of the view that the political game plan looks like working. The populist Shinawatra-linked forces have lost steam and cohesion, while the military has built popular support with programs focused on the welfare of rural Thais. An important transition in the royal family has been successfully managed, and a viable economic recovery strategy is being rolled out. All positive for growth.

The most important of Asia's sub-national elections will be in Indonesia in June. The contest will show whether the rise of Islamic radicalism as an electoral force in the 2017 Jakarta elections has spread. That will not only point to whether President Joko Widodo can win a second term in the 2019 national race, but also to whether he'll have any success in pushing his pro-market reforms through a fractious parliament.

While the global growth outlook has had a big lift over the last month, Asia's hasn't. As always, the reasons for that, which are set out below, reflect the region's great diversity. Despite that, the strength of the global outlook suggests we'll be lifting our A/P forecast almost every month, as stronger export and industrial production numbers come in. We suspect we are still underestimating the global demand recovery's impact in Asia.

> The two main threats to Asia's growth in 2018 are a US-China trade war and conflict on the Korean peninsula, linked directly to a shift in US policy under a populist President

One of the biggest upgrades is likely to be for Asia's four "newly industrialised countries", the famous NICs of the 1990s – South Korea, Taiwan, Hong Kong, and Singapore.

GDP (Expenditure)					
Real growth, %	2014	2015	2016	2017	2018
Japan	1.1	1.0	1.7	1.4	1.1
China	6.9	6.7	6.9	6.4	6.2
Hong Kong	2.4	2.0	3.9	3.4	2.9
Taiwan	0.8	1.4	2.4	2.6	1.8
South Korea	2.8	2.8	3.1	2.8	2.6
Indonesia	4.9	5.0	5.5	5.9	5.7
Malaysia	5.0	4.2	6.1	5.6	4.9
Philippines	6.1	6.9	6.7	6.4	6.0
Singapore	1.9	2.0	3.5	3.3	2.8
Thailand	2.9	3.2	3.8	3.9	3.9
Vietnam	6.7	6.2	6.8	6.5	6.3
India (CY)	7.5	7.9	6.2	6.6	7.3
Australia	2.5	2.6	2.4	2.5	2.5
New Zealand	4.2	4.1	2.8	2.8	2.6
Inflation					
CPI year average, %	2014	2015	2016	2017	2018
Japan	0.8	-0.2	0.4	0.5	1.1
China	1.4	2.0	1.6	2.5	2.5
Hong Kong (composite CPI)	3.0	2.4	1.5	2.2	3.5
Taiwan	-0.3	1.4	0.6	1.4	2.5
South Korea	0.7	1.0	1.9	2.2	3.3
Indonesia	6.4	3.5	3.8	4.0	4.5
Malaysia	2.1	2.1	3.7	3.8	4.0
Philippines	1.4	1.8	3.2	4.0	4.5
Singapore	-0.5	-0.5	0.6	1.1	1.6
Thailand	-0.9	0.2	0.9	1.8	3.0
Vietnam	0.6	2.7	3.5	3.7	4.5
India (CY CPI urban non-manual workers)	4.9	5.0	3.3	6.0	5.0
Australia	1.5	1.3	1.9	2.3	2.7
New Zealand	0.3	0.6	1.9	2.1	2.6
Exchange Rate					
To USD1, year avg.	2014	2015	2016	2017	2018
Japan	121	109	112	115	114
China	6.28	6.64	6.76	6.81	6.75
Hong Kong	7.75	7.76	7.79	7.78	7.80
Taiwan	31.8	32.2	30.4	29.7	29.2
South Korea	1,131	1,160	1,129	1,076	1,075
Indonesia	13,389	13,309	13,381	13,670	14,093
Malaysia	3.90	4.14	4.30	3.88	3.80
Philippines	45.5	47.5	50.4	52.5	54.7
Singapore	1.37	1.38	1.38	1.35	1.40
Thailand	34.2	35.3	33.9	31.3	30.5
Vietnam	21,677	21,932	22,370	22,784	23,191
India (FY)	64.1	67.2	65.1	67.5	69.6
Australia	1.33	1.35	1.30	1.24	1.20
New Zealand	1.43	1.43	1.41	1.38	1.43

Sources: CEIC, central banks, and national statistics offices. Forecasts are by IMA Asia.

We're currently expecting growth to ease to 2.9 per cent this year from 3.1 per cent in 2017. Yet strong global demand (and big capex spending in the US) could lift their GDP growth to 3.5 per cent this year, which is still below the 4 per cent pa average for the two decades to 2016. Japan is in a similar position, with an unexpected revival in export manufacturing underway after 20-years of offshoring operations. Our Japan forecasts of 1.4 per cent growth this year and 1.1 per cent in 2019 may both have to be lifted.

ASEAN's main economies excluding Singapore (a NIC) fall into two groups. Vietnam and the Philippines are already growing at capacity, and any acceleration would be dangerous. Both face overheating risk this year. By contrast, Thailand, Indonesia and, to a lesser extent, Malaysia have underperformed for several years, and look like being lifted by better local demand and better exports.

China's resounding 2017 lesson is that Beijing has firm control of the economy and can hold back a financial crisis. That means a gradual cooling in growth to 6.4 per cent this year, but with enough demand to support profits and consumers, while massive industrial restructuring is driven by the rigid enforecement of environmental regulations.

The big issue in India as the negative impact of GST introduction last July fades, is bank recapitalisation. That should be done in the next few months, and it should open the way to a gradual revival in bank lending to industry. Depending on how well that goes, growth could lift above our forecast in late 2018 and 2019. There is considerable pressure on PM Narendra Modi to lift growth and job creation before the 2019 elections. ■

Richard Martin is Managing Director, IMA Asia. He can be reached at richard.martin@imaasia.com

India Outlook

A resilient economy will face rising inflation as a headwind in 2018

After a narrow election win in Gujarat in December, the ruling BJP will be tested in four large states in 2018, three of which it currently holds. The Congress, the lead opposition party and until recently in decline, did better than expected in Gujarat by targeting specific communities and rural voters and patching up alliances with rising local parties. It will hope to build on this strategy in the coming state elections by focussing on distressed voter groups and leveraging popular beliefs about inadequate job creation. However, Prime Minister Narendra Modi continues to enjoy public support amidst evidence of sustained consumption growth and a shift of employment towards the formal sector which comes up with social security and better income prospects. Nevertheless the BJP will seek to adjust policy settings to keep its flock of allies together and counter the Congress.

On February 1, Finance Minister Arun Jaitley presented his Government's last full budget before the 2019 elections. He announced a slippage in the current year's fiscal deficit which is now estimated at 3.5 per cent of GDP instead of the targeted 3.2 per cent, while setting a modest target of 3.3 per cent for next year. Markets are not convinced that even this will be achievable as a

Inflationary pressures and firm interest rates will hallmark 2018; an eventual lift in CapEx on account of bank recapitalisation could be a strong foil

lot depends on the buoyancy in GST collections. For the rest, the Budget offered a mix of rural upliftment in the form of higher crop procurement prices and a large scale health insurance scheme together with significantly higher allocations for infrastructure development and a welcome cut in the corporate tax rate for SMEs.

Meanwhile, the government continues to amend the GST, introduced last July, as collections have slipped since November. Amongst the major changes is the elimination of one of the more complex steps in the tax filing process. This will provide some relief to small taxpayers but the step will eventually need to be compensated for in some other manner. The GST Council has also realigned tax rates on a few items to improve compliance and remove anomalies.

With some clients reporting strong growth in the final months of 2017, the short term outlook has improved. Households seem to have adjusted to the GST relatively well and continue to spend. Passenger vehicle sales grew 3.2 per cent yoy in Q4'17, taking annual sales close to the 4m mark for the first time. Two and three-wheeler sales rebounded 17 per cent yoy and 52 per cent yoy respectively from the impact of demonetisation a year earlier; 2-wheeler sales reached a record 21.8m units, with 8 per cent pa growth from 2010.

Central to the outlook is the success of the government's recapitalisation of state-owned banks, which account for 75 per cent of lending, but are currently choked with bad loans (15.8 per cent of all loans at end-2016). The Rs 2.1 trillion recapitalisation plan will kick off shortly with the issuance of bonds worth Rs 800 billion followed by equity issuances by banks themselves.

However, there are risks stemming from poor winter rains, which will hit spending in farming states, a persisting slowdown in fixed investment and rising inflation. Consumers have been caught by the sudden jump in inflation to 5.2 per cent yoy in December, with prices moving up rapidly in areas like housing (8.3 per cent yoy), fuel and light (7.9 per cent yoy) and food (5 per cent yoy). GST introduction may be contributing to this but so too is a slip in rural production that is likely to get worse due to a shortfall in winter rains. The phenomenon will be better understood when the next harvest hits the market in March-April.

India also faces rising trade deficits due to increasing oil prices. Oil imports jumped 33 per cent in 2017 to account for 23 per cent of the total import bill, pushing the trade deficit to US$145bn. This may well continue into 2018 and will impact domestic inflation. If so, further rate cuts by the Reserve Bank can be ruled out; in fact, a rate hike may well be on the cards. ■

Fiscal year starting 1 April	2014-15	2015-16	2016-17	2017-18	2018-19
GDP mp (FY12 series), real growth, %	7.2	7.9	7.1	6.5	7.0
Inflation - CPI, yr avg (FY12 series), %	6.0	4.9	4.5	3.5	4.5
RBI lending (repo) rate, year end, %	7.5	6.75	6.25	6.00	6.00
Rupee to US$1, RBI Ref Rate, yr end	62.5	66.2	64.8	64.5	67.0

Sources: 2015-2017 data from the government (NCI, RBI) and CEIC.

Headlines & Bottomlines

Economics... interpreted for business

IMA India's in-company briefing presentations are designed to help decision-makers better understand developments in the Indian operating environment. Led by Adit Jain, IMA India's Editorial Director, the presentations provide an analysis of current and long term economic trends as well as an assessment of the impact of global developments on businesses locally. Availed by companies across sectors, IMA India's presentations are useful inputs at management and strategy discussions, Board meetings, offsite discussions and annual planning sessions.

IMA Executive Briefings

by Adit Jain

To know more and to request a tailored briefing for your organisation,
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THE 2020
India Consumer Mindset

Santosh Desai examines the fast-evolving Indian consumer landscape, the new drivers of consumption, and how organisations should plan around it

India's consumer and cultural landscape is transforming in a manner that has seldom been seen before. Whilst the advent of the digital era is one big element, there are also others, each of which impacts the manner in which brands and products are viewed, consumed and remembered. India's cultural context, the utter aspiration of the consumer, has been the strongest ally of economic growth. Today, as growth remains subdued and yet, this rumbling vortex of change continues unabated, our need to understand it and the future of India becomes mission critical.

CONSUMPTION: NEW THEMES

Economic liberalisation opened up enormous new opportunities, and in no time, the Indian market moved from being scarcity-led to one with too many choices. This sharply altered the existing patterns of consumption. Today, fuelled largely by digitisation, there is another major shift underway ('Liberalisation 2.0'), this time centred around the quality of consumption. In such a layered and nuanced landscape, it is consumers rather than brands that are 'in charge'. The implications are far-reaching, and require firms to have a deep understanding of the changing cultural context and consumer preferences, emerging consumer segments, and the critical role of technology.

Fuelled by digitisation, there is a second phase of 'liberalisation' – the first was unleashed by the 1991 reforms – underway today

Digital: A major force

Increasingly, digital is replacing TV as the dominant media – and its influence on consumer spending is both significant, and growing rapidly. Consumers rely ever more on social media to frame and drive their purchase decisions. Digital enables community-based marketing that delivers tangible and emotional value in terms of bi-directional communication, better engagement, reduced cost, and greater customer loyalty. Unlike TV, digital reverses 'the flow of influence' by putting consumers – not the company – in charge of a brand's narrative. Digital is also fundamentally changing education, by making learning interactive, engaging, flexible and self-directed. The traditional 'one-size-fits-all' learning culture is being replaced by one that is more aligned with individual aspirations. There is a growing realisation among the youth that they should actively add new dimensions to their learning by thinking vocation-backward – evident in a massive boom in the

preparatory and do-it-yourself (DIY) space.

The rise of influencer marketing

In this digital era, businesses are using new channels of influence, and focused marketing tools – such as blogs and YouTube reviews – to engage with consumers. Simultaneously, online 'currencies', such as 'likes' and 'number of views', have given rise to a class of 'professional consumers' who are also curators. Fashion and food bloggers, for instance, command strong influencing prowess that is also highly targeted. In effect, it is these influencers, not brands, that are doing the 'category building' – and so, more and more firms are fostering partnerships with them. However, this makes the influencing process less visible and more unpredictable, thus fragmenting the mainstream. Marketers need to take cognisance of this new trend as they design marketing strategies for better customer engagement and increased ROI.

> Identities are becoming more fluid and expressive, extending beyond profession and religion, to aspirations, and areas of passion

The evolving individual identity

The traditional socio-religious structures that once defined India appears to be softening. Individuals are looking at the world not through a 'modern' or a 'traditional' lens, but through a lens of 'self-expression'. Smartphones and social media are driving a new 'I-centric' mentality that is rooted not in a 'collective

past', but in a 'personal present'. Identities are also becoming more fluid and expressive: on Twitter and Facebook, self-identities extend beyond profession and religion, to aspirations, and areas of interest. People are also much more vocal about both their successes and their failures. Conversely, in the absence of fixed sources of identity, the past is consciously being mined. This 'back-to-roots' trend is visible in consumer goods, where there is a growing preference for Ayurvedic, herbal and natural products.

The modern consumer seeks unique, adventurous and share-worthy experiences, with an emphasis on the 'qualitative' aspects of consumption

Rising health and fashion consciousness

Greater health- and wellness-consciousness is transforming the food and fitness markets. The factors driving this shift – stress, rising anxieties about pollution, changing lifestyles, rising personal income, and urbanisation – have united to form a new market of consumer-focused healthcare products. People are increasingly focusing on living a 'healthy lifestyle' by eating right, exercising regularly, and opting for preventive healthcare. To capitalise on this trend, marketers are altering their product offerings, launching new, healthy food options, and shifting the emphasis of their marketing campaigns. The mushrooming of diagnostics and preventive healthcare clinics highlight a visible concern over health problems. Another related trend is the rise of fashion consciousness in a collective sense. This trend is, however, non-linear: there is no difference between how youths dress in small towns, compared to their urban counterparts. With Internet and TV penetration growing fast, the influencers (music channels, global runaways) are the same for everyone.

Women: a high-potential segment

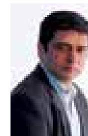
With greater educational attainment and financial independence, women are steadily moving away from being the caretakers of their families, to being the decision-makers. Most marketers now consider women to be a critical segment capable of driving growth for their brands. For instance, the share of solo women travellers (for either business or pleasure) has grown from 10 per cent to 30 per cent in the last three years, which represents a huge opportunity. Whilst there is a lot of ground to be covered, especially in terms of women occupying leadership positions, changes at the entry-level suggest that the winds of change are blowing in the right direction.

A desire for cultural and sensory adventure

In an age of endless choice, the modern consumer seeks unique, adventurous and share-worthy experiences. 'Horizontal segmentation' – where the emphasis is on the 'qualitative' aspects of consumption, with a preference for interesting over expensive – is gaining momentum, evident in the explosive rise of theme restaurants. The concept of travel is also seeing a fundamental shift – from one centred on either lounging around or taking in the tourist sites, to meeting new people, forging new relationships, or going on a yoga or spiritual retreat.

The family as a Co-Op

Finally, there is a marked change in the internal 'language' of families. Earlier, families would impose rules on individuals, but today, they are geared around providing support to individual goals. Knowledge now flows in both directions, where it is not just about children learning from parents, but also parents learning from their children, especially in the realm of technology. There is also rising collaboration between spouses to achieve common goals, such as the creation of assets, or the development of their children. New-age parents treat parenting as a skill, which they constantly strive to improve. ■



This article is based on discussions of The India CMO Forum in Delhi and Mumbai with Santosh Desai, columnist, media critic and author in January 2018.

IMA

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Internal Audit – Partnering with Finance

Wipro Enterprises' CFO, **Raghav Swaminathan**, and its Internal Audit Head, **Dolly Sureka**, trace a fascinating journey towards building a strong IA function that works seamlessly with Finance

The Finance perspective: building capability

About 18 months ago, we wrapped up an Audit Committee meeting with a strong felt need for on-boarding a good audit leader. Our diversified conglomerate was growing fast – expanding its product portfolio, adding new geographies, acquiring businesses, and setting up new capacities. What the Board wanted to know was whether we were taking adequate steps to institutionalise mechanisms that ensure that our operations continue to be well-managed. The imperative was to guarantee that we were adhering to set processes, corporate guidelines, leading practices, the applicable laws of the land, and that various risks, including both intentional and unintentional acts of omission and error were being identified, and then mitigated or prevented. One of the levers to achieving this was to have a robust and mature Internal Audit function that addresses the challenges that come with growth.

That's how the journey began in terms of identifying a senior Audit leader to join the organisation and start the process of incubating a world-class Internal Audit function. The idea was to make sure we had a person who was already curated in Wipro's culture and corporate ethos, but who was at the same time able to foster an outside-in view to transform the business and make it future-ready.

> WEL was growing strongly and expanding into new geographies and product areas. The felt need, however, was to ensure that the ship stayed true to course

When I first met Dolly to discuss the opportunity, I felt, among other things, that she possessed uniquely infectious energy, and this was the key to jump-starting us along our way. Looking back to how we jointly curated the function step by step, we can now celebrate the small but systemic changes we have been making together.

The Auditor's Inside-Out View

When I took charge of WEL's Internal Audit function, my first priority was to observe and analyse the functional performance, as well as our businesses. It was a new industry for me, and the first 2-3 months were spent assessing the depth and breadth of the function, as well as looking at WEL's various businesses. It was critical for me get a good handle on the current state, and to understand the business nuances so that I could form views on what needed to change, when and how. As I dived deeper, I realised that we needed to enhance the function on several parameters:

- Raise the team's 'competency index'
- Standardise our approach and improve the quality of audit reports
- Enhance governance in terms of the monitoring and reporting of audit findings
- Drive technology adoption and move from a reactive approach to a more proactive and predictive analytical approach
- Build business relationships by leveraging a consultative approach, including by providing business insights and sharing leading practices
- Align the audit plan to the organisational priorities and risks

Raghav and I were completely aligned on the need to 'act differently' so as to effectively support the business and provide sufficient assurance to the executive management. The priority for me, first and foremost, was to articulate a vision that would guide us in our day-to-day affairs. The 'Why', clearly, was very important. To

Box 1

stay focused, it was imperative that the entire team and all of our stakeholders were clear on why we existed as a unit in the first place. In-order to align ourselves to the overall enterprise objective, we laid out a crisp charter (Box 1) for the function.

Operationalising this vision required a clear definition of our strategic and tactical priorities, which we organised around 4 pillars (Box 2)

From vision – to reality

Defining the vision was relatively easy – the tougher task was to realise it. With a 6-member team, we set out on this journey to transform the function. I mentioned only two things to my team: 'Act as if you will make a difference' (a quote from William James); and 'Every effort counts – a 2 per cent differential execution gets compounded into 2x differential over time.' We defined small milestones for ourselves, both individually and collectively, tracked and measured our performance, celebrated our moments of success, and learnt from our experiences and failures.

> The key to success here was to find the right people, strengthen the partner ecosystem, enhance the team's business understanding, and drive collaboration

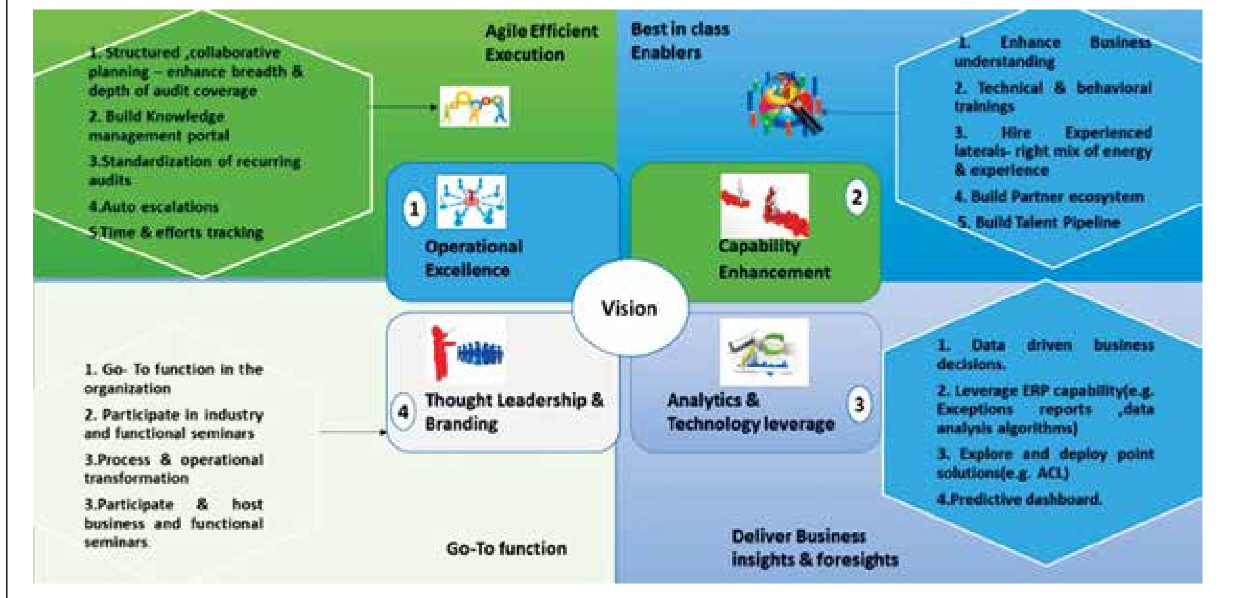
Fundamental to achieving the vision was getting the 'right people.' While our search still continues, I personally took on the task of identifying people who believed in our vision and ideology, and who came with the right attitude, a varied experience mix, and high levels of energy and resilience. Although the success ratios were muted, the ones who came in made a difference!

In parallel, we strengthened our partner ecosystem and built different models of engagement: 'My Expert, Your Team', and 'Your Expert, My Team.' This helped us fill in gaps quickly and intuitively as needed in terms of subject matter expertise or execution capability.

The other critical success factor was enhancing the team's business understanding. We initiated monthly knowledge-sharing sessions with BU leaders. This enabled us to seek business insights, brain-storm on areas of business priority, and develop a focused audit approach. We also built in the concept of 'Engagement Sponsors.' Most engagements had a sponsor, typically the BU head, who would help us navigate through challenges and objectively evaluate perspectives when there were business pushbacks on process changes, controls, or operational improvement recommendations made by the team. This raised the team's motivation levels and directional guidance. We also continually redefined our audit approach and methodology,

Box 2

Themes To Reach Where We Want To Be



revisited our sampling strategy (population testing vs samples), and defined parameters to enable team self-assessment in terms of the quality, scalability and sustainability of audit recommendations. Moreover, we worked consciously to enhance collaboration with cross-functional teams, including controllership, legal and compliance, and began deploying alternative audit techniques, including surveys, algorithm-based reviews, and so on. Finally, we peeled the issues down to the last mile to understand the real root causes, thereby enabling our teams to bring in useful insights.

The next milestone was to enhance coverage of our function across countries and BUs, and to enable businesses to proactively strengthen the control posture. We initiated a process of quarterly communication, wherein critical audit findings for the quarter were shared across all BUs – albeit retaining confidentiality – for proactive self-assessment and remediation.

As we pursued these incremental changes to improve the efficiency and effectiveness of our function, in parallel, we worked on the larger themes of our transformation journey. We evaluated our technology assets for effective management of our audit engagements with a view to reducing cycle time, deploying more data analytics tools for deeper business insights, and so on. Simultaneously, we engaged with the audit teams of our industry peers, professional bodies, and leading audit firms through knowledge- and experience-sharing sessions to leverage each other's experience and practices to better contextualise our context and raise our effectiveness.

> Side by side these efficiency improvements, Finance and Internal Audit worked on the larger, more transformational elements of the journey WEL had embarked on

Summing up: the CFO's take-away

On the whole, I believe we have made good progress, and are well set to deploy more comprehensive transformation interventions in the way our function operates. Ultimately, this will play a pivotal role in ensuring that our business plans are realised successfully and sustainably. There are three questions that we ask ourselves every quarter. Is our coverage adequate? Are we automating enough? And, Are we getting into the depth of the issue and fixing root causes? As we reflect continuously, we become better every day, and that, to me, is the way to excellence. ■

Raghav Swaminathan, CFO, Wipro Enterprises

Dolly Sureka, Internal Audit Head, Wipro Enterprises

Digital Diffusion and Finance Transformation

Sumit Agarwal explains how mid-sized companies like Cloudnine can leverage existing and nascent technologies to drive efficiencies within Finance

Observe the internal landscape of any organisation over the past decade, and you'll notice several tectonic shifts triggered by technological convergence and government controls. First demonetisation, and then the GST reforms of 2016, left many Indian companies scrambling to survive under the impact of legislation, with crucial manpower redirected towards manual accounting, invoice provisioning, reconciliation, and vendor transitioning. With the right technology, all of these activities could have been done with the click of a button.

Until recently, global technology repertories were limited to offerings thrown up by the 1990s' technology boom. That meant that most companies were exclusively built on enterprise resource planning (ERP) tools. Thanks to colossal advances in technology, CFOs and Finance teams now have access to insight, intelligence and innovations, as also to computing power, digital access, atomised processes, and low-cost Cloud servers. In turn, they can navigate decisions, optimally allocate funds, and experiment with automated engines. A technological Tsunami is rising as we speak, and it's wise to catch the next wave that comes your way, however large your organisation.

Tradition and Technology

Think of Finance as a pyramid with layers. Today, the biggest

Enormous advances in technology have given CFOs access to insight, intelligence and innovation on a whole different scale

layer is occupied by transactional activities. The expectation is that, as new technologies get adopted, the layers will shift and strategy will form the largest band. A decade from now, inventory management may be completely managed via radio frequency identification, robotic accountants may whizz across office floors, and budgets may be entirely sanctioned by algorithms. As organisations straddle the line between tradition and technology, verticals that used to operate as independent, watertight units are coalescing to enable synergy, symbiosis and scale. Technology and Finance have become mutually dependent on each other, with the dynamic between a CFO and a CIO serving as the binding force for a successful organisation. Businesses that aims to be future-fit now need to take a double-barrelled approach to success, with the CIO and CFO working together to mesh their growth strategies.

Technologies on Cloudnine

On Cloudnine, we have already pointed our Finance machinery towards ultra-modern technologies that we hope will elevate our position on the healthcare technology map. As a mid-sized organisation, we've taken an early-stage decision as far as technology is concerned.

ERP & CRM

Our advanced ERP and CRM applications have helped us construct a shared service environment that supports the automation of routine processes like bank reconciliation, vendor payments, and AR processes. Previously, these processes were performed manually with discrete systems, and were entirely dependent on human capital.

Cloud

Using a combination of analytics and Cloud, we aim to create a dashboard of performance parameters of various hospitals. To do this, we will move to a target-based reporting programme that will enable benchmarking, control and cost-optimisation. By feeding KPIs and configuring a scorecard, we look forward to setting up a fool-proof monitoring system.

The 3 As

Over the next three years, we expect 80 per cent of business decision-making to become automated, using a trifecta of technology groups known as

the 3 As: analytics, algorithms and Artificial Intelligence. The 3 As propagate that humans slow down decisions, and that they should only be allowed to take them when there is a dearth of data, no suitable algorithm, an irreversible outcome, or an element of emotion or empathy involved. In line with this philosophy, we are looking to introduce a spread of self-help kiosks and customer-centric applications to smooth operational efficiency, reduce lead-time and increase customer delight. We are also exploring ways to integrate bots into our processes.

AI and Machine Learning

AI protocols are rooted in cognitive learning and adaptation.

Cloudnine uses – or will shortly start to use – a range of technologies, from ERP and CRM, to Cloud, AI, Big Data and robotics

You'll seldom find AI reaching a roadblock: it knows how to reroute because its system flows are more organic than other intelligence tools.

Going back to the GST example I mentioned earlier, AI systems could be programmed to modulate tax revisions, improve audit, and improve the quality of repetitive tasks.

Robotisation

The future is geared towards virtual teams and virtual members. Robotisation will eliminate a sizeable chunk of manual work-flows, giving rise to superior organisational performance. Robotisation will encompass an array of processes on Cloudnine, including payment processing, bank reconciliation, P2P, financial reporting, process integration and legacy system control. The key is to strike the perfect people to robot ratio by

identifying skill sets that are unique to each.

Big Data and Deeper Insights

Big Data will allow granular analysis, deeper financial insights, and accurate predictive models. We will be able to determine how a specific asset will fare in the future and take decisions on whether to liquidate it now or wait it out. We will also be able to pre-empt and arrest cyber fraud, troublesome trends, and security breaches.

A 4-Piece Intelligence Framework

As the Chief Financial Officer at Cloudnine Hospitals, I ask myself one simple question before considering any kind of technology layer for

Technology can enable deeper intelligence and more pragmatic decision-making, but its implementation must be properly managed, and has to go hand-in-hand with strong control mechanisms

my function: 'Will this simplify our processes?' If the answer is a 'Yes', I dig deeper. Simplification is my primary motivator while adding to my team's technology stack. Over the next few years, I aim to manoeuvre my function into intelligent automation so that my team can focus on what really matters. The framework that I envision rests on four fundamental tenets.

Tenet 1. Homespun Intelligence

Technology that sources financial market trends and patterns, and then uses that information to project a roadmap for the future, can serve as a guiding light. In today's dynamic business environment, CXOs need real-time data to augment query outcomes across verticals.

Tenet 2. Pragmatic Decision-making

Today, major financial decisions are taken based on experience, but also, very often, on one's gut feelings. Sometimes, you may feel that a decision is favourable in the long run, but there's no quantifiable metric to prove it. AI can be an enabler for pragmatic decision-making, leaner execution protocols and fewer failed outcomes.

Tenet 3. Comprehensive Control Mechanisms

Installing control checkpoints within a technology ecosystem is imperative to ensure that your financial goals are met. Contrary to perception, not all automated control applications are supported by complex technologies like machine learning or robotisation. For mid-sized organisations on a budget, alternative automation tools abound in the market, and they don't all come with jaw-dropping price tags.

Tenet 4. Situational Sensitivity

The adoption of technology should proliferate equally at all levels of the organisation so that the digital engine is optimally armed with tools throughout the hierarchy. The idea is to have every employee understand the risks and potential for their area of expertise through a technology lens. The goal? Zero human error arising from inefficient decision-making.

The Benefits of Technology Adoption

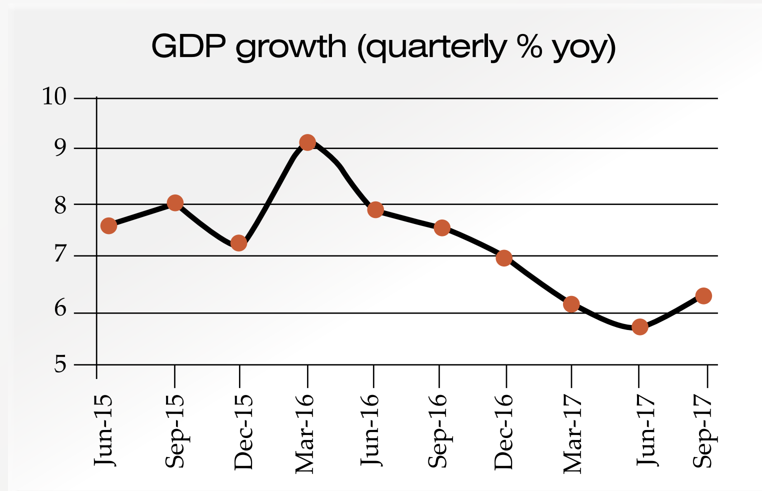
Finance transformation has shone its light on various sub-functions, including analytics, audit, operations, and risk management. Technologies continue to pervade the farthest corners of the global business topography, and a cultural revolution is silently being catalysed. Automation is eclipsing basic roles, and the need for exceptional financial strategists within organisations is becoming more relevant than ever. Cross-pollination between departments is facilitating stronger teams, firmer strategies and better outcomes. As businesses race to stay ahead, it's only a matter of time before technology separates the forward-looking from the conservative. ■

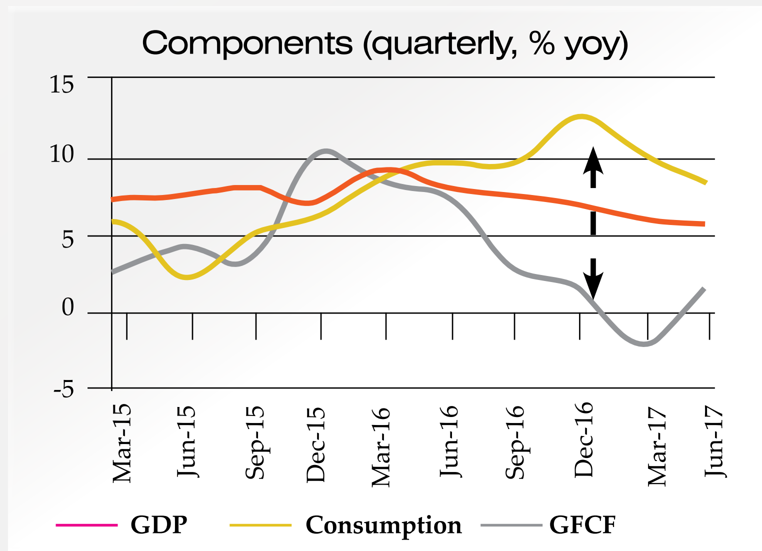
Sumit Agarwal is the CFO of Cloudnine Hospitals

Drivers of Transformation

In conversation with Adit Jain, Chairman and Editorial Director, IMA India

There was once a time when economists used to say that even if everyone were to fall asleep, the Indian economy would still grow at 6 per cent. Few would have realised just how low things could sink – almost no one could have imagined the several quarters of barely 4 per cent growth seen during the UPA-II years. The more recent 'slide' to 5.7 per cent in the first quarter of FY18 is more understandable, driven as it was by the twin shocks of demonetisation and the GST. Today, while the media continues to focus on 'falling growth' and a lack of jobs, there is, in fact, a modest recovery underway. It is true that investment appears weak, capacity utilisation levels are modest and credit growth is low at 7-8 per cent. However, consumption demand is consistently strong and there are several positive signals coming out of the environment. Overall growth will be in the 6.3-6.5 per cent range this year and possibly 7 per cent in FY19. More critically, several structural policy initiatives – including the DBT and UDAY programmes and a push towards greater 'financialisation' – will have a cumulative and substantial bearing on long-term growth, investment and job creation.





Source: CSO, SEBI, CEIC, IMA analysis

THE STIMULUS PACKAGE

Bank recapitalisation is both clever and can be effective...

The government's recently announced two-part 'stimulus' package will have a critical bearing on future growth. Firstly, under the bank recapitalisation programme, Rs 2.1 trillion of fresh capital will be injected into PSU banks, including Rs 1.3 trillion of depositor money that will be invested through bond purchases. Cleverly, the FM has ensured that the fiscal burden of the programme will be a manageable Rs 80-90 billion a year. This does not imply that PSU banks have been 'fixed' or that they will not get into trouble again – perhaps privatisation is the only solution for this. However, it will allow them to start lending again, hopefully boosting the investment cycle. Larger firms have access to other sources of capital – including foreign funds, the bond markets and internal accruals and reserves – but for smaller firms, who make up 70-80 per cent of industry and depend heavily on bank loans for capital, it will be a big leg up.

...and even a part of the planned public investment, if executed on, can be transformative

The second and more ambitious part of the stimulus package – Rs 15 trillion of public investment over 5 years – will take longer to unfold but its potential impact is huge. The plan is to invest some Rs 7 trillion in highways, Rs 3.1 trillion in affordable housing, Rs 4 trillion in capex for PSUs and Rs 163 billion in rural electrification. A key element is the Bharat Mala programme, which will connect India's major towns and cities by building

Capex generally takes place when capacity utilisation rates cross 80 per cent, inflation is above 5 per cent, and the cost of capital is 10 per cent or lower

The Political Context: An Expanding BJP Footprint

Politics and economics are inseparable, and India's forward-path will be determined, at least in part, by the reality of a dominant BJP as the fulcrum of Indian politics. As recently as 2010, it would have been unimaginable that the party – either singly or with allies – would be in power not only in the Centre, but also in 19 of India's states. In the last year alone, it has won 6 of 7 state elections, including a landslide in UP and an unprecedented sixth consecutive term in Gujarat, where it was battling not only anti-incumbency but also farmer distress and the twin shocks of demonetisation and GST. Never before has any party or political grouping – not even the formidable Indira Gandhi – achieved anything similar. Much of the credit must go to Narendra Modi, in whose sincerity India's people continue to have immense faith. Voters, including the poor, who were perhaps the worst hit by demonetisation, have been willing to accept the pain that they believe is necessary for the greater good.

The longer-term fallout of an ascendant BJP is that the party will gain strength in the Rajya Sabha, where the opposition has so far stalled legislative progress. Over the coming months, it will pick up 11-12 seats, while the Congress will lose 3-4. By April, it will be the single-largest party, and together with its allies, will edge towards controlling the Upper House. Over time, this will change the Rajya Sabha's operating 'rhythm', and should make it easier to push through important reforms.

A 5-year, Rs 15 trillion infrastructure programme will, if even partly successful, prove transformative. Bharat Mala may well be Mr Modi's legacy scheme

at least 100 criss-crossing motorways. In doing so, it will bridge the gap between the 'new' India of excellence and growth and the 'old' India of stagnation and mediocrity.

Like Atal Bihari Vajpayee's Golden Quadrilateral programme, Bharat Mala could well become Mr Modi's defining legacy and all signs are that he is keen to implement it well. Mammoth spending programmes often draw scepticism given India's historical record on delivery. However, the efficiency of capital spending under the current administration has been significantly better than in the past. From a situation where capex budgets would often go unspent ministries are today achieving higher levels of utilisation, in some cases almost 100 per cent as with the Railways. At the same time, under Mr Modi, the targets (e.g., for solar energy) as well as the performance benchmarks are becoming ever stiffer. Thus, even if only 60-70 per cent of the goals get met there will still be credible outcomes at the end of 5 years. Indicatively, a previous target of installing 20 GW of solar power capacity by 2022 has been achieved four years ahead of schedule as the administration is now pursuing a much bolder target of 100 GW by 2022.

FOUR LONGER-TERM TAILWINDS

1. The DBT: Cutting Graft – and Waste

Every year, the Indian government spends roughly Rs 6 trillion on welfare programmes but according to a previous edition of the Economic Survey it was estimated that up to 70 per cent of these funds would not reach the intended beneficiaries. The funds would often be siphoned off and channelled back into a nexus of weakly regulated industries such as real estate, educational institutions and hotels, often owned by politicians all across India. Further, subsidies have created serious price distortions. For instance, there are two prices for kerosene in India – one that is state controlled, the other a 'free market' price that – which afford large opportunities for arbitrage and hence the scope for diversion and pilferage, sometimes through intimidation and violence.

This is where the Direct Benefit Transfer (DBT) programme comes in. The DBT programme aims to ensure that welfare benefits reach the targeted beneficiaries directly rather than through intermediaries. It also aims to eliminate duplication and ghost recipients and hence check the occurrence of pilferage and leakages in the system. Powered by Aadhar and 250 million new bank accounts, what started in 2013 with 27 schemes today covers 411 schemes across 56 ministries. From 108 million beneficiaries in 2014, over 600 million people have now been 'on-boarded' to DBT schemes and the volume of funds disbursed has jumped from Rs 70 billion to Rs 1 trillion. Cumulative savings from just three schemes – LPG, PDS and MGNREGA – already amount to Rs 570 billion according to Government estimates. In 2016-17, DBT is estimated to have generated savings of Rs 209 billion on a total spend of Rs 747 billion i.e. 28 per

cent, or nearly a third of gross transfers. The gains would have been even higher but for the fact that the Aadhar-seeding process is incomplete (currently at ~77 per cent on average), and much of the 'mischief' that still occurs takes place at the edges that have yet to be covered. By extension, once India achieves 100 per cent seeding and if the DBT gets extended to all spending programmes, the savings could be as high as 30-40 per cent on a total expenditure base of Rs 6-7 trillion – or 1.5-2.0 per cent of GDP. Further, some high leakage programmes such as the fertiliser subsidy are yet to be covered by DBT. Conceivably, their inclusion might drive the average rate of savings even higher.

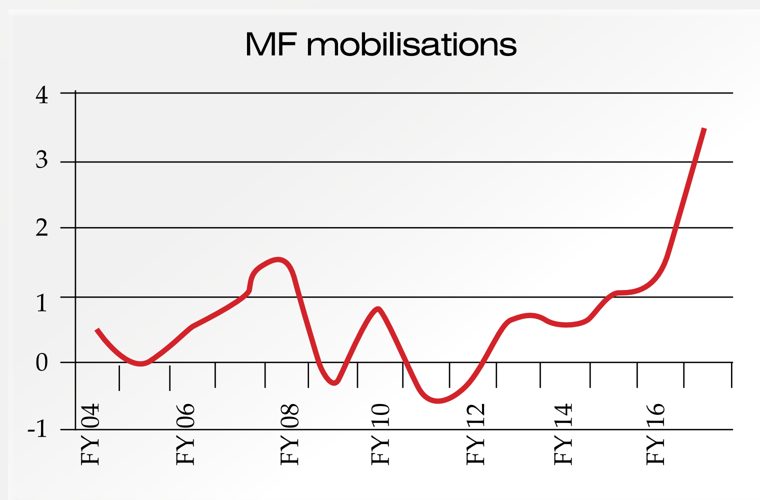
2. The Financialisation of Savings

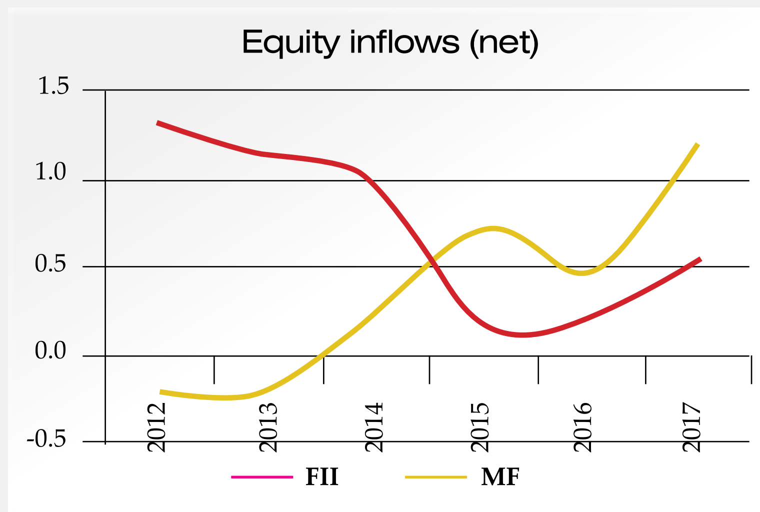
India saves 32-36 per cent of GDP or Rs 44-50 trillion a year. Households account for the bulk of this though their share has fallen from 72.7 per cent in 2005 to 59.3 per cent in 2016. Public sector organisations make up 7 per cent of the total while the government dis-saves 3-4 per cent of GDP each year. Private corporate savings have risen significantly, from 20.2 per cent to 36.7 per cent, highlighting the increasing privatisation of the economy as well as government disinvestment in certain sectors.

In the past, households would channel around 30 per cent of their savings, or around Rs 8-9 trillion in financial instruments. Consequently, this was the amount of free capital available for intermediation in the economy. The rest of their money would be locked in physical assets that offered either no returns (gold) or very low returns (real estate). This is now changing, with the share of financial savings jumping to over 40 per cent of the total household surplus in the last 5 years, adding up to Rs 14 trillion in 2016. The effects are clearly visible in the financial markets. Mutual fund (MF) mobilisations have jumped from Rs 1 trillion to Rs 3.5 trillion in the last two years, with monthly systematic investment plan (SIP) volumes rising three-fold, to Rs 300 billion, and total assets under management tripling to Rs 6 trillion. Bond markets have deepened with the value of outstanding bonds having surged from Rs 1-1.5 trillion a year to Rs 4 trillion. Consequently, even as bank credit growth has stalled, bonds have taken their place ensuring that the overall credit flow to the economy continues to rise. Bonds now account for 40 per cent of all fresh credit, up from 13 per cent a few years ago. IPO issuances have doubled from Rs 0.4 trillion to over Rs 0.8 trillion.

Besides making more capital available for investment deeper financial markets also mean that India no longer depends as heavily as it once did on foreign capital, especially in the context of equity markets. Today, a major capital reversal may hurt the economy but not cripple it as domestic financial institutions have become larger investors in the capital markets than foreign portfolio managers.

If the DBT finds universal application, it could yield savings as high as 30-40 per cent of total government spending, eventually adding up to 2-3 per cent of GDP





Source: CSO, SEBI, CEIC, IMA analysis

In 2017 for instance, FIIs invested Rs 512 billion in the equity markets while mutual funds invested more than double of this – Rs 1.12 trillion. This provides a degree of insulation to both the currency and market indices from global capital shifts.

At the household level, rising financial savings are driving up the yield on investments. According to one estimate, by replacing 25 per cent of its gold holdings with financial instruments a household could raise its annual income by between 1.4 per cent and 6 per cent. Further, by borrowing from formal rather than from informal institutions, households can save up to 3-4 per cent of their income on reduced debt servicing costs. Finally, rising insurance coverage has brought down out-of-pocket expenses on medical and other emergencies which can make a tangible difference to cash flows. Taken together, the rising use of formal financial instruments can drive up disposable household income by a substantial 4-12 per cent a year on an ongoing basis. This is the real impact that 'financialisation' can have in the long term.

Households are putting a much greater share of their savings into financial instruments, borrowing more frequently from formal institutions, and insuring themselves against contingencies. This might eventually boost disposable income by 4-12 per cent annually

3. India's investment conundrum

On the surface, private investment appears weak. Measured on a rolling, 6-month-average basis, investment volumes collapsed in the second half of the UPA-II regime and do not seem to have recovered. However, much of what came in prior to 2012 was 'sticky money' – illicit offshore funds or diverted subsidy payments and not genuine investments. This is clear from the anomalous gap between what was proposed to be invested versus the amount of capital that was actually available for investment i.e. banking and debt capital. This gap collapsed in late-2011 and has since 'normalised' to around zero, signalling a more realistic investment scenario. At the same time, there is today a much stronger 'conversion' between investment proposals and actual spending. In the past, investors would make grandiose statements of intent but implement no more than 1.5-2 per cent of the proposed amounts. Today, the conversion ratio stands at a much better 25 per cent, and the value of both proposed and actual investment continues to move upwards.

Broadly, three factors drive investment in India: inflation rates of over 5 per cent; capacity utilisation rates of 80 per cent or more; and a cost of capital that does not exceed 10 per cent. Clearly, there are policy, operational and demand-related issues at work too, but primarily it is subdued inflation and low capacity utilisation (at about 70-75 per cent) that are guiding investment decisions today. Going forward, with CPI inflation starting to rise and exports on the mend, firms will begin to see capacity constraints, prompting them to invest more. Moreover, it is likely that the official investment figures are understating the real amount of investment taking place in India. Consumption has continued to grow at about 7 per cent a year, which – in the absence of new investments – can only be sustained if productivity is also rising at a similar rate. In fact, productivity has been on the rise, but is driven mainly by spending on automation and IT. If this has not shown up in the investment numbers, it is because firms have been writing off such spends on their P&L account rather than amortising it on the balance sheets. Rather than treating it as an investment – which it is – they have expensed it out.

4. UDAY: reviving the power sector

As with its other initiatives, the Narendra Modi government has set very high targets for itself in terms of the power distribution sector. Distribution is a state subject and for decades, mismanagement and under-priced tariffs led to distribution companies (discoms) losing 60 paise on every unit of power they sold. 25 per cent of all power was lost to theft and low billing efficiency levels meant that a fifth of all consumers were not billed at all. In 2015, the discoms' accumulated losses stood at Rs 4 trillion, growing at Rs 0.6 trillion a year. They had receivables of Rs 1 trillion, owed Rs 1.3 trillion to generation companies and banks were refusing to lend them money threatening, in some cases, their very survival.

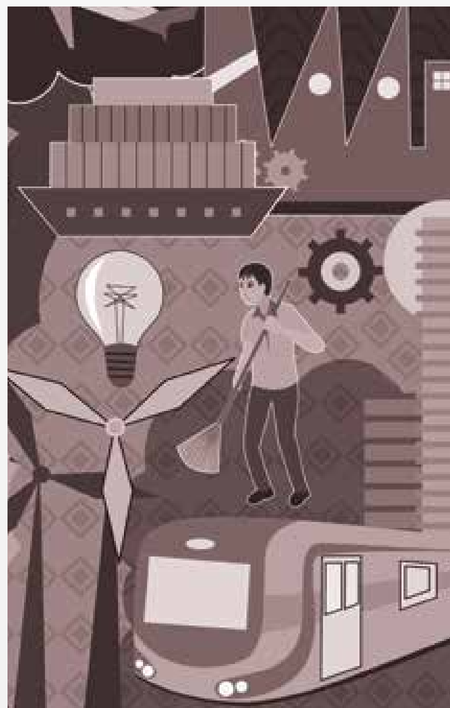
Launched in 2015, the UDAY (Ujjwal Discom Assurance Yojana) scheme sought to resolve this muddle by encouraging states – through incentives and penalties – to clean up their act. Under UDAY,

states are to take over 75 per cent of the outstanding discom debt through state bonds, reducing the latter's interest burden. The balance 25 per cent is to be offloaded by the discoms to the markets or refinanced by banks at a set rate (base rate + 0.1 per cent). Most crucially, future discom losses are to be shared by the state government to ensure that everyone's interests are aligned. The goal is for discoms to cut AT&C losses to 15 per cent and become cash-flow positive by 2019.

So far, 31 states have signed on to UDAY. They have completed the issuance of state Government bonds worth Rs 2.1 trillion as part of the debt restructuring component while their discoms have issued bonds worth Rs 0.23 trillion, a little short of the target of Rs 0.63 trillion. Cumulative interest-cost savings stood at Rs 170 billion till FY17; further, Rs 400 billion of bank defaults have been averted. Under-recovery on the sale of power is down from Rs 0.6 to Rs 0.35 per unit of power through a mix of cost reductions and tariff hikes. AT&C losses are down to 23 per cent, although the target for FY18 is 21 per cent. Encouragingly, there is a growing sense of competition among the states, but at the same time, they are cooperating by sharing knowledge and best practices. While India's power-sector problems have not yet been fixed there is a sense that things are on the right track. If all goes according to plan, the total savings from UDAY can be as high as Rs 1.8 trillion through reduced debt servicing costs, elimination of theft, higher distribution efficiency and lower production costs. This would bring down NPAs in the banking sector and spur investments upstream and midstream in the power sector itself. According to an estimate by the Government, India's power sector can absorb investments worth USD 250 billion across the value chain but a significant proportion of this is held back by the poor state of the distribution sector. If UDAY is successful this potential can be fully unlocked.

THE ULTIMATE IMPACT

In an ideal world, if the multiple game-changers identified above were to play out according to script, they can theoretically drive up GDP growth by



as much as 5.5 per cent a year. The DBT can create savings of as much as 2.5 per cent of GDP, which – assuming an incremental capital-output ratio (ICOR) of 5 – translates into an additional 0.5 per cent of growth a year. UDAY can create savings worth 1 per cent of GDP, which implies a 0.2 per cent increment to growth. Most important, however, is the realignment of savings. The household sector accounts for 60 per cent of GDP, so by giving a 4-12 per cent boost to household income (or, taking the middle point, 8 per cent), GDP growth could rise by as much as 4.8 per cent. Plainly, this is an idealised scenario but even if the game-changers deliver half of what they are meant to, the growth impact would be 2.0-2.5 per cent a year. In other words, India could look forward to 8.0-8.5 per cent growth in the long term. ■

The contents of this paper are based on discussions of The India CFO and the India CEO Forums in Bangalore, Chennai and Hyderabad with Adit Jain, Chairman and Editorial Director of IMA India in January 2018. Please visit www.ima-india.com to view current papers and our full archive of content in the IMA members' Knowledge Centre. IMA Forum members have personalised website access codes.

UDAY has made a promising start, with 31 states and UTs signing on so far, and Rs 2.1 trillion of state bonds issued. Total savings from the programme might eventually swell to Rs 1.8 trillion

Brands: When the Promise is not Kept

Social media is omnipresent, and it can be the most dangerous, combustible medium, which will reflect truth but just as easily, distort it. The story becomes what the teller says it is, and that can change shape and form as days progress.

A few months ago, an appalling incident flashed all across social media of a passenger being manhandled - even that is an understatement - by a leading airline's staff. It was shocking on multiple levels. First, that educated youth – India's hope, India's future, with good jobs and assured incomes – can be so beastly. What can we then expect of those deprived of the opportunity to earn a decent living by dint of fortune? Second, there are questions around the passenger himself – someone who may well represent the entitled, arrogant Indian. In airport after airport, we see high-handedness among those of us who travel frequently. A copy of the airline Chief Executive's carefully-worded letter, which did the rounds on Whatsapp, stated that the first act of aggression was the passenger's – both through abusive language and, as the letter seems to suggest, by raising a hand. Only those actually present there can know the whole story, but the video is hair-raising for the worst side of humanity that it represents – potentially at both ends.

Setting aside emotion, what comes to mind is the impact on the airline's brand. The incident brings home, yet again, that social media is omnipresent, and it can be the most dangerous, combustible medium, which will reflect truth but just as easily, distort it. The story becomes what the teller says it is, and that can change shape and form as days progress. Separating fact from hypothesis, or even outright lies, is hard for anyone. There is information, almost too much of it, and our brands can hang in the balance. And so, more so than ever before, it is time to protect brands by ensuring that every pore of your organisation lives the promise of the brand. IndiGo, the airline in the spotlight in this particular case, is much more than an airline: it has been Indian aviation's statement of efficiency to the rest of the world. Looking at this incident, one could worry about how success could breed arrogance. One lesson clearly then is, however justified the accolades, humility is key – and so is never forgetting that if the customer puts you on a pedestal, even if for justified reasons, he or she can just as easily pull you down.

What are other learnings from this – for human resource management, and for customer centricity? There are doubtless many, but here are some.

First off, there is the massive need for businesses to understand and recognise the criticality of context - its perennial nature in the culture of a nation, and just as much, its changing, transforming nature on other counts.

The younger generation does not necessarily have lower expectations on personalisation and care.

On the count of a nation's culture – in India, we value efficiency because we get so little of it in our day-to-day lives. In most other countries worth their name, it is just hygiene. But more than efficiency, culturally, Indians value the expression of courtesy, we value the little things, we value emotion. Stickiness to brands comes from that emotion. Efficiency can be replicated if the process is replicated. Which also means that an entire team shifting to competition will take this USP away, especially if that team has been core to the creation of the processes that underlie that culture of efficiency. But placing a premium on the small things, on the emotion of delighting a customer – that cannot be replicated as easily. That takes individuals of a certain sort, and it takes the binding together of talent of a particular kind, one that finds joy in delighting the 'other', outside of oneself. An unselfish approach means making something inherently difficult – like travel in madcap India – easier. However, that is only possible when the right attitude runs across the length and breadth of the fabric of the firm. Brands in India would do well to recognise this. To ensure all the other desperately needed elements of efficiency, to demand self-respect and to never be subservient, but to watch for the little things that delight the customer, and quite simply, to be respectful. Even aware, well-travelled passengers feel this can be amiss, but you have to watch the hapless first-time air traveller in India, who has paid good money for his seat, but who is quiet likely to be treated as second-rate, by both co-passengers and airline staff, only because it's new to him. There, as the services industry in toto, we lack. And we miss becoming iconic in one of the world's biggest – 1.3 billion and growing – and most high-potential markets.

> We must encourage those in our teams that have the courage of conviction. Often these will be the people who challenge the status quo, though one must be able to separate those that are in it for nuisance value, from those that truly value the firm and want it to be better.

The second learning is to catch the generational shifts, though fortunately, we do better on that count in the India of today. Illustratively, we migrate easily to customer-centric technology interfaces that Gen X and Y prefer. But again, the danger lies in not recognising that the younger generation does not necessarily have lower expectations on personalisation and care. And it is also far more vocal. One-dimensional views of any generation are dangerous, generalisations even more so. Our brands and our people must bear that in mind.

The third lesson is to always watch out for changes in a business' wider eco-system – because, overnight, they can render any competitive advantage irrelevant. Full-service airlines that offered the advantage of lounges when India lacked decent airports had a USP to offer. Today, I would just as easily sit in a sunlit cafe in any metro airport than in a lounge: the coffee is better, the environs undeniably more pleasant. So that USP is lost. What remains special, then, is the ability to connect to customers, and for that you need empowerment, and you need to encourage the right kind of attitudes and behaviours.

A whole different set of learnings follows from this. Namely, the need for firms, especially services firms that touch the lives of customers directly, to adhere to the most stringent SOPs. Those SOPs must be reviewed in action, they must be tested, and they must be continually stretched - again and again and again. Not to tick boxes, but to authentically build the desired responses and reactions. No matter how humdrum it may sound, culture is the result of adhering to process. Delight is not the easiest thing to offer. What it boils down to is the ability of marketing and operations to work very closely with HR to deliver on this. In turn, it is key for us to find, hire and encourage individuals who display the softer attributes, including, first off, of empathy. Customer orientation and revenue are often directly proportional.

To return to the airline example, never allow a passenger to be incorrect – but also know that two wrongs don't make a right. It helps, in this context, to encourage those in our teams that have the courage of conviction. Often these will be the people who challenge the status quo, though one must be able to separate those that are in it for nuisance value, from those that truly value the firm and want it to be better. In the case in point, this could have stopped brutishness from flaring up, because it would not have been allowed by other co-workers. It is impossible, for example, in absence of more knowledge, for anyone to fathom why that young gent wresting back the passenger from the other colleague was smiling at the camera. Herd mentality can come easily to us – human beings are

In the context of customer satisfaction, the old-world order of trust must give way to accountable practices that offer respect, and which aim to delight.

like that – but we must test for the right impulses to be able to rally around the right things. And it is the right things that must be spoken of, reiterated, and then reiterated again.

What matters most is, and must be, the ability of leadership to lead by example, on the floor. You must be exemplars of the right spirit that you need in your firms and in your context. For most businesses, the right spirit includes the clear ability to respect others; it includes the ability to be truly customer-centric; it must include the ability to avoid a herd mentality. India in particular, has that disease, and watching for it is key – as is the willingness to utterly condemn something incorrect. There can be no negotiation, no understanding. The messages for the others are quite simply too many.

Most of all perhaps, it includes the ability to handle crises and conflict – and you can train for that. Beyond instilling values of customer centricity, employees must be trained on conflict and crisis management; they must be clear about the lines that must never be crossed in the management of conflict and detailed protocols that guide behaviours are key. Industry operations are complex, demanding precision and punctuality, and exerting huge pressure on employees. Erratic customer behaviour can – and will repeatedly – interfere with this rhythm and put further pressure. We cannot not train for this.

There is also the wider issue of whistle-blowing and its acceptance - or not - in India's business landscape. Any which way, whistle-blowers have it hard – very hard – and that must change.

Outside of the public uproar on social media, would be the shock that a concerned and correct Chief Executive, on how this could have happened in the first place in a team the airline's leadership has always prided itself on. The corrective steps the airline would have taken internally, away from the public glare would be even more important than the very public apology – absolutely the right thing to do – that the airline's Chief Executive offered.

India's USP to the world is services. Can we maximise that potential? Like this, we cannot. The lessons we can learn from such incidents apply just as much to global businesses like IT and ITeS, where customer orientation, communication and empathy have been weaknesses at a time when firms are rising up the value chain. But they are also applicable to domestically-focused services like retail and trade, which will only expand as India formalises further under the efforts of our government. In the context of customer satisfaction, the old-world order of trust must give way to accountable practices that offer respect, and which aim to delight. Inevitably, these will then replace what the informal sector offered – trust, and the value of spoken commitments - and they will need to be a better value proposition.

Our younger team members across India's corporations have so much to offer, and they are keen to learn. Perhaps it is time to test them on the real things in life – dignity, respect (for oneself as much as for the other), and customer oriented service – just as much as we have tested them on the narrower metric of getting the job done in time. Perhaps the first steps will be taken by showing them how it's done. In that process, we might learn something ourselves. ■

This piece is authored by Radha Ahluwalia, Managing Director, IMA India. The views expressed are personal.

How CFOs are Redefining Supply Chain Finance

Alok Mittal looks at how large-enterprise CFOs can leverage credit intelligence to strengthen their partners, and ultimately, themselves

From being mere 'treasurers of corporate value', CFOs now play an integral part in driving value creation for their organisations. The genesis of this shift lies in various domains: partnerships, contracting, M&A, corporate finance, and so on. Today, CFOs are helping businesses to create value in ways that tap into the full quiver of opportunities that the ecosystem provides. Consequently, more and more companies rely on CFOs to structure, refine and execute their strategic blueprints. An important element of this is the growing responsibility CFOs hold for ramping up capacity, or extracting efficiencies from their supply chains.

Smaller organisations, on whom larger ones depend, tend to face bottle-necks when it comes to accessing finance

Expanding supply chain volumes

Larger organisations tend to interact with multiple small enterprises or MSMEs, either as procurers, suppliers, distributors, or simply as customers. Such working partnerships have greatly helped smaller businesses to chart their paths to success. However, the one red flag these minnows continue to face, even today, is a lack of adequate investment capital, which is needed for them to maintain consistent growth.

An important corollary is that, because of this funding bottleneck, larger enterprises are often unable to leverage the full potential of their supply chains. This is where the role of CFOs becomes acutely important.

Historically, larger companies have helped small businesses, not only with their operations, but also with financing. In this respect, CFOs can play a decisive part in financially enabling smaller businesses or supply-chain partners, albeit without having to provide the capital themselves.

The automobile sector is one vertical where multiple, finance-enabled supply chains exist. Here, many companies actively contribute to supply-chain financing, and, aside from the business advantage it provides, this has earned the bigger organisations stanch loyalty from suppliers, vendors, and distributors.

Global trends

Outside India, large enterprises have played a key role in enhancing their supply chain's financial capacity, opening up a whole new world of value creation. Making this possible, CFOs have devised an approach that neither interferes with the provider company's cash flows, nor requires them to take on any additional risks.

How do they achieve this? At one level, CFOs offer credit intelligence

Across the world, Finance is playing a key role in enabling greater credit flows to smaller partners, distributors and vendors

data about their suppliers and distributors to financing companies, which helps them make the right decisions and investments. At another level, technology, as it does with everything it touches, has made possible innovative ways to augment credit availability. Examples of this include Market Invoice, a company that permits its suppliers to sell their invoices on an institutional trading platform. Similarly, C2FO allows large enterprise customers to discount their own invoices for treasury management.

Credit intelligence: The new kid on the block

One key reason why MSME financing is such a challenge in India is the lack of secondary data. Primary data, on the other hand, is hard to aggregate, and most such data is unreliable. Yet, to secure credit, it is paramount that business data be made available. Compared to their supply-chain partners, CFOs are highly adept at generating such credit intelligence. They are thus in a strong position to help their partners gain access to financial support, which in turn can augment their capacity to serve the principle.

The Indian situation

In India, new-age Fintech start-ups are revolutionising the supply-chain financing domain. One such company provides financing solutions for customers of large travel consolidators.

The consolidators provide information on the entire range of transactions that occur between the consolidator and its customers, in a provable manner. The Fintech company then analyses this data for trends and insights, and connects that data with financial data, as provided by the distributors. This allows lenders (either banks or NBFCs) to understand the creditworthiness of the individual customers (i.e., the travel agencies). This, in turn, helps consolidators generate more business and loyalty from their existing distribution agents. All of the parties involved win, simply by accessing data that was previously locked inside the enterprise-level financial infrastructure.

Similar solutions are now being deployed in multiple sectors, from automotive, to retail and e-Commerce.

Conclusion

Big enterprises know that, in order to nurture their business, they need to power the businesses they rely upon. Thus, small businesses are really the 'subsidiaries' on which most enterprises depend for their operational needs. CFOs have long focused on this segment of patrons, and they now have the tools required to unlock the potential lying inside these stakeholders.

Advances in technology and big-data engineering and analytics provide a huge opportunity for CFOs to create and sustain a new pedestal of growth, by revealing the credit intelligence and enhancing the financial capabilities that exist inside an organisation's supply chains. ■

Alok Mittal is Cofounder and CEO of Indifi, a technology and data platform to enhance small business financing. He also serves on Boards of Indian Angel Network, and The Indus Entrepreneurs in Delhi.

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OF THE YEAR

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EXCELLENCE

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This Year, The Eleventh India CFO Awards will be announced in the following categories:

- The CFO of the Year
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- Excellence in Raising Capital/Capital Restructuring
- Excellence in Finance To Aid a Turnaround
- Excellence in Financial Control/Compliance/ Corporate Governance and Ethics
- Excellence in Finance in a Start-Up
- Excellence in Talent Management
- Excellence in the Use of Technology
- Sustained excellence in finance over a decade

To participate or to nominate a senior finance professional for The Eleventh Annual CFO Awards 2018 write to us at vidhi@ima-india.com

Gadgets

Our monthly roundup of new gadgets

Razer

For as reassuring as it is to look forward to the next Samsung Galaxy powerhouse or new iPhone year after year, sometimes it's interesting to see what a little fresh blood can do to shake up our tired old expectations. Gaming and peripherals company, Razer already had some experience with tablets and wearables, and now we have the company announce the new Razer phone, with tons of RAM to satiate even the most demanding apps, as well as an extra-high-refresh-rate screen designed to offer some of the smoothest graphics around. The Razer Phone is a glimpse into the future. If you buy one today, you can experience (and brag about) a piece of technology that may appear in many phones down the road: a screen that refreshes 120 times a second. It makes using the entire phone better.

It's the difference between swiping down a blurry web page and one that has crystal-clear text you can actually read as it goes by. When you tap the screen to launch an app or interact with a game, it feels faster. Not because the processor is faster, but because the screen shows the results quicker than other devices.

The Razer phone is the first to offer a 120Hz screen -- competitors are generally half that speed -- and like Apple's Retina Display before pixel-dense screens were the norm, it's hard to go back once you've tried it.

The front of the phone is dominated by a big, 5.7-inch screen, but maybe just as eye-catching are the large speaker grilles flanking the panel's top and bottom, promising some big stereo sound. The top grille is interrupted by various sensors, a status LED, and the front-facing camera. The top edge is free of ports, while the combination SIM and microSD tray lives on the right edge. The Razer phone really does deliver when it comes to gaming. While performance isn't a huge leap beyond anything we've seen to date, the high-refresh-rate screen makes even familiar games look all the more impressive, and the very configurable Game Booster easily allows users to tweak advanced settings to strike some informed performance/battery life trade-offs. If the idea of a powerful, no-nonsense smartphone running nearly stock Android sounds appealing to you, the price: Rs. 54,990. ■

TrakDot

Traveling can be a hassle. Lose your bags and that hassle can become a nightmare. No clean underwear, no toiletries, and no rain coat for those relentless downpours means a trip that will be spent inside your overpriced hotel room.

While the TrakDot can't ensure that your bags will show up with you, it can provide some peace of mind. You pack the small device in your luggage, and the rest is automated. The TrakDot knows when you're flying and shuts down to conserve energy. Upon landing it wakes, automatically checks to see which city it is in, and sends you a text or email with its location. Needless to say, if the city matches your intended destination, your baggage hasn't been sent to the other side of the world, and your trip is one step closer to being a positive one. Power up the accompanying smartphone app, and the TrakDot will detect when your luggage is within 30-feet of you, making it easier to collect your bags at the carousel.

The TrakDot costs price: Rs. 4554 ■

Mount Kailash: The Experience of a Lifetime

Mount Kailash, known as the abode of Lord Shiva, is one of the most revered holy places – not only for Hindus, but also for Buddhists, Jains and Bons. A major peak in the Kailash range, which forms part of the Trans-Himalaya in Tibet, this elusive mountain had been on my bucket list for over three years. Somehow, a trip there had not materialised, but I guess it was bound to happen only according to His will.

When I heard about a Kailash Mansarovar yatra-cum-silent-meditation-workshop that was being planned by the Art of Living foundation, and organised by Mumbai-based Yatra India, I was very excited. Give that I would not only get to see Kailash, but also meditate there, it was a double bonanza.

Many personal and professional factors had to be considered, but the keenness to get to Kailash kept me going. Preparations for the trip – including fitness training, medical tests, and shopping for everything from food items to dry-fit and winter clothing – began a month ahead. Eventually, everything fell in place by His grace, and I had what can only be described as the journey of a lifetime.

Day 1: August 31, 2017

Setting out on this remarkable trip from Chennai, I arrived in Lucknow on the night of August 30th, thrilled to be traversing this path with strangers from all over the globe. The next morning, around 50 of us set out in two huge Tempo Travellers for Nepalgunj, just across the border with Nepal. En route, we had a sumptuous lunch, driving past beautiful fields as well as crowded roads before hitting the mayhem of the border-crossing.

Just after we settled into our hotel, there were heavy showers that lasted well into the night. Realising that we needed to re-pack our luggage to meet the 10 kg per

person check-in limit (with another 5 kg of hand luggage allowed), we hurried through dinner. After several rounds of elimination and clever packing, we arrived at the ideal weight – but only for the bags!

Day 2: September 1

Excitement had set in, and we couldn't wait to get to our destination. We had to be ready by 5:45 am, and were to be sent in batches in a mini aircraft to Simikot, and thereafter in a helicopter to Hilsa, still in Nepal. However, the weather gods had other plans. The heavy rains continued, so no flights were permitted to take off. The first lot finally left for the airport at around 9:30 am, and the second at 11:30 am.

Simikot, an hour's flight in a tiny aircraft, was scenic, and pleasant weather welcomed us. Clouds kissed the green mountain-tops, and there were umpteen colourful flowers all around. While waiting for our helicopter, we were served hot aloo parathas with pickle and tea. Hopping aboard for my first helicopter flight with 4 others, I took umpteen pictures and videos of the scenery below.

In twenty minutes, we were in Hilsa, which lies on the border with Tibet. Dishearteningly, just as we got off, we saw a dead body being moved to another chopper. We learned at the time that close to 10 per cent of visitors to Kailash die each year owing to the high altitude and low oxygen levels. Comfortingly, many believe that they are blessed to breathe their last in this holy place.

Apart from the landing pad, and a few small rooms filled with cots and mattresses, there isn't much in Hilsa. While waiting for the rest of the group to arrive, we binged on hot noodles and tea. When everyone had finally assembled, we crossed the border on foot, walking across a hanging bridge over the River Karnali that was being blown about by the wind. On both sides of the crossing, immigration officers checked and stamped our passports, and on the Tibet side, there were several rounds of detailed bag-checking.

Formalities over – and with the sun still shining bright at 8pm – we drove on smooth roads along mountain-sides and over acres of barren land to Taklakot (also known to locals as Purang), which lies at an

altitude of 13,200 feet. (No wonder Tibet is called the Roof of the World!) In Taklakot – where we were to spend to nights acclimatising – we joined the rest of the group, who had come in a day earlier. We were now a total of around 70 people from around the world.

Day 3: September 2

Having slept poorly the previous night, my roommate and I went back to sleep after morning rounds of yoga and kriya and a light breakfast. I also had a headache – whether because of the cold weather or the altitude, I do not know. The plan was to wake up in time for lunch, but we only got up at 4pm, finding that the kitchen was closed and no food was being served.

We decided to visit a nearby supermarket, less than half-a-kilometre away, but the altitude made even this short walk feel like an eternity. Within a few steps, we started to feel the lack of oxygen and became slightly breathless. The supermarket itself was unexciting, and pangs of hunger, clubbed with the headache, made things worse.

Thankfully, another member of the group offered me home-made laddus and snacks that served as lunch. Instantly, I felt energised, and the headache vanished, too. That evening, we had a lovely satsang, followed by a light dinner of khichdi and kadi.

Day 4: September 3

After a light and early breakfast, we set off for an exciting day ahead. A short and beautiful drive – under an hour – brought us to a spectacular viewpoint. From a distance, I spotted the beautiful, snow-capped peak of Mount Kailash, standing tall and majestic. The other mountains around it had only scattered snow, if any, creating a salt-and-

pepper effect.

We halted at the massive, spell-bindingly beautiful Lake Rakshastal, its still waters a lovely, deep shade of blue, with chill winds blowing around us. Rakshastal is considered variously to be a cursed lake, or the 'lake of the devil'. Smitten by its beauty, and that of the enchanting Mount Kailash, we clicked many pictures here, even though our hands were freezing.

Our next stop was the holy Lake Manasarovar, and all along the way, we had mesmerising views of the holy mountain. After a quick breakfast by the shore, we went to explore the lake, by now glittering in the sunshine. A flock of birds flew past us, and to our left was Mount Kailash, encircled by clouds and standing out against a clear blue sky. It reminded me of an angel Emoji with a halo around it!

Enthralled by all this beauty, I went into a meditative state, but by then, it was time to leave for the Manasarovar Parikrama and a dip in another side of the holy lake. So off we went in the bus. This section of the lake was equally beautiful and inviting, painted in various hues of blue, with light waves hitting the shore and Mount Kailash forming a magnificent backdrop. Despite the sunshine, it was still very cold. Most of our group took a dip in the freezing water, and although I was initially very reluctant to do so, I eventually gave in after being coaxed by my group-mates. It was biting cold, yet refreshing.

The travel agent had pitched small tents for the women to change. Since I had not carried a spare set of clothes with me, I dried myself in the warm sun and dressed over the same wet thermals.

We then proceeded on the 88 km Manasarovar Parikrama by bus, chanting 'Om Nama Shivaya' as we drove over very rough terrain. It was past 4pm when we returned to our breakfast spot for lunch. By then, the warmth of the sun had diminished, and the winds had started up. My inner clothes still wet, I started to feel colder and began to shiver. I was in a state of bliss, but too cold to even talk or do anything about it, and wondered if I might fall sick. Luckily, the travel guide noticed my shivering and immediately offered me a warm cup of black coffee, covering me with yet another thick and warm jacket. After that, I felt better and had my lunch in the open.

From here we drove to Darchen, a small village in the foothills of Kailash, and – at 15,010 feet – the closest point to the mountain where you can find accommodation. We entered our hotel room, only to be greeted by a tiny mouse, which hid itself in the small gap between the cupboard and the door. After a few panic-stricken moments, I mustered the courage to open the door, and the mouse scurried out – maybe to the adjacent room?

Settling in, we were welcomed by our meditation course teacher, Rishi Nityapragya-ji. Our advanced meditation course began with a satsang, after which we were to remain silent for the next few days. The low oxygen levels were very evident here. Be it climbing a flight of stairs or walking a short distance, everything felt like a challenge.

After dinner, we retired to our rooms – in silence – and it was then that I had the strangest experience. Even though I was tired, I could not sleep a wink. Worse, my heart was pounding so fast, I felt like I was sprinting. I tossed and turned, and even with a bed-warmer, thermals and a jacket, I felt cold. I wanted to sleep well so I would be fresh the next day, but nothing worked, and my roommate was also feeling sick.

Thankfully, after about 2 hours, there was a knock at the door. It was the travel agent's doctor, who was checking up on all of us. It was a relief to see him, and I gestured to him – still silent – about my pounding heart and sleeplessness. He gave me an Ayurvedic medicine, and that worked. Finally, I fell asleep, only to wake up again 3

hours later, because we had an early day ahead of us.

Day 5: September 4

We started the morning with yoga and basic stretches, but even taking deep breaths proved to be a challenge. I was one of the few who continued to feel cold despite thermals and jackets. My headache persisted on and off throughout the day, and most of the time I felt neither hunger nor thirst. (Many from our group felt ill – I guess that's what the high altitude does – but nothing serious, and there was always a doctor on call.) Whenever I remembered to do so, I would sip on hot water, and there was always good vegetarian food to be had.

The day was filled with various forms of meditation, but around 5pm, we set off for the Yam Dwar ('the gate of immortality'), the closest point to Mount Kailash. We drove for about 30 minutes – and what a splendid site awaited us! A beautiful, clear blue sky framed the majestic Kailash, clad in smooth, soft, pure-white snow. While walking the short distance along the path leading to the Kailash Parikrama, we could not take our eyes off the mountain. Here we also saw some locals performing a 'namaskar', a small part of the 20-25 days it takes to complete the full, 52-km Parikrama on foot.

As we got closer, we were amazed to see that the snow atop the peak (temporarily) formed what resembled the third eye of Lord Shiva. It was an astounding moment, and words fail to describe the experience. I felt blessed and rejuvenated. We clicked pictures, sang bhajans (which was permitted, despite the requirement for silence), and rejoiced.

Returning to our hotel, we continued our meditation and had a brilliant satsang with Rishi Nityapragya-ji that evening, followed by a nice dinner (all in silence). The doctor on duty did a good job treating those who felt unwell. Although I again felt slightly breathless that night, I was amazed that, despite the lack of sleep, I didn't feel tired.

Day 6: September 5

With quite a few people in our group falling sick, we decided to move back to Taklakot, which was at a somewhat lower altitude. While

waiting for the others to assemble, I stepped out in the cold outside, and my goodness, what a site awaited me. I looked up to see the sun-rays gently kissing the peak of Mount Kailash. It was paradise.

The road in front of the hotel was also very scenic: straight and long, cutting through acres and acres of flat, rustic terrain, and seemingly leading into snow-capped mountains.

En route we stopped at Manasarovar for couple of meditation sessions, followed by lunch. Once again, we gazed in admiration at Kailash, and at the many-hued lake, clicking countless pictures. Because the sun was so bright, I didn't realise what I was shooting with my new fish-eye lens. Later, I was both surprised and happy to see that I had taken a picture of the clouds flying atop Kailash like an angel: an accidental but cherished photo.

Reaching Taklakot, we resumed our meditation sessions after settling into our rooms. (Our tour guides effortlessly managed our numbered duffle bags, and ensured that we were all comfortable.) This was the day we had a twenty-minute 'meditation in motion' session, which in the past I had found quite challenging. I had never managed to successfully complete it, but this time, I surprised myself by doing so.

The remainder of the day was filled with deep meditation sessions, which we thoroughly enjoyed. That evening, we had another energising satsang, followed by a briefing on how important it was for us to leave early and on time the next morning. The plan was to reach Nepalgunj by evening, failing which we might get caught either in Hilsa or in Simikot, given that a storm was forecast.

Day 7: September 6

We awoke early the next morning ready to bid adieu to Tibet. As Taklakot lies on the border, we soon crossed over into Nepal. Walking across the hanging bridge again, the winds were fast and chill, and the bridge lightly swayed in joy.

Waiting for our helicopters, we enjoyed homemade noodles and hot chai. This time, we were being sent in groups of ten using two helicopters. As we were still meant to be silent, there was not much to do, so we started singing songs on Shiva. This turned out to be such fun, we couldn't resist dancing as well.

In the last but one batch, I flew to Simikot, and was lucky to be the co-pilot. I enjoyed the scenic views of high mountains, greenery, and a winding river, arriving in Simikot in less than half an hour. There, I had to wait nearly two hours for the small aircraft to take off. The weather was no longer cold, and the jackets started to come off one by one. We continued to sing, taking shelter from the sun under the wing of the plane! The people around us were amused, thinking us to be crazy.

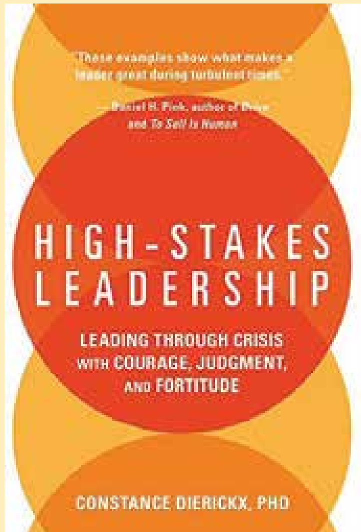
At Simikot, I met a most beautiful person. She was a local – short, probably in her early sixties, and a worker at the airport, but she had the most beautifully warm, genuine smile. She seemed to recognise me from the onward journey, gently tapping on my shoulder and smiling at me. I returned her smile, and was touched to see her working so hard, carrying heavy goods manually. I decided to give her all the extra food I had carried with me – which she accepted gladly. Just after the plane took off, I came to know that this lady had been born dumb, and despite all her hardships, remained cheery.

After an hour's flight, we landed in hot and humid Nepalgunj. Back in the hotel, we claimed the bags we had left behind, repacking them so we were ready to leave the next morning. We were still high on energy from the yatra, and having finally broking our silence, had a brilliant satsang filled with joy, laughter and dance. The next morning we were to return to Lucknow, from where a group of us visited Ayodhya before heading home.

Despite the harsh weather and physical conditions, for the most part, I experienced inner peace throughout the yatra. The mind stayed blank most of the time, and our silence was the icing on the cake. All said, it was an indescribable experience that cannot be explained – but can only be experienced. Personally, I felt like I was alone with me, myself and my Shiva. Pure bliss. ■

Sangeeta Shankaran Sumesh is Executive Director and Chief Financial Officer at Dun and Bradstreet Technologies and is also a Performance Coach

Courage, Judgement, Fortitude



High-Stakes Leadership: Leading Through Crisis with Courage, Judgment, and Fortitude
Author: Constance Dierickx
Publisher: Routledge
Pages: 216
Price: Rs 1090

Organisational and leadership consultant Constance Dierickx describes high-stakes leadership in a simple, three-part model that illuminates the mindsets, strategies, and tactics leaders must draw upon to make tough decisions, take an unpopular stand, or ignore convention, providing real-world examples across a range of sectors and industries. The essential aspects of good leadership endure even as the environment and tactics change.

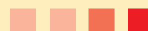
In the first chapter of her book, *High-Stakes Leadership: Leading Through Crisis with Courage, Judgment and Fortitude*, author Constance Dierickx describes the joy of Girl Scouts of Western Washington CEO Megan Ferland and her staff when they received a $100,000 donation. The donation represented one-third of the organisation's annual budget. A few days later, however, Ferland received a letter from the donor asking her to "guarantee that our gift will not be used to support transgender girls. If you can't, please return the money."

Ferland returned the money despite the risks associated with turning away such a large donor. And that courageous act, as Dierickx explains, was only the beginning. "What happened next," she writes, "was nothing short of stunning. Ferland and her team went public with their decision. Then, they launched a fundraising campaign on Indiegogo. Next, they created a compelling video about what Girl Scouts is about." Ferland and her team never attacked the donor; they only focused on the positive story of the Girl Scouts and what they did for every girl who joined. In the end, the organization raised $150,000 more than the original donation.

For Dierickx, the story of Megan Ferland and the donation with strings attached exemplifies the three foundational leadership attributes of courage, judgment and fortitude, which are required for what she calls "high-stakes leadership" — that is, "the ability to lead effectively in times of whitewater change and great risk."

Courage includes the courage to stay true to yourself and your organisation and the willingness to make tough decisions. One of the courageous acts required in a crisis situation is to not be afraid to let go. However, the dilemma of sunk costs is one reason many leaders refuse to take the steps they need to take.

> Three key attributes form the basis of strong, effective leadership in these times of rapid change



One CEO tried for three years to help a mediocre, arrogant and ethically challenged chief operating officer perform. Only when the CEO finally removed him did the organisation learn the extent of the damage created by this toxic manager.

Dierickx explores a number of different facets of judgment, including the power of decisiveness and patience and the negative impact of overconfidence. One of the deciding factors in good judgment is to ensure that all actions — and reactions — are grounded in values. When Hurricane Matthew cancelled a conference that Dierickx was attending, the staff's extraordinary response in safely evacuating the hotel and ensuring that all guests were fully taken care of demonstrated how values can lead companies and people to make the right calls even in the most unforeseen and risky situations.

Fortitude is not always easily defined. Dierickx uses the following formula to help define this valuable *high-stakes leadership* element:

Vision, she explains, is the aspiration of the organisation, while mission is the reason for its existence. Persistence is "the ability and intention to stay the course," she writes, adding that "far from blind ambition, it is a reasoned application of energy and resources." Character is at the heart of fortitude and is rooted in the desire to make a difference. Through the stories and guidance in High-Stakes Leadership, Dierickx hopes to inspire and help others to emulate the leadership of such high-stakes leaders as Megan Ferland. ■

Road to Recovery

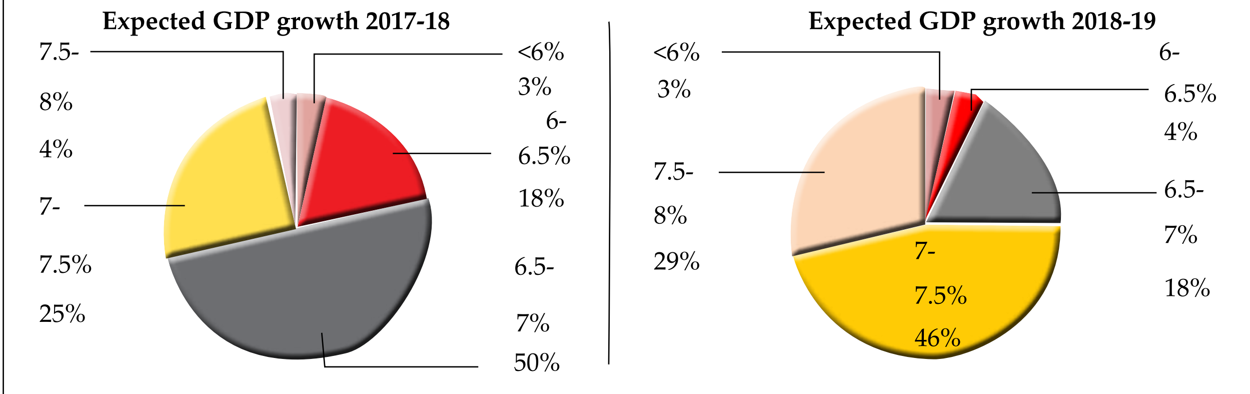


Chart 1: GDP Growth expectations

2017 was a roller-coaster ride for the CFOs of India Inc., but as they move into 2018, many see a clear road to recovery from recent economic and regulatory disruptions. Events of the last year have also left Finance heads with a new set of priorities – on both the personal front, and in terms of what they expect of their team-mates in these turbulent times.

In a recent IMA dip-stick survey, over 30 CFOs shared their perspectives on the economy, their individual businesses, and their key 'asks' – not only of their teams, but also of themselves. The results confirm the general view that economic growth is recouping from the 'GST jitters': median growth expectations for FY19, at 7-7.5 per cent, are higher than for FY18 (6.5-7 per cent), and more than a quarter (29 per cent) of CFOs expect it to exceed 7.5 per cent, up from just 4 per cent for this year (Chart 1). Moreover, the domestic recovery will spill over into improved top-line and bottom-line performance. 62 per cent of firms expect to grow revenue by more than 10 per cent next fiscal, up from 44 per cent this year (Chart 2). 38 per cent forecast net profit growth in excess of 15 per cent, double the share with similar expectations for FY18 (Chart 3).

A cheerier business outlook

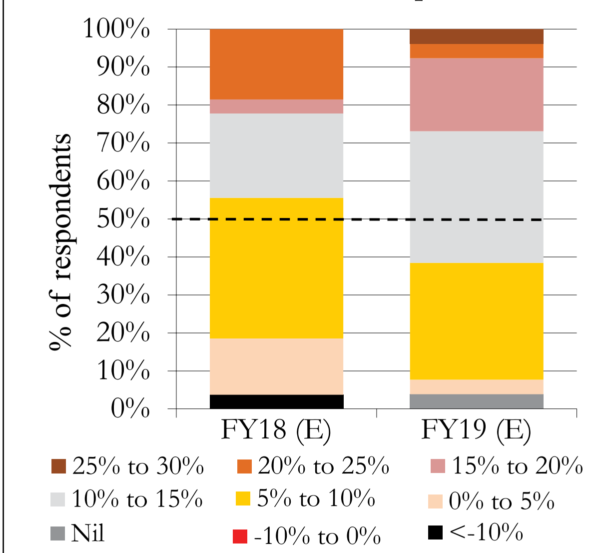


Chart 2: Revenue Growth expectations

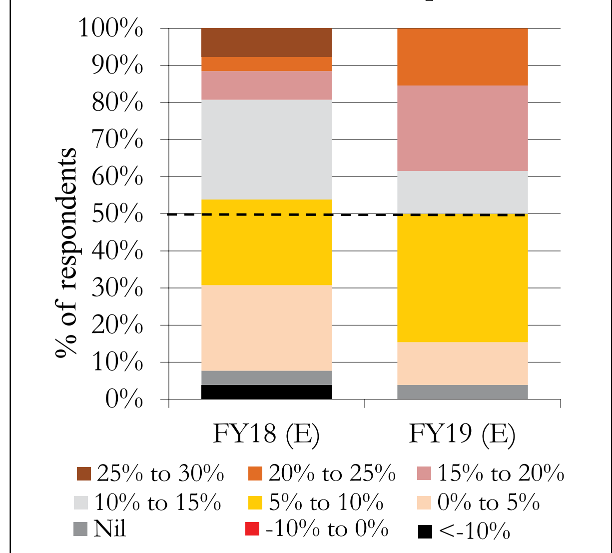
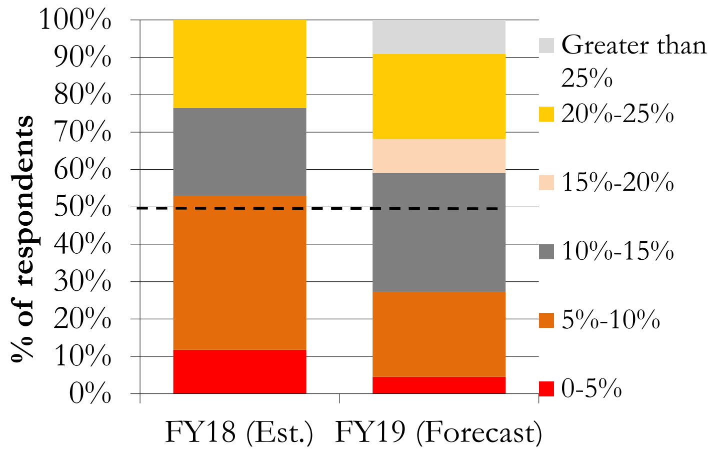
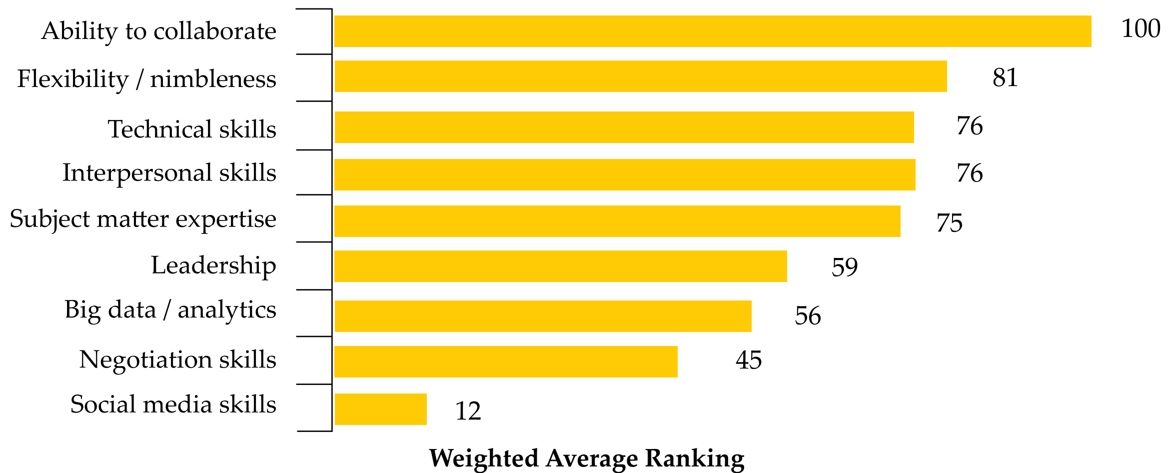


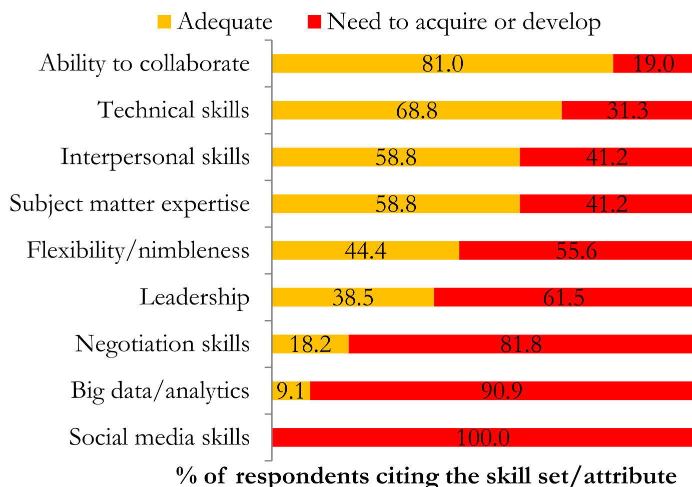
Chart 3: Net Profit Growth expectations



stems partly from a strengthening world economy, which will create opportunities for exports. At the median, CFOs expect growth from overseas sales to move up from the 5-10 per cent range in FY18 to 10-15 per cent in FY19, with the share of companies expecting more than 15 per cent export growth almost doubling, from 24 per cent to 41 per cent (Chart 4).

A shifting economic and regulatory regime will impact both skill-set requirements, as well as the to-do list for CFOs. The ability to collaborate and flexibility/nimbleness are at the top of the 'demand' list for Finance-team employees, edging out technical and inter-personal skills (Chart 5). Yet, while most CFOs believe that their teams are 'adequately stocked' in terms of collaborative skills, they are less sanguine about the other three key 'asks' – and especially so in terms of flexibility (Chart 6). On the personal priority list, compliance issues expectedly comes out on top (27 per cent of all CFOs rank it in first place), but, in an environment where growth is clearly returning, ensuring business growth (17 per cent) is a second, vital priority. ■





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RNI No: DELENG/2006/19967
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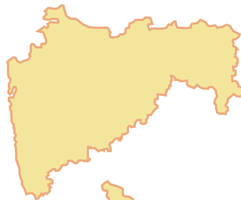

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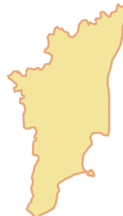

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