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NAVIGATING THE FRONTIER TO 2030

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CONCLUSIONS PAPER

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The Here, Now and Transitions

***Adit Jain**, Chairman and Editorial Director, IMA India*

We live in times that often feel chaotic but, at the same time, predictable when viewed as a part of a historical pattern. Session one talked CFOs through some of the key transitions that the world is undergoing and what this means for businesses in India.

Shifting geopolitics...

Geopolitically, there are two key shifts underway. In the Middle East, the Abraham Accords have improved relations between Israel and the Arab states. The more recent, China-brokered dialogues between Saudi Arabia and Iran may help establish longer-term peace between these two rival states. Meanwhile, India's geopolitical relations with the Middle Eastern monarchies, including Saudi Arabia and Bahrain, have never been better. This is evident in the announcement of the India-Middle East-Europe Corridor (IMEC), a logistics corridor that will bypass the Suez Canal and reduce the cost of shipping goods. Much of the capital coming into India will be from the UAE and Saudi Arabia.

At the same time, the US' preoccupation with the war in Ukraine has resulted in it losing sight of the Middle East. For instance, Saudi oil is usually transacted in US dollars but China recently used renminbi for its own purchases. The era of the Middle East as the US's permanent ally seems to be over. Furthermore, led by France, Europe is seeking to decouple its foreign policy from America's. This is one of many indicators that the US-EU Marshall Plan-era collaboration is no longer a reality. Within Asia, China remains an important economic partner while America serves as the security provider. Consequently, no one, particularly the developing nations, wants to take sides in a Sino-American conflict.

Given the defunct nature of the WTO, the lack of consensus at the UN and the redundancy of the G7, the G20 is the only relevant forum remaining today. Led by India, the Global South is starting to use its voice and economic might to assert its collective power. India effectively leveraged its presidency of the G20 which combined with its growing economy and geographical position has made it an indispensable ally to all nations with an interest in the Indo-Pacific.

A Patchwork of Growth Stories

This year, global growth will fall to 2.7% – from 3.2% in 2022 and 6.1% in 2020. The inversion of the yield curve is a general indicator that a global recession is likely on the way. Other silent indicators include falling consumer confidence and housing starts. Nor does the European economy look promising, with growth visibly slowing. Germany is in a technical recession whereas Spain and Italy are doing much better. China is not back in action the way people anticipated: after a few months of pent-up demand, exports have been falling. China appears to be falling into the 'middle-income trap' with 20% of its GDP depending on a construction sector where lenders are defaulting. The Chinese government's control over the high-tech sector has hindered growth and left foreign investors wary. Labour costs in China are now equivalent to those of Eastern Europe, Mexico, etc., which, combined with the political risk of being at the whims of the Chinese Communist Party, has made many multinational businesses seek alternatives to China.

India's economic transition is being led by policies that encourage economic formalisation. Recent estimates suggest that GST has helped reduce the size of the informal economy from 52% of GDP to just 15%. The signs are everywhere: better indirect tax collection; huge formal job creation (~1.5-2 million a month); and a growing share of financial savings (from 44% to 54% of the total). Income tax returns are now being assessed by AI tools, which bring down 'tax terrorism.'

At the same time, a long-drawn deleveraging cycle has successfully driven down debt-equity ratios across corporate India. Government capital spending is up 300% since 2020, creating efficiency-enhancing public assets. India has also done well to contain the fallout of Covid-19, focusing on supply-side economics rather than stimulating demand. All in all, India will soon overtake Germany and Japan in current-price GDP terms, and by 2027, its GDP in PPP terms will be in the range of USD 18 trillion, compared to America's USD 30 trillion and China's USD 42 trillion. As a result, consumption will zoom. On the other hand, India is seeing large out-migration, with 6,000-9,000 super-rich families leaving each year, taking valuable capital with them.

Underlying these changes is the ***digital transition*** now underway. Aadhar is really the backbone of the system, with everything else – from finance and e-Commerce to social services – stacked on top of it. From health services to subsidised food and cooking gas, travel portals, airports, health certificates, the UPI and ONDC, most services rely on this network, which is driving massive improvements in productivity and efficiency. India's Digital Public Infrastructure (DPI) is expected to enable a significant share of all transactions to go digital in the next 2-3 years, making it a great leveller. Side-by-side, India is seeing a ***productivity transition*** led by massive infrastructure creation. The number and length of expressways and national highways have shot up; hundreds of high-speed Vande Bharat trains are being locally engineered and put in operation; and India is headed towards being the largest air-passenger market in the world.

Lastly, India is seeing a ***political transition***. Stability at the Central government level is likely to continue through this decade. Voters have become adept at choosing one party at the Centre and others at the state level, reflecting a clear separation of their regional and national aspirations. As a result, regional parties will remain dominant in the states. However, this also creates pressure for every political party to join the 'freebie bandwagon', which could fuel major economic problems in the years ahead. The other key fault line is cultural nationalism and intolerance, which only causes polarisation to increase further. The push for a Uniform Civil Code – one of the few 'unfulfilled promises' made by the BJP in 2014 – will face huge resistance and could divide society. Finally, the upcoming delimitation exercise, due in 2026, will expose a North-South divide.

The 'Unconference' at the CFO Strategy Roundtable

Amidst the backdrop of evolving developments and the introduction of new laws and policies in recent years, the 'unconference' session facilitated a dialogue among CFOs to gain diverse perspectives on a range of issues.

Is India on track to be a USD 7 trillion economy by 2030?
There was a mix of doubt and cautious optimism as to whether India will achieve this ambitious goal. Some argued that bureaucratic hurdles would get in the way, while others felt that the target may be met – but a few years later than expected. Most agreed that the services sector is playing, and will continue to play, a pivotal role in propelling India's growth, but that manufacturing would need to step up if this milestone is to be achieved. There was also consensus that even with India's unique position as a consumption-driven economy with a burgeoning middle class, infrastructure development will be key to sustaining growth. What will also be important is for India to better navigate global supply chains and expand its export markets. Despite concerns about declining exports, many expressed confidence that India's vast domestic consumer market will remain a driver of growth.

Is the ease of doing business improving?
Even with notable progress in some areas (such as the introduction of GST, the digitalisation of government services etc.), India's business landscape remains complex and strewn with roadblocks. Procedural complexities and delays persist, particularly in sectors like real estate, where approval processes are long-drawn. There is also a disconnect between the intent of reforms and their implementation, and there is general agreement that the bureaucracy should shift its approach from one of control to that of facilitation. Still, thanks to certain procedural changes, newer investors tend to face fewer hurdles than existing ones. All said, however, India does seem to be moving in the right direction. Initiatives like Invest India and single-window clearance mechanisms are positive developments. At the same time, there is a clear shift in how individual states interact with business. Several states are moving to expedite approvals, such as by dedicating single points of contact for company-related matters. This inter-state 'competition' is welcome, though several participants noted that there are often gaps between intent and implementation at the local level. From a global vantage point, India is emerging as an alternative to China but faces stiff competition from countries such as Vietnam, the Philippines, Mexico and Indonesia, with India's high labour costs and complex compliance regime coming in the way.

AI and the Finance function: Threat or enhancement?
Asked whether artificial intelligence would threaten or enhance the role of CFOs (and the finance function in general), many expressed optimism. They cited AI's potential to streamline processes for efficiency gains, enabling the management of larger teams/workloads without a corresponding increase in staff. Already, finance professionals are starting to adapt, such as by acquiring programming skills like Python – which reinforces the idea that AI may augment rather than replace human roles. On the flip side, while AI can provide data-driven insights and improve efficiency, it is essential to recognise the unique value of human insights, especially where emotional/contextual understanding is required. Equally, it is vital to take a consistent approach to AI implementation if its capabilities are to be fully leveraged. Some cautioned against 'overselling' AI, noting that not all productivity gains should be directly attributed to AI, but may instead result from broader organisational changes. Reskilling, standardisation and stakeholder buy-in are all required if AI is to become an integral part of business operations.

Is the tax environment headed in the right direction?

On the whole, India's tax environment is moving along the right trajectory, with several key reforms (automation of tax refunds, GST etc.) signalling transformational change. The Customs Department was praised for enabling self-assessment, which has reduced the need for physical inspections of every consignment, thus streamlining trade flows. The move towards a faceless bureaucracy is also seen as a step in the right direction, with great potential to reduce subjectivity and corruption in the system. However, as in other areas, execution often lags behind intent. Moreover, there are mixed views about whether corruption has actually come down – or instead merely changed its form. Most agree that tech-enabled taxation is making life easier for taxpayers, but concerns remain about manual interventions, which are still proving cumbersome. Compliance has improved but challenges persist, including for MNCs, who must navigate a complex transfer-pricing terrain. The capture of extensive data by the government is a significant development but may come with certain drawbacks.

Is ESG at your doorstep, or do you have time?

There was broad agreement that ESG is currently viewed more as a line item of cost than a central focus of business strategy. Going forward, however, it will become essential to the functioning, or even the survival of many organisations. Already, pharmaceutical companies are seeing a strong link between robust ESG practices and higher customer ratings/access to contracts. Many businesses might assume they have time to become more 'ESG-compliant', but a failure to invest in this area today may result in substantial costs down the line. Further, it is vital to see CSR and ESG as two sides of the same coin – not to be pursued in isolation but seamlessly integrated into business operations. Boston Scientific, for instance, is aligning its sustainable packaging initiative with its core business strategy. Far from being a compliance burden, ESG can not only serve as a competitive differentiator but also foster innovation. However, some participants questioned whether ESG can truly thrive without legal enforcement. There was also consensus around the fact that ESG compliance requires both a companywide approach and strong buy-in at the Board level.

Changing Geopolitics: What Will Replace the Existing Global Order?

***Ajay Bisaria**, Strategic Consultant and Commentator; Former Indian Envoy to Canada, Pakistan, Poland and Lithuania*

Geopolitically, the world is today *between* orders, with the US-led, post-WWII liberal world order collapsing – but with no clear successor in view. In 1991, after four decades of uneasy, Cold War stability, the world suddenly turned unipolar under a dominant United States. All the talk then was about the 'End of history.' This changed again around 2008, when Vladimir Putin invaded Georgia, throwing down a challenge to America and reminding everyone that Russia still counted. Since then, with China entering the fray as an unruly, rising hegemon, geopolitics has been in flux. In fact, there are now *two* Cold Wars unfolding: one in Europe, the other between the US and China. As a result, the international order has reverted to its 'natural' state of chaos and confusion. This implies that one should expect a period of extraordinary geopolitical shocks and flux. Countries – and businesses – that remain nimble are the ones best placed to 'win' this game.

The world today faces multiple disrupters, including technological change, a recent pandemic, financial instability, climate change, terrorism, immigration-related issues and the ever-present threat of nuclear war. The UN system, which was meant to address many of these issues, but was really a creation of the victors of 1945, has broken down, replaced by the G20 and regional groupings. At the same time, the behaviour of major powers has become more disruptive and unpredictable. China and Russia are the most important cases in point, but the US has also often behaved poorly, and the future of the European Project is often in doubt, especially with the recent rise of right-wing nationalism in many countries. There are low-probability scenarios of the Ukraine war turning nuclear, or of China invading Taiwan in the next few years. However, there is also now a strong consensus within the G7 that China's rise represents a much more serious risk than that posed by a declining Russia. The intensifying Sino-American economic-cum-technological rivalry is alarming, as is the high probability of Russia falling completely into China's orbit. It is worth remembering that both World Wars originated in just such circumstances. As in the lead-up to World War I, the risks of miscalculation – by either side – are high, and neither side has much margin for error. On a more encouraging note, the US and China both seem to recognise the risks and appear to be working out a new *modus vivendi.*

During this period of flux, there will be opportunities for countries like India to shape new, cooperative arrangements on trade, financial systems, governance and climate change, and to build a plurilateral order based on multiple, smaller groups of countries. (Although India may have miscalculated by walking out of the RCEP trade deal, it has signed a series of FTAs recently and is looking to sign one with the UK soon.) However, for the foreseeable future, geopolitics will continue to trump geoeconomics. In response, businesses will restructure their global value chains, such as through nearshoring and friend-shoring. Yet, even as there *has* been some deglobalisation since the pandemic began, the nature of technology today is such that a return to autarky is highly unlikely. Nor can the West afford to *do away* with China; instead, it will find new ways of engaging with the Middle Kingdom. In the meantime, this will present huge opportunities for Indian technology companies.

In this emerging world order, India will seek to be a leading economic power, and a *norm-setter* rather than a *norm-taker*. Rather than entering a military alliance with anyone, it will pursue a strategy of multi-alignment and use its position as a key 'swing state' to the hilt. Especially in the last decade, India's diplomacy has been nimble. It has forged new partnerships with the UAE, Saudi Arabia and Egypt, which has gone a long way towards 'bottling up' Pakistan. Its relationship with America has deepened considerably, not only on account of having a common rival in China, but also for economic and technological reasons. Since 1998, India has had a strategic partnership with France. At the same time, it has not abandoned its friendship with Russia, which remains a key supplier of defence equipment (and lately, oil). Most importantly, the world *needs* India, with its peaceful rise standing in stark contrast to China's. All in all, this leaves it in a geopolitical sweet-spot – one where other countries are willing to put up with its neutral stance on Ukraine.

The G20 Summit in New Delhi was a success on three fronts: operationally, geopolitically and diplomatically. Operationally, it demonstrated India's convening power and capacity. Geopolitically, despite shouldering the responsibility of a war-time G20, India acted as a bridge connecting East and West as well as North and South. The personal chemistry between individual leaders was doubtless a contributing factor, as were diplomatic innovations such as bringing the African Union into the G20. The announcement of a new India-Middle East-Europe Economic Corridor (IMEC) is promising and ensures China's BRI is not the only game in town. Middle-income countries and the Global South are also asserting themselves through BRICS in addition to the G20. This shows that the old multi-lateral structures are paralysed and increasingly, the new tools of choice are the Indo-Pacific-centred mini-laterals e.g., the Quad, AUKUS and I2U2, among others.

Treasury and Foreign Exchange Markets

***Manoj Goel**, Managing Director & Head Corporate Sales, Markets & Securities Services, HSBC India*

Across asset classes, dollar-denominated interest rates continue to hold sway over global financial markets. Analysts wonder whether US interest rates have peaked and, if so, how long can they be expected to remain at these levels. Tied to this is the outlook for the US dollar, which has appreciated strongly in the last 18 months on the back of high interest rates. On balance, there is only a slim likelihood of further rate hikes. Conversely, inflation – though down from its recent peak – remains stubbornly high, casting doubt on the Federal Reserve's 2% inflation target. Further, if history is any guide, the Fed has been known to hold rates at their peak for as long as 15 months before changing course. This means that we could see an extended period of high US interest rates, which could impact economic activity.

Remarkably, though, despite a challenging rate environment, the US economy has exceeded expectations, with domestic consumption staying robust. Partly, this is because a substantial part of the mortgage market comprises fixed-rate loans, which shield borrowers from the full impact of rising rates. (Comparatively, the Eurozone and the UK, where mortgages are typically variable-rate ones, have grappled with weaker consumption and slowing growth.) Many speculate about a 'soft landing,' but these are notoriously hard to achieve – and represent a best-case scenario.

Meanwhile, expectations that China would see a robust post-reopening economic rebound have not materialised as expected. Reflecting broader challenges, property sales for China's top 100 developers have slumped and retail sales have been sluggish. Historically, China has been an export-driven economy, and efforts to transition towards a more consumption-driven growth path have largely failed – partly because a global economic slowdown has coincided with these efforts. Yet, while a slowdown generally prompts a currency depreciation, China's strong export position and its substantial forex reserves may limit any depreciation of the yuan.

With China no longer expected to be the global growth engine, attention has turned to India, which stands out in terms of economic performance. One area of weakness for India is its trade deficit, which surged from USD 14-15 billion a month before Covid-19 to USD 29-30 billion last year and now stands at about USD 20-21 billion. A growing economy typically involves high capital expenditure, resulting in rising imports that translate to a trade deficit. However, for India, the services sector, particularly IT and other professional services, have played a pivotal role in bridging the overall trade gap. India is benefiting hugely from the trend among global MNCs of setting up internal capability centres. Although service exports appear to be slowing this year, with large IT firms in particular seeing subdued growth in recent quarters, mid-sized IT firms continue to grow strongly.

In terms of India's overall BoP position, inward remittances are steadily rising, but outward remittances, including royalty payments, have also surged. At the same time, FDI inflows have sharply decelerated, raising concerns that net FDI flows could soon become zero or even negative. Portfolio investments have also shown negative trends in recent years, though FY24 has seen sharp inflows, which has brought a degree of optimism. Thus, on net, India's BoP position is stable, but a slightly more dollar-positive global environment could limit the rupee's potential for appreciation. If the RBI continues to accumulate reserves, the rupee is unlikely to appreciate significantly, though it may not depreciate much, either.

Is Modi 2024 a Done Deal?

***Barkha Dutt**, Award-winning Broadcast Journalist, Opinion Columnist and Author*

India has entered a new era of presidential politics where citizens want to know not only *what* they are voting for but also *who* they are voting for. In terms of the BJP's prospects going into the 2024 General Elections, Prime Minister Narendra Modi is likely to secure another term in office. This is despite the BJP facing several challenges – including underperforming state governments and a limited pool of second-rung leaders. The fact remains that Mr Modi remains more popular than his party. Even if a joint opposition manages to sustain its unity, the BJP holds an advantage due to Mr Modi's strong image and the party's relatively strong internal unity. Moreover, the potent blend of nationalism and Hindutva, welfare politics, India's growing positioning in the world, and even the possibility of early elections, should be advantageous for the BJP.

What has fundamentally shifted in this election is a recognition by opposition parties that they need to band together to ensure their immediate survival. The emergence of an 'INDIA Alliance' has created the perception of this being a 'Modi versus the Rest' battle. However, the lack of a clear, singular prime ministerial candidate puts INDIA at a disadvantage. The Congress party could potentially claim a leadership position within the alliance but may not declare a prime ministerial candidate. However, things change fast in politics and many factors that are currently in flux will be reframed after the upcoming assembly elections, where the Congress is poised to do well. It may not yet have re-emerged as serious competition to Mr Modi, but the Congress *is* again a contender for leading the opposition space. While it may not have made him a plausible prime ministerial prospect, Rahul Gandhi's political growth through the Bharat Jodo Yatra has made him a more serious contender in opposition politics. It has helped humanise him and make him feel less opaque.

While an early election may not materialise, the idea of 'One nation, one election' merits serious consideration. Studies show that voters are more likely to view the states and the Centre as a cohesive unit when all elections are held together. Currently, the electorate distinguishes between the two and votes differently in each type of election. The opposition thus wants to localise polls whereas the BJP knows how to play to its strengths as a strong national party. Still, while Mr Modi is an exceedingly popular leader with a Teflon quality to him, the BJP needs to structurally build its presence in states: many voters who like him will still vote for regional parties in state elections. This may be attributed to 'freebies,' which are generally a bad use of taxpayer money.

Increasingly, Mr Modi is compared to Indira Gandhi, even by some of his own supporters, in terms of their leadership styles. There are concerns that overly-centralised power can lead to controlling tendencies that threaten democratic institutions. However, this may have more to do with the nature of power than the person wielding it. For this reason, some argue that coalition governments may be better for India, given how they diffuse power.

The media is increasingly viewed as polarised and suffocating, both in India and the West. Trust in the media has steadily eroded due to biased reporting and differing narratives across news channels. While there should be distance between journalistic storytelling and vote choice, this distance is hard to maintain in a polarised environment. The Western media does not truly understand India and only sees a particular type of story that paints a limited picture. At the same time, it is hard to cheer for Indian journalism, given the heavy corporate influence on it. There are several excellent journalists in India within the digital space but they require financial support, including direct donations. Unfortunately, it is tough to find a revenue model that keeps the news free to access. When the media was government-owned, the news was subject to the tyranny of the state. In contrast, corporate-owned media faced the tyranny of the market, and now, self-publishing and digital platforms are left to the tyranny of the algorithm.

Neuromarketing: The New Science of Consumer Behaviour

Prof Arvind Sahay, *Professor, IIM Ahmedabad*

Neuromarketing uses neuro- and cognitive science to identify customer needs, desires and preferences. Compared to traditional marketing, which uses surveys to tap the conscious mind, neuromarketing tries to enter the subconscious. Part of good brand marketing is understanding and engaging with the unconscious mind.

The Nature of Choice

Choice is a combination of factors: conscious, unconscious, rational and emotional. Research proves that, when consumers encounter their preferred brands, there is both a physiological and a biological response – and one over which they have limited control. Whether individual preferences stem from regular use, a fondness for quality or something else, the response a brand evokes drives people to either buy or avoid it. At this point, the part of the brain that deals with emotions is more active than that which deals in reason or logic. Successful marketing is about inducing an unconscious preference for a brand. For this, the marketing team must understand the science behind human behaviour and produce campaigns that sufficiently engage the unconscious mind.

Operating Principles of the Brain

One of the 'objectives' of the human brain is to feel happiness, security and other positive emotions. Different neurotransmitters are responsible for each type of emotion – serotonin for security, dopamine for excitement, etc. However, people crave different combinations of emotions and will choose brands that yield this mix. For example, many ads targeted at men use scantily-clad women to subconsciously lift the viewer's testosterone levels. Testosterone is an important hormone, triggering the release of neurotransmitters like dopamine that encourage people to pay more or take greater risks.

At another level, the brain attempts to conserve energy by reducing 'non-essential' activities, including deliberate thought. The goal for brands is thus to reduce the extent of conscious thinking a consumer engages in. Cadbury's 'Kuch meetha ho jaye' campaign was successful not just because it conveyed the message about the product's taste but also because, subliminally, it associated Dairy Milk with the cultural tradition of offering sweets during auspicious occasions.

For marketers, it can be a challenge to simultaneously address two of the brain's key tendencies: pattern-seeking and an attraction to contrasts. The brain sees patterns even where there aren't any – because familiarity feels secure. At the same time, the brain looks for contrasts and extremes, which provide variety and excitement. Consumers choose brands that fit existing patterns but also pay attention to what is different. For instance, to appeal to young, male motorcycle buyers, an electric-bike company incorporated gears into its machines. Combining an exciting new technology with the familiar hum of gears satisfied the target demographic while also enhancing product performance. Brands must walk the line between 'different' and 'familiar' to entice customers without intimidating them.

Humans have a mirror-neuron system that makes them imitate the behaviour of others. Indeed, influencer marketing plays into the brain's natural tendency towards social conformity (or 'following the herd'). People may choose brands that get directly amplified – such as through conversations generated each time Amul launches a new OOH ad. They also choose brands that get amplified indirectly, through social media, viral marketing etc.

Brand building and memorability

Memorable brands allow consumers to take a mental shortcut but there are instances when consumers choose a weaker brand. The 'Nirvana' for brands is to become the obvious go-to choice in everyone's mind when they think of a product type. It is easier for older, established brands to reach this point, because the brain unconsciously expects a stimulus response to something that is familiar. Thus, brands that are enshrined in one's long-term memory become an unconscious choice. However, newer brands can use neuroscience, and tools like fMRI, EEG, eye trackers, etc to overcome this bias. They can either seek to achieve 'brand Nirvana', or at the very least, solve a mental conflict in consumers that can only be resolved by buying a 'weaker brand'.

For B2B companies, the company is the brand and sales are really a branding exercise. Here, a key aspect of engagement is to create a sense of transparency and trust between brand and client. Meanwhile, for start-ups, the founders are often a big part of the brand identity. Finally, companies that have both B2B and B2C operations might look to transfer the subconscious impact of branding across the two segments. For example, the sophisticated customer experience associated with Amazon's consumer business continues to rub off on to AWS's corporate clients.

Breaking out of the Box

This session saw participants break out into six groups to discuss and present their findings on themes relevant to the finance function. Key insights from each group are summarised as follows:

Next frontiers of technology: the CFO agenda
In an ever-evolving tech landscape, CFOs are laser-focused on key priorities. Firstly, the shift from traditional systems to cloud-based solutions promises efficiency and flexibility gains but requires careful planning and execution. Automation is high on the agenda, but it will be a challenge to simultaneously automate processes and assess the value of doing so. Lastly, the advent of new privacy laws has propelled the integration of AI and ML into data analysis. CFOs recognise the potential of these technologies to help navigate the regulatory landscape and drive data-driven decision-making, and so view them as one of their top priorities. Expectedly, there will be numerous challenges around tech adoption, but following certain best practices can help. First, creating a strong buy-in for tech requires the successful alignment of the business (CEO) with technology (CTO) and Finance (CFO). Second, a mix of diligent tracking, dedicated teams and a culture of adaptability can help overcome many issues. Third, it is vital to ensure strong engagement, robust data governance and the integration of systems and teams.

Balancing between short-term wins and long-term goals
Short-termism, though often viewed with derision, does have its advantages. It can be a survival tactic, particularly in times of crisis such as the Covid-19 pandemic. Compliance and ESG considerations may also necessitate short-term actions. Importantly, the definition of what constitutes 'short' or 'long' term can vary significantly by industry and must be viewed in this context. Conversely, the biggest casualty of short-termism lies in its potential to sacrifice long-term strategic objectives. By focusing excessively on immediate gains, organisations may fail to set benchmarks for future progress. To navigate this challenge, one needs an approach that involves clearly defining long-term goals and breaking them down into actionable, short-term objectives. Not only does this make the organisation more accountable, but it also ensures better alignment between immediate actions and the broader strategic vision. Consensus-building and manager accountability are integral components of such an approach but must be supported by ongoing tracking/assessments.

A three-pronged approach to this issue can help. First, short-term actions should contribute to and align with long-term objectives, ensuring that immediate gains do not hinder future prospects. Second, regular checkpoints are vital to assess how well short- and long-term goals are harmonising and to identify and address any gaps. Third, contingency planning, with multiple scenarios and alternative models, should be an integral part of the strategy, facilitating both adaptability and agility.

Making the leap - from CFO to CEO
Thanks to their deep understanding of the business, CFOs often have various career options. They can pursue roles ranging from independent directorships to other C-suite positions, including even that of Chief ESG Officer. However, many view the CFO position as a natural stepping stone to becoming the CEO. Companies such as HUL, Prestige, Viacom and HDFC exemplify how seamless such a transition can be. At the same time, many CFOs are constrained by their current roles, which include compliance and record-keeping duties. As they prepare to transition, many CFOs will need to also make a mindset shift. This entails moving beyond specific job functions and gaining a broader understanding of the business, customers and products. Four key skills/issues must be considered. First is the ability to take calculated risks and comprehend macro-level issues. Second is the capacity to envision the future and anticipate trends – both are key to strategic decision-making. Third is the ability to build consensus among stakeholders with differing viewpoints. Fourth is the ability to place the right people with the right skills and motivation in the right positions.

Building an A-team: best practices in finance

A key hurdle to building and retaining a strong finance team is the sheer variety of qualifications, backgrounds and attitudes within the talent pool. Often, skill/knowledge gaps must be plugged through training programmes. Candidate expectations have also shifted, particularly after the pandemic, in terms of flexible work arrangements, and on issues around ESG and leadership. Further, Gen Zs abhor hierarchical structures and have a very different approach towards organisational loyalty. Both Millennials and Gen Zs have high expectations around the nature of the job and the workplace. Navigating generational differences and ensuring team integration is thus a hugely complex task. The emergence of a gig-worker-oriented environment poses unique challenges for finance. However, CFOs admit to being somewhat cautious in embracing the trend, given the function's highly regulated and confidential nature. To ensure robust talent development and retention, CFOs suggest providing clear career visibility, especially to younger employees, who seek to understand their growth potential within the organisation. Beyond monetary rewards, promoting work-life balance and flexible arrangements has been vital in attracting and retaining talent.

Coping with 'burdensome' compliance

Regulatory compliance is becoming both, more complex and more expensive to manage. However, instead of worrying about the costs of compliance, CFOs increasingly focus on the price of non-compliance. They are also moving beyond 'checkbox compliance' and building robust documentation processes. A good starting point is to build a foundational understanding of the existing compliance frameworks and to leverage a mix of technology tools and professional expertise. Proactive planning is crucial, as are allocating sufficient time for paperwork and establishing robust internal mechanisms. The aim is to ensure that even as key decision-makers come and go, the organisation's compliance decisions must be able to withstand scrutiny. In terms of de-risking compliance, insurance products, including cyber insurance, can help mitigate potential risks. A detailed compliance testing calendar, aligned with ISO standards, can also help manage compliance processes, as will making technology a cornerstone of future compliance efforts.

Leveraging cash for growth

When it comes to strategically managing cash resources for growth and financial navigation, the key question finance leaders face is choosing between conserving cash and investing it for growth. While there is broad consensus on the need to invest, it is also crucial to maintain cash reserve for unforeseen contingencies. CFOs play a crucial role in balancing cash preservation and allocation for new investments, particularly in M&A scenarios. Broadly, though, there are three key criteria for decision-making around cash usage: prioritising investments with a short payback period and high returns; ensuring that returns exceed the cost of capital; and aligning investments with the wider business goals. Distributing surplus cash to shareholders and exploring alternate growth avenues are options for cash-rich companies. Cash can also be leveraged to build market-domination opportunities as well as to negotiate with suppliers. It is, however, best to avoid speculative investments and safeguard against potential downsides while considering opportunities for growth.

Resolve, Determination and Motivation

Colonel (Retired) Sonam Wangchuk

Colonel Sonam Wangchuk, winner of the Maha Vir Chakra for his gallantry, spoke about the lessons he learnt from his high-stakes operation for the Indian Army. In 1999, Colonel Wangchuk successfully led an operation against Pakistani troops on the Chorbat La Top and laid the groundwork for several other battles in the Kargil War. A Major at the time, he led a column of the Indus Wing, Ladakh Scouts to occupy a ridge line on the Line of Control (LOC) at a height of over 5,000 meters. Despite being ambushed by the enemy and losing one of his men, Colonel Wangchuck was able to keep his group together and launch a spontaneous counter-ambush. Throughout his military career, he demonstrated exceptional leadership, and his session highlighted certain, crucial factors that made success possible against all odds.

Faith and trust

Before embarking on their mission, the colonel and his men went to receive the blessings of the Dalai Lama. His warmth and good wishes did wonders to uplift the group's diminished morale. An important aspect of serving in the armed forces is relying on camaraderie and trusting your fellow soldiers with your life. Spiritual faith and trust in each other made the group feel ready to take on the daunting task of going into battle without paralysing fear for their lives.

Physical fitness

High-altitude regions are difficult to trek through, let alone fight in. It takes enormous physical strength and fitness to carry heavy ammunition and rocket launchers on one's back. However, by focusing on their fitness, Colonel Wangchuk's soldiers were able to traverse a difficult landscape quickly, without suffering either altitude sickness or exhaustion.

Decisiveness

Ambushed by the enemy and seeing an accompanying NCO get shot, Colonel Wangchuk had to make the tough call about whether to proceed ahead and risk getting shot or to help the injured soldier but endanger the rest of the group. It perhaps goes without saying that, countless times in the field, the Colonel had to make challenging decisions on the spur of the moment. Had he lacked decisiveness, events may have unfolded very differently for him, and his team.

Adaptability

In the face of orders to remain at a post they had secured, as the commanding officer on the ground, Colonel Wangchuk had to make the difficult decision to defy the order and move higher up for better visibility of the enemy. Seeing the actual conditions at play, identifying opportunities and quickly making a call made a huge difference to the outcome of the operation. The improved visibility, in particular, helped take out several enemy soldiers. Applying this to a corporate setting, the ability to modify plans to fit a particular situation is the kind of adaptability leaders need to display.

Patience

In combat as in business, few qualities are more critically important than patience. On two occasions during a pitched battle during the Kargil War, Colonel Wangchuk observed the enemy running out of ammunition and being forced to travel downhill to obtain fresh supplies. Its indiscriminate firing had led to many bullets being wasted. In contrast, the Indian Army observed patience and self-control, not wasting a single bullet. The Colonel's team bided its time through the shelling and was rewarded when the enemy ran short of supplies, exposing themselves in the process an Indian counter-attack.

Courage, teamwork and selflessness

At the time his group was ambushed and a fellow NCO shot, the Colonel did not have access to a radio unit. He needed a volunteer to climb down the trail and warn another group of soldiers. Despite the obvious threat to his life, a young officer bravely volunteered, running through a shower of bullets. He reached the other group and advised them to take an alternative route – which eventually allowed for the enemy to be encircled. Equally, the willingness of the NCO to surrender his life for his group was a display of courage and selflessness.

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