CFO CONNECT

March 2018 ■ Rs 100

Being World's Best:
In conversation with Jonty Rhodes

Digital:
When the Answer Lies in Business Models

The CFO's Many Faces:
Shepherding Expansion

Building Ashok Leyland 4.0

Gopal Mahadevan
Chief Financial Officer,
Ashok Leyland

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Changing Tides

Global bond yields have, over the past few months, started to rise as markets expect inflation to perk up and central banks shift gears towards a more hawkish monetary stance. The United States Federal Reserve, a few months ago, declared its intent to start the process of unwinding its previous bond purchases and therefore shrink liquidity. US bond yields consequently spiked to 2.74 per cent. German treasury bills too have risen from 0.41 per cent to 0.77 per cent over the past twelve months, prodded by comments from Mario Draghi, the head of the European Central Bank, that future bond purchases by the ECB will begin to moderate. All of this is in the backdrop of robust economic growth in America at 2.3 per cent and in the Eurozone at 2.5 per cent last year. Since the global financial crisis, central banks kept credit markets functioning, bailed out banks and provided assurances to wobbly bond markets. Perhaps, the protracted era of bonhomie is coming to an end as the interest rate cycle begins to turn.

In India too inflation seems to be perking up. 10-year bond yields have jumped by 150 basis points to 7.6 per cent over the past few months. Rising crude prices, additional borrowings by the Government of India and a higher than provisioned fiscal deficit at 3.5 per cent of GDP, have sent markets into a flurry with investors dumping government securities. The budget announced a Minimum Support Price that the government would provide to farmers, at 1.5 times the cost of production. This together with somewhat generous assumptions on GST collections all point to higher fiscal pressures on the government's balance sheet. Under these set of circumstances, it now seems unlikely that the Reserve Bank of India will have any sort of leeway to reduce interest rates further. On the contrary, a rise of 25-50 basis points before the end of the year now appears more plausible.

In a paper entitled *'Irrational Exuberance – October 2017'*, I argued that global asset prices including stocks, bonds and property, were frothing and a correction was perhaps overdue. In India too, equities had risen by 283 per cent following the collapse that shadowed the global financial crisis. Price earning multipliers of 24 for the Nifty 50 and 35 for mid-caps seemed a stretch, as companies were unlikely to match market expectations on future profits. The recent collapse in Indian equities, triggered allegedly by amendments on the treatment of long term capital gains tax, was really a reflection of inherent weaknesses in the props that supported the financial markets. The bubbles in bonds and equities have consequently begun to deflate.

Be that as it may, the economy is structurally strong. With the proposed recapitalisation of banks and a greater reliance on bond markets, investment is bound to perk up. The increase in entitlements and rural spending will ultimately feed into the consumer markets with rising demand. The government's own spending programme in

> The recent collapse in Indian equities was really a reflection of inherent weaknesses in the props that supported the financial markets. Price earning multipliers at 24 for the Nifty 50 and 35 for mid-caps seemed a stretch.

infrastructure specifically in roads and the railways will not only generate greater demand but also provide the logistical support for greater economic activity. If the RBI can get the right balance in its monetary policy stance, the much awaited shift in the economy from a vicious to a virtuous cycle could well be on its way. Clearly, a lot will depend on the global environment and money flows into and out of emerging markets. If growth in America, Europe and China is sustained over the coming years, India will benefit with stronger investment and trade. If on the other hand, global financial markets take a dramatic turn for the worse, persuaded conceivably by triggers that create capital shifts out of emerging markets, then the situation could turn worrying. ■

Adit Jain

Adit Jain, Editor

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Making Sense of this Year's Budget

V Kumaraswamy,
CFO, JK Paper

This is perhaps the Budget with the widest sweep since Independence – in terms of the percentage of people whose lives it will impact, mostly positively. Our Budgets, both pre- and post-reforms have shown excessive focus on industries, stock markets, and on standard deductions and personal investment incentives for the salaried class. Not many of them would have had an impact on more than 20 per cent of the people.

Budgets have mostly been elitist. The economists' macro sense stopped with fiscal deficits and growth numbers, and hardly cared of how benefits were delivered at the door step of the common or poorer man.

The Centre has taken several steps to reduce income volatility, but this year's Budget goes a step further, attacking one of its prime causes: health emergencies

Budget – a link in the chain: Poverty and what is being done within and outside budget

The problems of the poor are (i) low incomes; (ii) high variability even within that limited income; and (iii) very high interest rates, which kills any commercial ventures they might own, or hope to. The Government has announced an MSP pricing formula, which will hopefully push more incomes into rural areas more systematically. Many more gas connections and a proposal to buy surplus electricity from solar systems will add to their comfort and income. Healthcare spending in rural areas will also create good employment and enterprise opportunities. And as Dr Devi Shetty (of Narayana Health) points out in the Times of India (February 1), there is a great opportunity to create 5 million jobs for paramedics and nurses with 2-3 years' education after the 10th or 12th standard. This Budget will create the necessary demand for such services. If only we had tackled healthcare the first thing after Independence, maybe even our population would have stabilised by now.

In the last 2-3 years, the Government has tried to substantially tame the volatility in rural incomes. Crop insurance has already increased significantly – maybe to 40 per cent of farm produce during the current year, from negligible levels three years before. Life insurance coverage of Rs 200,000 (for a cost of just Rs 12) is already taking effect.

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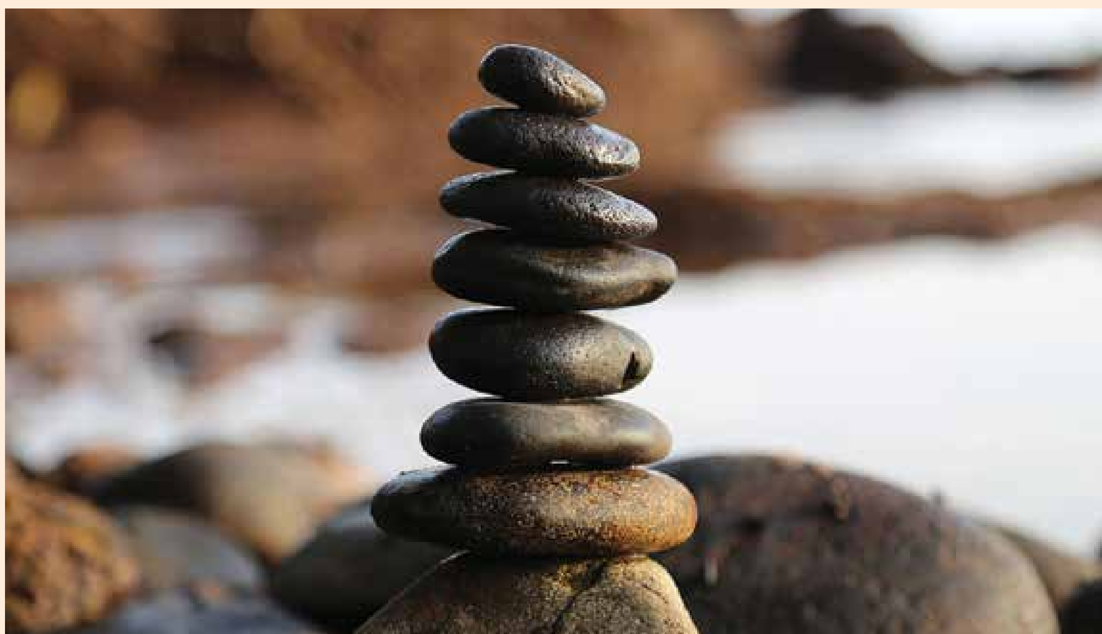

Steps such as GST, DBT and Jan Dhan are formalising the economy and bringing many more people into the tax net

The Budget has laid out a blueprint for tackling the next most significant reason for the poor falling into a debt trap: health emergencies. With these changes, the variability of poor families' cash flows will come down sharply over time.

GST is formalising the economy. A more formalised economy widens the reach of cheaper formal credit from banks. This can, in turn, bring down the interest rates facing the poor, which can be as high as 750-1,000 per cent, to a more sanguine number. (In his book 'Who Moved My Interest Rates?', RBI ex-Governor Dr Subbarao reveals that this is what pushcart vendors get charged on an annualised basis.) Imagine what can be achieved if such costs can drop to 30-40 per cent per annum, which is what a Rs 3 trillion additional allocation, together with Mudra, direct delivery mechanisms, Aadhar authenticated loans, Jan Dhan, and so on, can achieve. Entrepreneurship would bloom in rural areas.

The Government has to work on a few more things. One is animal health, which also throws the rural poor into debt traps. Agriculture productivity has been increasing year on year by 2-3 per cent on average, but bumper crops only play spoil sport due to high price elasticity. MSP helps, but food-processing and exports are the real solutions.

Rebalancing gains and losses

The Government's actions in the last 18 months are fundamentally re-balancing the economy – bringing in large sections into the formal fold through GST, DBT, Jan Dhan and digitisation, and into the tax net. These steps are also making a difference to the family budgets and welfare of poor households, and most importantly, they are bringing the rural sector into the economic mainstream. This is happening at a rapid pace, and is bound to throw up some gainers and some losers. It is but inevitable that the rich 1 per cent who are garnering 73 per cent of annual incremental wealth (according to Oxfam) will lose to the balance 99 per cent who

Poor people have a much higher propensity to consume than the rich, so these steps should give a boost to consumption-led growth

Fiscal Deficit (% of GDP)	
Year	**%**
2007-08	2.5
2008-09	6
2009-10	6.5
2010-11	4.8
2011-12	5.9
2012-13	4.9
2013-14	4.5
2014-15	4.1
2015-16	3.9
2016-17	3.5
2017-18	3.5

Source: Economic Surveys

garner a measly 27 per cent of the wealth as of now.

But this rebalancing will also open up great opportunities. Even if it is just a transfer of wealth and income from rich to poor, given that the marginal propensity to consume (MPS) of the transferee poor is 90-100 per cent (instead of 50-60 per cent for the rich), it will create conditions ideal for consumption-led growth.

Those who doubt the growth potential of the Budget are missing the long-term impact. Our consumption base is far too low, and it is only the top 20 per cent of income earners who count for anything. When the penetration level of basic hygiene items like sanitary pads is as low as 17 per cent, and that of adult diapers is in the low single-digits, there is a compelling need to expand the base. This Budget kick-starts the cycle. Better incomes for the rural and urban poor will enable better FMCG growth in the next 2-3 years. Healthcare products and services will follow suit and create significant opportunities in the ensuing 6-7 years. Without this expansion, our growth would have been slave to a minuscule share of the population, as it has been so far in the post-reform period.

Critics and their failure to see opportunities

A persistent fiscal deficit of 4-6 per cent (see accompanying table) seemed appropriate to tackle the global meltdown whose effect on India proved to be marginal, but a marginal slippage while effecting very fundamental structural changes seems unpardonable. How myopic and hypocritical!

Little do those who lament a lack of tax cuts appreciate that their economic efforts are rewarded by the society by higher income and wealth. The nation has given them access to markets and consumption, and they need to pay for this access, without which their wealth could never come about. It is two-way transaction. It's sad that so much noise is being made about LTCG, when a retired pensioner cannot index his interest income and pay tax only on real interest rates.

Of course, some of these initiatives will take 7-8 years to clear the cobwebs of culture, habits and bureaucracy to take full effect.

This Budget reflects a great grip and understanding of the poor man's budget, and the constraints on his reaching 'escape velocity' in the flight from hunger and poverty. It has constructed a national budget from the common person's kitchen upwards. Each of the line items is such that inclusions of various kinds, the delivery of programmes, and poverty and hunger removal, become integrated with budget-making.

The usual commentators, including the economics fraternity, have scarcely picked up the fundamental directional shifts. They have dusted and delivered the same old cribs. In Cricketese, they are playing hook-shots to Yorkers, because that is the only shot they know. ■

The writer is the CFO of JK Paper, and the author of 'Making Growth Happen in India'. This article appeared, in a slightly modified form, in the Financial Express on 20 February, 2018.

Time for Finance to Take the Lead

Vikas Wadhawan looks at the nuts and bolts of driving through a Finance transformation

Gone are the days when Finance's job was restricted to financial reporting, carrying out transactions, and providing a control environment for budget monitoring. In this changing milieu, the function is expected to play a much more active role in business partnering, strategy development and decision-making.

Technology disruption is challenging organisations in many ways. The advent of process automation in transaction management has changed the way we do business. Even the volume of data that is now captured has grown multi-fold, and it is essential to use the right tools and technology to analyse this data to support business decisions. The competition has become more intense, and growth targets are more aggressive than ever. The upshot is that Finance must now support the business much more actively – which in turn means that the function must transform itself.

What is Finance transformation?

Finance transformation is not a one-time activity, but an ongoing process of evolution, which includes aligning the function to the business' growth and objectives. It is a set of initiatives aimed at improving the overall efficiency of the Finance function, and making it more relevant to the business. Broadly, this can be categorised into several

> Finance transformation is about evolving the function from number crunching to value creation

buckets:

- Controllership: Initiatives that contribute to better control, compliance and reporting
- Scalability: Aligning Finance with the growth targets of the business, and bringing in cost efficiencies
- Business partnering: Providing timely and in-depth financial analysis or insights to business leaders

Key Initiatives

When starting out on this journey, there are a number of initiatives need to be planned around.

Skill development

With changing expectations of Finance, this is one of the most critical elements to consider. For any such transformation to succeed, it is imperative to have the right team, with a strong understanding of the business, and solid leadership skills.

A roadmap for technology adoption

This includes identifying the areas where technology interventions are needed, and finding the right tools and technologies that meet this need. Business has ever-growing expectations for in-depth analytics. With exploding data volumes, it must adopt the right set of tools and technology. Doing so can significantly improve Finance's planning and analytical capabilities, provided, of course, that the team has the right skill-sets in place.

Enterprise performance management (EPM)

A study by the Hackett Group finds that companies with superior EPM capabilities are likelier to outperform their industry peers on financial metrics. To be effective and add value to the business, it is necessary to set-up a robust EPM within the organisation. Finance has a key role here, because ultimately, it is responsible for efficient and accurate reporting and forecasting.

Financial process reengineering

This includes eliminating non-critical processes, or outsourcing them so that the Finance team can focus on core activities. It also means improving process efficiencies to boost productivity, reduce turn-around time, and improve accuracy levels.

Getting started

CFOs must lead from the front in terms of transforming Finance in line with business needs. This

Headlines & Bottomlines

Economics... interpreted for business

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IMA Executive Briefings

by Adit Jain

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includes:

- Planning ahead, and having a clear understanding of the objectives/goals of the transformation exercise
- Clearly prioritising activities, and eliminating the low value items/activities
- Setting expectations for the business in terms of the likely interim disruptions, as well as the overall timelines
- Continually reviewing to ensure that the process is on track, and making any necessary course-corrections along the way

Beware of these pitfalls

Transformation exercises can go wrong in a number of ways, so it is vital to look out for certain pitfalls.

- **Don't focus too much on cost:** While cost is an important end-objective, it is not the only one. It is also important to set realistic targets that are relevant to the specific business case, and not overly driven by industry benchmarks.
- **Trying to achieve 100 per cent 'customer satisfaction':** Meeting the expectation of internal customers (i.e., the business) is important, but one should not focus too much on it during the transformation exercise. Instead, the focus should rest squarely on the end-objectives, which might sometimes mean compromising on certain demands from the business.
- **Expecting to achieve the end-goal too quickly:** Transformations are an ongoing process, and not a one-time activity. As the business strategy evolves, one needs to evolve the strategy for the Finance function in line with the overall business strategy.
- **Underestimating business complexities:** Fast-changing markets, business strategy or technology might make the transformation project obsolete even before it gets completed, so careful planning and anticipation is key. Even as Finance must understand the changing business needs before initiating change, it is equally important to review and revisit those assumptions along the way, taking corrective action where required. ■

> **Finance must move from governance-based to guidance-based support**

Vikas Wadhawan is Group Chief Financial Officer, PropTiger

Decrypting Cryptocurrency: The New Face of Money

Swetang Vin examines the rise of disintermediated currencies, and what that means for CFOs

In our highly digitised world, where nearly every transaction is virtual, it is not surprising that cryptocurrency has emerged as a powerful force that could change the very definition of money. Rightly called a 'techno tour de force' by Bill Gates, it could well revolutionise financial transactions, investments, payments, even and what it means to have wealth. Personally, I am very interested in the highly democratised nature of this new currency. It's not created, governed or distributed by singular, regulatory entities but by people, unconstrained by geographical boundaries, who are connected only by the worldwide web, using a mathematical framework or code to 'mine' this currency.

Let me explain.

In the beginning...

A year after the GFC, developer Satoshi Nakamoto created Bitcoin, the world's first cryptocurrency, using approximately 2,000 lines of code. Bitcoin's security was maintained via blockchain, a secure, distributed ledger that a public community can record and verify. With Bitcoin, Satoshi laid the blueprint of an online exchange where two parties could exchange tokens of value anonymously, sans banks, payment processes, and companies – and beyond the sphere of a national currency like the Rupee.

The gold rush for Bitcoin

Today, anyone can participate in 'mining' Bitcoin, which really means verifying the exchange of cryptocurrency, and earning currency units in return. Mining has created a digital 'gold rush' for hobbyists and professionals, who use computers with specialised processors to provide 24/7 digital 'book keeping services' to the coin network in exchange for a fee. The earnings can be used to purchase goods or services, exchanged at an online currency exchange for conventional cash, or stored in a virtual wallet. There are many kinds of cryptocurrencies, but Bitcoin has taken the lead. Its usage is spreading rapidly, and as of December 2017, there were over 21 million blockchain wallet users.

> Tracing back to 2009, Bitcoin now has over a million users in India alone

A digital currency for a digital India?

India is one of the world's most cash-intensive economies, but the deployment of the Unified Payment Interface (UPI) in early 2016 enabled users to transmit money using an Aadhar ID and mobile number. This set the stage for banks and private players to set up digital wallets. In fact, the nation's growing affinity for online transactions allowed India's leading Bitcoin exchange, Zebpay, to cross the Rs 100 crore turnover mark within 10 months of starting operations in April 2016.

Then came demonetisation. A cash-short India began relying more heavily on digital wallets like Paytm, and online payment systems, to deal with the crisis. 17 per cent of Indians owned a smartphone in 2016, and their tryst with digital wallets in the face of demonetisation meant that more people become comfortable with digital currency.

Leading Indian Bitcoin start-ups witnessed a surge of new users, triggering significant investor interest in cryptocurrency usage in India. In September 2017, blockchain, the world's largest digital asset platform, announced a partnership with Bitcoin exchange Unocoin to seamlessly fund wallets, free up settlement delays, safeguard against untrustworthy service providers, and institute opaque identity verification procedures.

At last count, India was home to one million Bitcoin users, who conducted transactions of 1,000-2,000 coins, or approximately Rs 10-20 crores a day. Today, Rupee-denominated Bitcoin is believed to generate the third-biggest trading volumes, after dollars and Yen. (As of early February, one Bitcoin was worth about Rs 390,944.)

Volatility

With USD 100 billion of investor wealth wiped out in just 24 hours on the 2nd of February, cryptocurrency is now the most 'volatile asset in the global marketplace'. The immediate cause for this plunge was China's crackdown on Bitcoin exchanges,

Keeping your coins safe

As India mulls the issue, it's critical to know how to keep this new form of money safe. The simplest way to do this is to treat it like physical gold, and not to rely on a single wallet to store all of one's holdings. Instead, holdings should be spread, in small amounts, across multiple wallets, minimising the risk of hacking. For larger amounts, it is prudent to use a hard drive that is not connected to the Web.

Like with all financial transactions, do not share any confidential information pertaining to cryptocurrency with anyone. Since cryptocurrency thrives on the paradigm that no one individual or entity controls it, miners are expected to comply with the highest standards of cybersecurity, and constantly update their safety protocols to ward off a breach.

Bitcoins are being increasingly used in India to purchase apps, buy vouchers, pay bills, or to top-up mobile talk-time. As such usage grows, security concerns alone will create pressure to legalise cryptocurrencies. In the interim, many Indian Bitcoin exchanges are setting up security checks, including the use of PAN or Aadhar numbers.

trading platforms, and fundraising through cryptocurrency, including Initial Coin Offerings. China's abundance of cheap energy and hardware, so essential for 'mining', have long made it the ideal destination for the task – but the recent move caused valuations to dip, and trading quickly migrated to Japan. Looking further back, Japan – which has also seen a huge Bitcoin boom – saw its biggest (and once the world's largest) Bitcoin exchange, Mt Gox, collapse in 2014 following a hacker-attack.

Far from deterring investors, high volatility makes cryptocurrency an attractive investment proposition – much like investing in stocks.

A regulatory grey zone

The catch is that, because cryptocurrency transcends the existing laws concerning currency, foreign exchange, and security transactions, it is now being heavily scrutinised by regulatory bodies the world over, including in India.

The RBI considers cryptocurrency a violation of India's current forex norms due to its unregulated nature and lack of compliance with any central banking mechanisms. Further, in the recent Union Budget, the Finance Minister categorically ruled out the use of any of the existing cryptocurrencies as legal tender.

> India has refused to legitimise cryptocurrency usage, but the government will eventually use its underlying technology - blockchain

However, the FM did acknowledge blockchain's importance as a 'distributed ledger system', and said that the government will explore the use of this technology for ushering in a digital economy. The RBI has now asked experts to review a fiat version of cryptocurrency that serve as a digital alternative to the Rupee. If India does go ahead with what it tentatively calling 'Lakshmi', it would put the country on par with China, Russia, and Estonia, which are all considering their own cryptocurrencies.

More than just coins

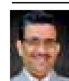
With digital currencies like Bitcoin and Ethereum experiencing three-digit gains, it is likely that cryptocurrency is here to stay and thrive. Global institutional investors, including the likes of Goldman Sachs, have taken notice, with their stakeholders becoming increasingly curious about this unique asset class. Former RBI Governor Raghuram Rajan has said that that the RBI could use digital currencies to move India towards a cashless society.

As international borders blur in terms of financial transactions, and as we move towards a digitised world, it's not too far-flung to think that this FinTech revolution will bring sweeping changes in how we define and use money. It's worth investing your time to educate and prepare yourself for it.

What blockchain means for Finance Leaders

For Finance leaders, the most interesting development to track is not cryptocurrencies, but the technology behind the. Blockchain promises to bring operational improvements and cost efficiencies to many businesses. Soon, for instance, Finance departments may never again have to reconcile various sets of intercompany accounts, or resolve a financial dispute with a vendor, wait for a payment to clear, or set aside collateral to cover counterparty risk. All of this is theoretically possible with the use of distributed ledgers.

A recent surveys highlights that 14 per cent of over 200 respondents from financial institutions plan to go into blockchain production on a large scale, while 15 per cent expect to have some form of commercial blockchain application up and running. Judging by the accelerating pace at which blockchain initiatives are making headlines, it's hard to imagine that the technology won't have an impact on the world of Finance. Indeed, experts believe that companies that don't adopt distributed ledger technology in some form will only be hastening their obsolescence. ■



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Digital: When the Answer Lies in Business Models

Jaspreet Bindra explains what it truly means to take your organisation through a digital transformation

In the near future, digital platforms will provide the foundations for both businesses and for business processes. 'Going digital' is no longer a choice, but an imperative. In fact, for many companies, worldwide and across industries, it is one of the top three priorities for C-suite leaders. What guides this thinking is not just greed, but also fear. CFOs and their Boards are well aware that roughly every 6-7 years, whole industries – whether music, TV, retail or finance – get destroyed, only to be reborn, often in forms that did not previously exist. Currently, the automobile industry is in the midst of cataclysmic change, with not one but three 'nuclear bombs' falling on it: fleets, autonomous vehicles, and electric cars. Alone, any of these three would be enough to destroy it, but here, all three have arrived simultaneously. However, this is not unique – but something that occurs, at some point, in most industries, with new businesses displacing the old with an alarming regularity. The answer, if there is one, must lie in the digital realm. As George Westerman argues in the book, Leading Digital, 'digital masters' – firms with strong digital and leadership capabilities – can boost revenues by 9 per cent, and profitability by 26 per cent. At the same time, however, these changes must be supported by an equal focus on people, and on the customer experience.

DIGITISATION IS NOT DIGITAL TRANSFORMATION

People often confuse 'digitisation' with 'digital transformation', but they are two very different things. Digitisation is often driven by necessity: standardising an existing process and making it faster, shorter, better; essentially, it is about cost and efficiency. Digital transformation is the other side of the coin: presenting new ways to the business or the customer, or improving the value proposition. Instead of continuity, it is about disruption; instead of cost, revenue. Digitisation is about making Meru run better, but digital transformation is about turning Meru into Ola.

> Digitisation is about cost and efficiency, and making existing processes more efficient; digital transformation is about finding new ways to run the business, or changing its very operating model

10 years ago, 'digital transformation' would have meant building a website; 5 years ago, building an app. Today, it might be about using bots, and 5 years hence, it may involve quantum computing. At heart, though, digital transformation impacts every part of the company – and things like apps and bots are just the tip of the iceberg. 95 per cent of the change is hidden from view. A true digital transformation touches every single function and person in the organisation, impacting business models, processes, and governance. It is, in a nutshell, not a digital transformation, but a business transformation. If previously, it was possible to transform a business while bypassing the digital element, today, digital is really the default option for any organisation that is looking to transform part or all of their business.

THE TEN RULES OF DIGITAL TRANSFORMATION

Digital transformation is not so much about the technology – whether AI, blockchain, or something else – that enables it, but everything, encapsulated in 10 'rules', that goes into making the leap. Not every company will or needs to do all 10 things to achieve a digital transformation. However, there is a 'Holy Trinity' – three critical, inescapable elements – of any such journey: the business model, customer experience, and capability (i.e., people and culture). The business model, or 'creation', lies at the base: setting up a new kind of business or finding a new way of making money, using either new or existing assets. This is hardest part, and perhaps the most 'cerebral' of the ten rules. Customer experience, which is really about 'preservation', is the

The Ten Rules

Rule 1: Leadership Vision & Commitment are key
Rule 2: Create Business Value
Rule 3: Think the Customer Experience First
Rule 4: The Front End and Back End Must Talk
Rule 5: Go for Product-Market Fit
Rule 6: Partnerships, Partnerships, Partnerships
Rule 7: Business Models & the Power of Platforms
Rule 8: Enable a Cultural Revolution
Rule 9: People Uber Alles
Rule 10: Genius is Eternal Patience

second element. Many companies – including Apple and Uber – focus on redefining not so much the business model or the product, but the customer experience; ultimately, this may well be the only sustainable differentiator. Capability – people and culture – rounds out the trinity, but it is something that is also

Responding to, and driving change, M&M is building new 'Uberised' businesses for CV and tractor rentals, and building a portal that will help farmers improve their livelihood

intimately linked with destruction. After all, to transform oneself, one also often needs to destroy what came before it: setting the forest on fire, so to speak, so that new trees can come up.

Business models: from pipes to platforms

Everywhere, new models are disrupting the old. In the hotel industry, Airbnb is upending even the world's biggest chain, the Marriott-Starwood combo – which may well have merged just to help it stave off the upstart. When Marriott's CEO tweeted that he planned to add 30,000 hotel rooms in the coming year, Airbnb responded by saying it would do the same thing in two weeks. One might argue that one is a brick-and-mortar business, and the other an aggregator, so they are like apples and oranges. The truth, however, is that the customer does not care about such subtleties: all he or she really wants is a room in which to sleep. Fundamentally, what firms like Airbnb and YouTube are doing is shifting their industries away from the traditional pipe model, towards platform-based ones. Pipes work by having producers at one end, and the customer at the other; cost at one end, and revenue at the other; inputs at one end, and output at other. In between these two ends, businesses

add value by packaging the good/ service, and then advertising and distributing it. Platform models destroy this value chain by having cost and value at both ends: on Airbnb and YouTube, the same person can be a producer as well as a consumer. So inter-twined have things become that Airbnb's HR function is responsible not so much for employees, but for hosts – the people who put their rooms up for rent.

Technology – including mobile, AI, and analytics – has certainly enabled this shift, but there are two underlying reasons why platform models are catching on. First, today's customers are happy to share, because younger people no longer care to own things. Whereas their parents would aspire to buying their first home, car, or designer dress, today's youth rent everything, from cars and homes, to furniture and clothes. The whole economy is gearing itself around rentals, and new companies are catering to that need. Second, there is more than enough 'stuff' in this world already: 96 per cent of second homes are never lived in, tractors are used 3 per cent of the time, and cars only 4-7 per cent. Unused capacity is simply lying around, waiting to be tapped. For traditional companies, however, this also raises existential questions: If no one wants to buy your products, why make them?

M&M is fully embracing this shift, including through Trringo – the tractor world's equivalent of Uber. Currently, Trringo is losing money, but it will grow. For M&M, the world's largest producer of tractors, this presents a dilemma: if it proves wildly successful, it might undermine Mahindra's core business. To manage this issue – which would really be a 'happy problem', because it would imply a huge new revenue source – Mahindra is looking to grow both businesses simultaneously, while keeping them distinct, both culturally and governance-wise.

At the level of people and culture, digital transformation is about changing mindsets, new ways of working, curiosity, and a willingness to accept and celebrate failure

Similarly, M&M is 'Uberising' the commercial-vehicle rental space with Smart Shift, which is already India's second-largest business in this area. Smart Shift works by connecting SMEs with transporters, and tapping into unused capacity – not only of M&M CVs, but those of its competitors, too. Although it is strongly digitally-enabled – an app lies at its heart – there are provisions for 'offline' transactions, allowing it to work equally well in rural India. Finally, M&M is working to create a one-stop farmer's platform that combines advisory, commercial (raw material purchases, crop sales) and other services (equipment rentals, financial services, and post-harvest requirements). Again, the platform will be platform-agnostic, but unlike the other two initiatives, it will actually support Mahindra's core business, while hopefully also reducing farmer distress.

Customer experience: the ONLY differentiator

Arguably, customer experience is the only true long-term differentiator. Uber/Ola have succeeded mainly by permanently shifting the customer experience for taxi users so that no one would go back to black-and-yellow taxis, even if they were 20-40 per cent cheaper. (The convenience of tracking your vehicle's arrival time, knowing when you will get to your destination and who will be driving you – not to mention having a 'panic button' at hand – is now irreplaceable.) Improving the customer experience requires a mix of design thinking, mapping the customer journey, understanding the pain points, and then deciding how to change the journey. M&M did this for its automobile business, and found that having showrooms – even in prime locations – is no longer an advantage. Customers today are used to having products arrive at their doorstep, and for the most part, they have made their purchase decisions even before visiting an outlet. Often, people make such decisions on impulse, such as when they see a car zipping by – so it is important to be there then, not one week later. One way to do this is M&M's 'Bring the Showroom Home' app, which allows customers to view and customise vehicles in the comfort of their home, using VR technologies.

Culture and people: Making the digital mindset jump

All said and done, digital transformations take place not in an office, a plant, a showroom, or even the boardroom, but between people's 'two ears'. It is really about changing mindsets, and finding an entirely new way of thinking and working – one that is built around curiosity, a willingness to celebrate failure (quickly moving on), and the ability to 'break things' wherever needed. From the old 'waterfall' models – where new ideas underwent a set, iterative process (market research, strategy, road-map, de-risking, and pilot) prior to launch – today, 'agile' models hold sway. For instance, instead of developing prototypes only at the end stages, this now happens even when an idea is only 30-40 per cent 'complete'. As new insights come in, they are continuously fed into the proof-of-concept. The upshot is that prototypes are ready roughly in the

same timeframe as it would taken in the past just to finalise the strategy. Multiple prototypes might even be launched simultaneously – some will work, while others will fail (but fast). M&M's 'Bring Home the Showroom' got developed this way: built more around gut instinct than detailed market research, it edged out three other prototypes.

TECHNOLOGY – A START, NOT AN END

The technologies that enable digital transformation – AI, AR, VR, ML, blockchain, data science, and so on – are just that: mere tools, not ends in themselves. It is mistake, therefore, to start the journey with technology. Instead, one should first identify the problem or business opportunity that has to be addressed, and only then form a technology response that keeps in mind what currently exists, what is useful from a tactical perspective, and what might come up in the future. For many firms, the problem statement is fast evolving. Cars are no longer bought solely for transportation, but also for their add-on features, including entertainment systems;

> Technology is only an enabler of digital transformation, but the actual change that is required must run much deeper, involving the entire organisation

credit cards are no longer about fancy design or reward points, but making the payments process as frictionless as possible. Recognising this, and tailoring solutions around it – including technology-based ones – is key. At the same time, it is vital to realise that every business today needs to be a 'technology company' – because it is not the established industry players or even start-ups that will disrupt one's business, but Google, Amazon, Facebook, Apple and Microsoft. Be it shipping, healthcare, or insurance, these firms have a strong presence, and the muscle needed to sustain themselves, virtually everywhere.

M&M discovered blockchain early, and it has found multiple ways to leverage it. It used such a platform, for example, to rework Mahindra Finance's bill-discounting business. This saved it cost, but more importantly, it expanded its addressable market five-fold. In the process, M&M became the first non-banking firm to implement the technology in this manner in the entire Eastern hemisphere. Separately, it is deploying blockchain for vehicle lifecycle management. By putting the vehicle's entire history in code – where it is/was at any point, whether it has been involved in an accident, or whether its servicing is due – it is possible to create and access virtual, Aadhar-like 'identities'. Meanwhile, the firm is combining blockchain, artificial intelligence and machine learning in its farming platform. For many farmers, information can literally mean the difference between life and death: what to expect from the weather, when to plant seeds ahead of rainfall, when and how much fertiliser/pesticide to use, how to respond to an insect attack, where to get the best prices, and so on. All of this information is available – but not in one place. By using all three technologies, it is possible to string together data from multiple sources, and provide a customised, location-specific answer to virtually any question that a farmer may have – over a simple, gamified, multi-lingual app. ■

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Gopal Mahadevan
Chief Financial Officer,
Ashok Leyland

Opportunity in Adversity: Building Ashok Leyland 4.0

From time to time in their professional lives, CFOs are instrumental in driving radical internal change, and even business transformation in the organisations they steward. Gopal Mahadevan epitomises that capability. When Mr Mahadevan joined Ashok Leyland in 2013, the industry was in the midst of a crisis and the firm beset by falling sales, shrinking margins, and plummeting share prices. Working closely with the Managing Director and other function heads to effect a turnaround, Mr Mahadevan's focus was solely on profitability and cash flows – a message that had to be instilled across the business. Unviable lines were shut, Management Information Systems revamped, working capital reduced and the company effectively restructured. Consolidation was the new imperative. By his own account, there was no 'rocket science' involved in what had to be done, but it did require solid execution, and strong collaboration – and at the core, clear recognition across the board, of the unviability of status quo. The turnaround that occurred was possibly one of the fastest in Indian corporate history, and Ashok Leyland is today on solid ground, with enhanced market-share and robust profitability. However, like any journey, this one, too, is far from complete, and there are new challenges to overcome in the times ahead. In interactions with *CFO Connect* and with the wider IMA India CFO Forum, Mr Mahadevan shared valuable lessons on what worked and what did not in turning around Ashok Leyland.

FROM SMOOTH SAILING, TO A PERFECT STORM

For much of its 70-year history, Ashok Leyland has stayed ahead of the curve, and in its first 65 years, it was a consistently profit-making company. There was no real competition, with the market split 25:75 between AL and Tata Motors, and the industry was predominantly a seller's market. Profitable from inception and very tech-savvy, AL has led many of the biggest innovations in the Indian Commercial Vehicle industry, from introducing air brakes, double-deckers and power steering, to the latest Exhaust Gas-Recirculation BS IV systems. It believes not only in following best practices, but also defining next practices in CV technology.

The rumblings of disruption began in 2005, with the entry of new players like Mahindra & Mahindra, Eicher, and Bharat Benz, and a surge in industry capacity. Recognising this as a minor blip as the market expanded, AL continued to invest heavily in capacity and in adjacent businesses, including Construction Equipment, and in a few other initiatives. Around 2012, however, the market was hit by a perfect storm – a slowing economy drove industry volumes down 50 per cent from 350,000 to 200,000 units per annum in just two years. Given that industry capacity was far in excess of demand, discounts jumped from Rs 20,000 to Rs 250,000 per vehicle, turning the market into a buyer's market overnight. Weighed down by high overheads and heavy capex, AL's debt swelled alarmingly. Even as AL remained fiscally prudent, its outstanding debt rose from Rs 40 billion to Rs 62 billion in a matter of months. Working capital was at 37 days and the stock price had touched Rs 11, well below the book value. All of a sudden, the company was in survival mode.

ASHOK LEYLAND 3.0: REINVENTION

Plainly, Ashok Leyland would have to restructure and reprioritise – and in 2013, it began doing just that. Its debt was too high and its stock had taken a beating. The team's entire focus shifted to making the business profitable again, to bringing the fabled company back into the black.

Gunning for cost reduction – and selling non-core assets

AL put together a dedicated team of 25-30 of its best employees, handpicked from various departments, for a cost optimisation programme. This team – codenamed 'K-54' – was given the mandate of cutting all costs, including interest, depreciation, and non-cash charges to improve PBT. The target was deliberately set high – exactly double what was absolutely necessary – to create a buffer in case of any misses. The advantage of a dedicated team

To optimise costs, a cross-functional team was set up, but it eventually co-opted the entire organisation into the effort.

was multiplied by co-opting the entire organisation into the effort, leading eventually to a positive shift in culture and outlook. This was enabled by a leadership that set the right tone, communicated regularly and most importantly, was accessible. This culture is now ingrained in the firm and its leadership. Finance as a function played a critical role of not only showing the mirror but also providing the 'binoculars' of opportunity and efficiency. A systematic knowledge-management structure was set up to invite cost-cutting ideas from across the organisation, and to track implementation. Every idea at AL now goes through three stages, and is then validated by the Finance team.

Employee costs were also trimmed, with low-performing employees (about 10 per cent of the total) being given an exit opportunity. Specifically in Finance, the headcount has come down from 287 to 205 in the last four years, even as revenue has doubled to Rs 180 billion.

Following seven months of rigorous effort, the team managed to remove Rs 7.5 billion worth of costs.

Simultaneously, Ashok Leyland went after waste elimination disruptively. There were to be no holy cows: the target was to reduce the BEP by 30 per cent. The Finance office then focused on optimising the firm's operating working capital needs. An automated review process was installed, providing granular information that allowed it to identify any inefficiency in its management of working capital. (This information was shared in advance with business divisions to avoid any surprises during formal reviews.) The rigour of review in understandable and manageable 'bits' -was also crucial to success. In just four months, this helped bring down working capital from Rs 14 billion crores to Rs 2.3 billion in March 2014. In 2016, a new method was introduced to compute moving average working capital – similar to how banks calculate interest on capital used – and this has already generated significant interest-cost savings.

Additionally, by immediately 'turning off the taps' of further bank funding, people quickly came to realise they needed to look internally for cash.

AshoK Leyland simultaneously looked to achieve both cost improvements and aggressive growth. It pruned products that yielded low margins, and at the same time invested regularly to develop a pan-India presence

Aside from reducing operating working capital, Ashok Leyland also sold many non-core assets, which included investments such as real estate. With cash in hand, it was able to reduce its debt-equity ratio. Also, the loan book was restructured to replace short-term loans with long-term ones, thus cutting interest costs and freeing up cash flows.

In recognition of the needed balance between continued investment to grow the business and payback on capex, the Finance office developed a clear capital investment policy: it must earn a minimum IRR of 20 per cent on long-term projects. For short duration projects, the payback period should be less than 1.5 years. With these guidelines in place, the firm has managed to bring down the development time for intermediate and commercial vehicles from three years to nine months.

Enhancing the focus on efficiency and quality

AL has set in place stringent processes to improve its forecasting accuracy on product development, manufacturing, and sales. There was a disruptive focus on enhancement in quality. Finance has been spearheading a process improvement initiative – 'Aspire' – that aims to reengineer processes in HR, Finance, Quality, and Indirect Purchases. The goal is to eliminate redundancies, automate processes, and outsource areas where there is scope for cost saving. This has enabled greater efficiency as well as a stronger focus on the customer.

Revisiting the portfolio and diversifying dependence

A critical element of AL's 'reinvention' was to review the product portfolio, both current and planned. 2013-14 would have truly been an annus horribilis, but it was also the year the company embarked on its turnaround, and one in which it had its maximum number of new launches. The rationale was that, unlike other industries, trucks and buses have a long shelf life, and these products are continually upgraded and refined over time. Further, it continued to invest in developing a truly pan-India presence, moving beyond its traditional, Southern Indian stronghold.

This proved far-sighted, because today, AL is able to service and grow its market mainly thanks to its new products and enhanced network. Concurrently, AL decided to prune anything that yielded either low or no margins. It immediately stopped producing about 15 per cent of its portfolio, or re-priced its offerings even under tough market conditions.

Selecting and tracking key metrics: End-outcome recognition is key

To ensure strong alignment between effort and business need, AL concentrated on three critical metrics: market share, operating working capital and EBITDA margins. All targets, goals, and outcomes were linked to and tracked along these metrics. This represented an equilibrium triangle: any change in one component would impact the other two. MIS systems were revised to include the new metrics along with the profitability numbers. The intention was to make the front-end staff better understand the profitability numbers. Despite initial concerns about information confidentiality, this move to share sensitive information with employees had a dual effect – it created urgency and clarity on goals at the front end, and it generated confidence by displaying categorical trust in employees. With all these efforts, EBITDA moved up from -5 per cent to +6 per cent in just one quarter, i.e. from Q3 FY14 to Q4 FY14.

Restructuring the business

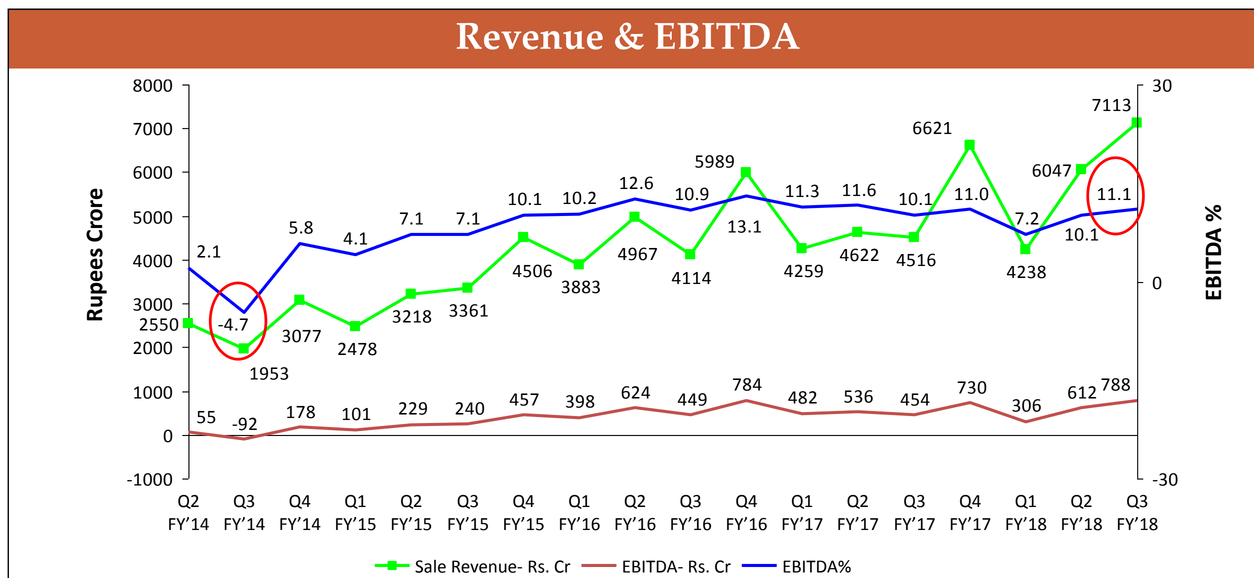
Next, the company was cut into manageable parts. From a single monolith, it was split into six businesses – including Truck, Bus, After Market, Power Solutions, LCV, and Defence. At the P&L level, it was broken down into 30 segments, a number that later grew to 250, and today 450. Every business head, zonal manager and regional manager now has a P&L responsibility. This information however is kept simple at a metric level – market share, EBITDA and operating working capital to make it easily manageable.

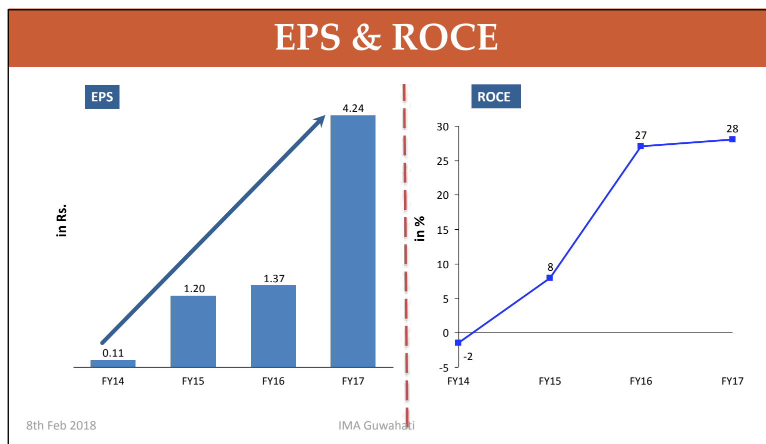
Keeping stakeholders informed

Simultaneous to all of this, AL kept stakeholders informed throughout this journey – never promising outcomes, but sharing the measures that were being taken. Throughout this process, the CFO's ability to consistently and transparently communicate both intent and decisions to a wide map of stakeholders was crucial. Investors, bankers and internal management were provided detailed assessments of decisions taken and progress made, including, crucially, errors or disappointments. In the case of internal stakeholders, it was essential to involve them early on to avoid any possible resistance. The key was to share details in the form of storytelling, thus creating both believability and 'connect'. Staying brutally honest, Mr Mahadevan

To ensure alignment of effort, business need and outcome, AL selected and tracked three critical metrics: market share, operating working capital and EBITDA margins

Revenue & EBITDA





would tell them that Ashok Leyland was a bit overweight, but that it was getting back in shape, and no longer in danger of going into the ICU. Gradually but surely, investor confidence returned.

Raising capital

Combined, these steps brought Ashok Leyland to a point where it could again raise capital. In July 2014, 10 months into the restructuring exercise, it generated Rs 6.7 billion (USD 111 million then) through one of India's fastest QIPs, at Rs 36/share. Although it knew that it would be able to fetch a higher price if it waited a bit longer, it felt like the right time to draw down its debt further, and to infuse new money into the firm. The required equity dilution was minimal, and the issue sailed through in no time.

During a turnaround, it is critical for the CFO to clearly communicate with internal and external stakeholders, continuously receive feedback, and create a virtuous cycle of information flows, ideas and decisions

THE PAYOFF

As AL became more profitable, it regained confidence internally. The network it had invested in – which included spends on dealer and service network, allowing them to get closer and be more responsive to end-customers – boosted its market share, to nearly 34 per cent currently. A restructured balance-sheet today only has upsides, because any investment that lacked cash-generating potential or was non-core was divested, yielding Rs 1.6 billion over 4 years. Unprofitable subsidiaries, such as a construction-equipment offshoot were closed, reducing the company's cash-burn. During FY14, AL rationalised its staff strength by nearly 10 per cent. From a debt-equity ratio of 2.2:1 in August 2013, it was, as of December 2017, debt free, and its working capital has reduced from 44 days to 6 days. Ashok Leyland has now been consistently posting double-digit EBITDA margins for 11 of the last 12 quarters – especially credible because sustaining this performance requires huge effort, and is far from easy. Its EPS and ROCE ratios are both up strongly.

ASHOK LEYLAND 4.0: DEFINING THE INFINITE

In hindsight, fighting the crisis was, in many ways, probably the easier part: the problems were well defined, and the solutions lay predominantly within the company. As AL, with Mr Mahadevan as its CFO, looks ahead, the focus is shifting to reinvention, to deploying new strategies for the journey from very good to great. Simply doing more of the same will not suffice – industry is changing more rapidly than ever before in a digital economy that is about sharing, and about productivity. Even as the risks may be many, the greatest perhaps is not being able to change with time.

A three-pronged strategy...

Going forward, Ashok Leyland has three broad goals on revenue: pursue domestic growth; grow the acyclical businesses; and drive up the share of international revenue. Even during tough years AL did not cut spends that affected its capacity, capability or brand. Its perseverant expansion of network from 350 points of presence seven years ago to nearly 2,800 points today has yielded results. While the domestic truck business remains its bread and butter, it is important to de-risk the organisation by growing other businesses in parallel, and there are programmes in place to methodically achieve this. At the same time, it is moving from being a pure products business to becoming a 'solutions' provider. From building innovative trucks, it is now making them digitally-enabled and intelligent. Further, the company is now looking to capture more of the entire lifecycle revenue of a vehicle and not merely its sale value, which accounts for 10 per cent of the total opportunity. AL is now looking at business models

that can get it into a bigger part of this opportunity.

Finance will need to partner business in driving this – as decisions on capital allocation, revenue streams, investment structure and funding will need to be the back bone for these initiatives. Plainly, Finance is integral to this Blue-Ocean strategy.

Stay relevant, stay ahead

The world of tomorrow will be one of great opportunity, but also of massive disruption driven by regulation and customer preferences. Crucially, pure manufacturing excellence is starting to become a given, not something that commands a premium any longer. Vehicles should not only be efficient, but also intelligent. Manufacturers are expected not just to sell products, but to provide innovative solutions. Business models will change, too, as today's end-customers, in some cases, give way to aggregators. Companies like Ashok Leyland will need to respond appropriately.

Over the next decade, automation will change the nature of work and the functioning of society, thereby impacting both employment prospects and end-demand. Many traditional capabilities – at both the individual and the organisation level – will see disruption on account of AI and automation. New strategies will be needed for businesses to survive and grow – and in some industries, the 'moats' that companies have built around themselves will no longer be sufficient.

For CFOs, all of this will pose critical challenges in terms of decision-making. They will need to move their mind-set from managing risks to riding them. Innovation will be key to staying relevant. And also to staying ahead.

THE WAY FORWARD

In a candid conversation with *CFO Connect*, Mr Mahadevan shared his views on the emergent world of industry - 'Industry 4.0' as it is fashionably called - the challenge and opportunities it offers, and the related disruption of business models.

Technology is causing disruption at multiple levels – in terms of manufacturing excellence using smart technologies at one and product disruption at the other with the rise of electric vehicles. What are the changes that are categorically foreseeable and which you would highlight as the most critical trend?

You need to be prepared not only for disruption but also for the unbelievable velocity of disruption. Preparation is also required for changes that will be driven by unrelated constituents, and also for a value shift from product to customer capability. Historically, the first value creators were manufacturing behemoths, followed by the ones with marketing capabilities, and then by technology leaders. The next phase of value creation will be led by companies that innovate in connecting and retaining customers, and creating needs that did not exist. This will transform the way we live and work.

To what degree is Ashok Leyland, given its already scaled-up manufacturing footprint in India, looking to embrace new technologies, such as robotics, IoT, etc.?

We are very clear that we need to move from products to solutions, and from hardware to digital. AL has one of the most integrated R&D and testing centres in Asia. Our Pantnagar facility is one of the most automated and integrated commercial vehicle (CV) manufacturing facilities in the world. We are possibly the Indian CV manufacturer with the most 'connected' vehicles. The history of India's CV industry is replete with innovations introduced by AL, and we will continue to use that capability to build our strength further. We are looking at transforming our manufacturing capabilities, introducing next-generation products, and connecting with our customers more efficiently. We now use 3D printing to develop our prototypes.

What are the most important challenges you think AL will need to overcome to take advantage of 4.0 and stay ahead of competition?

Industry 4.0 is about smart factories. On top of that, we need to have smart solutions – not just for our customers,

Finance needs to shed its traditional role of 'protector of shareholder interest', becoming a 'creator of shareholder value'

‘Finance Time Dollars’ should be optimally spent on strategic areas, such as developing robust processes, business partnering, and team- and capability building

but for ourselves – built on the back of Big Data and analytics, which are critical in getting to know your customer better and predicting patterns. There are external drivers, too. Even as we are charting our course from BS-IV to BS-VI emission technologies and making investments for the same, we are also planning our journey from internal combustion to electric vehicles. Industry 4.0 not only means having smart and connected manufacturing, but also building intelligent vehicles that customers need.

What digital initiatives AL is taking to future-proof itself?

Ashok Leyland had formally announced its first set of digital initiatives in August last year:

- ‘I-Alert’, which gives real-time data on the vehicle performance
- ‘E-Diagnostics’, which provides diagnostics that reduces vehicle down time disruptively
- ‘Service Mandi’, a mobile platform that seamlessly connects drivers, mechanics, parts retailers, fleet operators and dealers
- ‘Leykart’, which provides platform for procuring parts on-line

We are also doing multiple things using Analytics and Deep Learning. We are a very current and ‘happening’ company that believes in the transformative power of technology

Do you think we have a way to go - say, several years - before most large enterprises can scale to get the real business changes and benefits from digitalisation?

Large organisations will need to adapt quickly, else they will stall. Adaptive planning will replace long-range planning, which can only help identify broad initiatives and strategies that need to be deployed to stay relevant and competitive. The days of Excel spreadsheet-forecasting are gone. Just look at the impact that digital marketing is having in bringing new businesses be it in FMCG, education, payments systems or food.

Any transformation begins with awareness and knowledge amongst employees about the new technologies and operations. What is the effort required in acquiring digital talent, building new competencies, and necessitating seamless skill enhancement? What training interventions are you deploying or planning to deploy to make sure resources are fully geared to face challenges upfront?

Organisations will have to learn to co-create, aside from purely acquiring talent. Digital is not about getting good programmers, but also about identifying opportunities and creating platforms and solutions. A number of start-ups are creating solutions that are disruptive. We will need to co-create with them. Of course, organisations will need to have expertise in steering the digital ship, otherwise we will be all over the place. It is most important for employees to realise the speed of change and the opportunities that will unfold. Change is good; it is no longer ‘Business at the speed of thought’ but ‘Business at the speed of change’.

Going forward, what do you foresee in terms of the changes in the composition of your R&D spends?

More than the quantum, the composition of R&D spends will change. While we will need to build new vehicles and capabilities, we will see investments in new areas, such as connected vehicles, AI and solutions.

In a world where the nature of value has changed from asset- to knowledge-based, what is the Finance function’s

greatest value to its stakeholders, and how is that value best communicated? How do you see the CFO's role evolving?

The Finance function will have to unlearn itself – like all other functions. A lot of what we have been doing does not create value for the customer. The challenge is that compliance and governance are becoming ever so important, and rightly so. The only way to solve this is to create high-speed channels for transaction enablement with clear walls to make transactions processing so predictable that you do not invest time in reviewing them. Instead, the time should be spent in developing the rules. The entire organisation should be looking outwards and spending minimum time looking backward for non-strategic issues. Therefore, focus the 'Finance Time Dollar' (FTD) in developing robust processes and automating them; re-deploying the FTD to partner businesses, and providing innovative and proactive solutions; and spending the rest of the FTD on team and capability building.

What do you look for in your team beyond skill sets? How do you develop future leaders in Finance?

I strongly believe in enablement. So, I will push my guys into the deep-end of the pool whilst keeping an eye on them. The greatest satisfaction is when you see the next generation of leaders swimming back to the edge. The best way to build future leaders is to expose young talent to what the senior leadership is thinking, and allow the team to come up with solutions. As a leader, you need to learn to choose the options that the teams come up with. It is not easy to let go, but that is the best way.

How do you future-proof the firm against ongoing volatility? What is the role that Finance must play in this?

Finance needs to shed its traditional role as merely a protector of shareholder interest, to becoming a creator of shareholder value. This requires Finance to differentiate itself. Finance is best placed to aid the transformation – with access to information, the ability to spot opportunities and deviations, and to garner resources for funding future growth. We need to move from 'containing risks' to 'riding risks', and becoming a good and equal partner to the business.

The next journey on the profitability curve: how do you ensure that things don't lapse back? And how do you get beyond the operational management personally to ensure a focus on strategy in a business as vast and fast moving as AL's?

The best way is to unlearn and not allow hubris to set in. Enhanced profitability will come from growing the top-line while keeping the middle line on an incremental growth mode. For growth in the top-line, I believe that judicious capital allocation, as well as understanding of business, will be necessary to partner business in its decision-making. For keeping the middle line optimal, understanding and driving of resource productivity are going to be key – be it money, men or material.

AL has started including strategic issues as part of people's KRA and linking them to ratings. Could you share some of yours?

Some of my KRAs include providing customer related solutions, working with product development to enhance the product development process, improving productivity in certain functions, and removing unnecessary processes that do not enhance governance or competitiveness, capital allocation, being in boards of group companies and enhancing investor relations. ■

ON A LIGHTER NOTE

- **Being a CFO to you means:** Customer First Officer!
- **Three important learnings as you look back upon your career?**
  - o Impress on your colleagues that you are not Mr Bean Counter
  - o Make yourself a likeable fellow, but be heard
  - o Learn to dream with your feet on the ground
- **What is the first thing that comes to your mind when you hear the following:**
  - o Communication and the CFOs: Smile – life is not too serious
  - o CFO & Strategy: Joined at the hip!
  - o CFO & Risk Management: Like salt – not too much and not too little!
- **Top three things still pending on your bucket list:**
  - o Becoming a good swimmer
  - o Learning to make an app
  - o Completing the full collection of The Police & Sting!
- **Favourite book/movie:** Jonathan Livingstone Seagull
- **Comfort food:** Bhelpuri
- **What do you do to keep yourself operating at optimum level?**
  o Eat, Pray and Love your family
- **What does the horizon hold for you in the future – where do you want to go?**
  o Time will tell. Let me live for the moment.

Aligning Finance and Marketing to Drive Growth

Rohit Gulati looks at how Finance and Marketing can come together to deliver business results

The future of growth will be written by data-driven organisations. While most marketing teams today fail to utilise the full potential of their data, this is rapidly changing. The advent of data-led marketing will ensure that organisations are able to not only identify the strategies and campaigns that are most likely to be successful, but also secure buy-in for marketing investments by demonstrating the potential ROI of impending campaigns. Put simply, this is because, in a truly data-driven marketing department, the measurement of ROI should be at the fore.

Even in the most data-centric organisations, a number of obstacles and errors can undermine efforts to measure ROI . For instance, they may not be able to access the necessary data, because it is held in silos; or they may not be collecting the 'right data' from channels such as email, SMS, mobile, Web, social media, or print. Ensuring data compatibility is another challenge, as is the ability to effectively analyse what data does get collected data. Finally, organisations sometimes fail to account for the total, or fully-loaded cost of marketing. Overcoming these issues rests on a stronger alignment between the two organisations that must drive this effort: Finance and Marketing

A Match Made in Heaven!

Within any business, the one major objective for all employees and departments is to help the business succeed. Organisations must recognise that no single entity can drive success – and that there is a fundamental need for various functions to understand how their work contributes to the overall objectives. This change is being fuelled by new technology and connectivity capabilities that are starting to break down silos. This is especially true of Marketing and Finance, which share the common goal of increasing revenue, but often have different perspectives and KPIs, with no shared understanding of their relationship. In many cases, marketing struggles to demonstrate its value to Finance, resulting in underfunded marketing departments that cannot produce the business results Finance leaders are most focused on.

What creates barriers to effective collaboration is that the two departments see the business in different ways. Marketing's goal is to find new customers and improve brand perception, whereas Finance's goal is to keep expenses down and maximise profit. Many marketing heads might say, 'We are looking at the dimension of acquiring a new customer. If I'm sitting with Finance, they are also going to say, "What is your profitability goal of that customer?" Both leaders, though, would recognise that improving alignment and collaboration between their teams is important for the business.

In many cases, Finance is sceptical of Marketing's ROI claims, and similarly, marketing departments

Marketing and Finance have a common goal – driving revenue – but different perspectives on it, and varying KPIs

are remiss to provide specific ROI targets. It's incredibly important for Finance to understand the strategic nature of the marketer's work. At some point in the year, the CEO will definitely ask Finance, 'Hey, are we investing too much in marketing?' Thus, if Marketing wants to secure the resources it needs to realise its strategy, it has to get 'tight' with Finance.

To make this possible, a good Marketer will have to think about what makes sense for the business: What will improve the bottom line? What will deliver the highest ROI? That's how Finance thinks – in logical, analytical terms. These are also attributes that any effective Marketer should possess.

Impediments to Collaboration

Broadly, three types of challenges – related to processes, technology, and people – get in the way of closer alignment and collaboration between the two departments. However, by building a clear understanding of these challenges, and forging a common set of key metrics, they can work to bridge this gap. Several initiatives can help achieve this, including: making more joint decisions on marketing spends and budgets; fostering a better understanding of each other's goals and objectives; encouraging Finance to view Marketing as a growth centre, not a cost centre; and establishing an ROI Evaluation framework powered by Big Data and predictive analytics

Leveraging Technology to Nurture the Relationship

Finance and marketing require the right tools to work collaboratively and optimise their interactions. Using the right quantitative and analytical techniques can help bridge the chasm between marketing data and business results. Technology can provide robust data analysis, data integration and measurement capabilities that turn what seems like a data overload into valuable insights. By leveraging these solutions, companies can better sift through huge volumes of data to arrive at the right conclusions, creating valuable reports that benefit both the CFO and the CMO, and help the teams align around similar processes.

Building Cross-Functionality

Today, financial accountability for marketing performance has become front and centre. Taking this a step further, Finance workers should be assigned to marketing to create a first-of-its-kind Marketing ROI (MROI) team. The end-goal would be something truly transformational: an ROI evaluation framework that is integrated deep inside Marketing. With a strong understanding of the marketing context, this MROI team can

bring new levels of financial discipline and rigour to the marketing process. This can help reframe the conversation to balance the interests of both sides.

Analytics then becomes the 'connective tissue' between the different visions of what drives results. Combining data from both sides of the fence, analytics can reveals the true picture in terms of what drives marketing performance, and what connects marketing to revenue. Powering this would be an agreed-upon set of data, and a common language that the CFO and the CMO can use to run scenarios, calculate returns, and foster communication. This new partnership between marketing, finance and analytics can help deliver better business insights. Short of creating a killer new product or service, there are few ways a business can move the needle quite as dramatically. ■

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Finance employees might be assigned to marketing to create a first-of-its-kind Marketing ROI (MROI) team

Emerging Markets:
The Time has Come?

The FT's Emerging Markets Editor, **James Kynge**, traces the rise and changing nature of EMs, and what might 'spoil the party' for them

Emerging markets are at a historical inflexion point today. In 2017, they accounted for well over half of both global GDP (~58 per cent, up from 42 per cent in the mid-1990s) in PPP terms, and of world GDP growth (60 per cent) in nominal terms. What was once the periphery has become the core: the hub of all action, and the dynamo of growth. Contrary to common perception, this is not just a 'China story', though China does have a very considerable part to play, with an 18 per cent share of global GDP, and a 70 per cent share of the growth emanating from emerging markets. What is now underway is an EM boom that includes China, but which draws its impetus from outside China.

This shift in the world's economic 'centre of gravity' gathered steam during the Global Financial Crisis. At the time, it was really the EMs – and especially China, with its huge, 22 trillion Renminbi stimulus programme – that saved the world from falling into deep depression. Yet there were limits even to what China could do, and eventually, it slipped from its 10 per cent + growth rates, pulling down the commodity-dependent EMs with it. Emerging-market fortunes hit a nadir in 2015, when a commodity super-cycle in terminal decline, and the so-called 'Taper Tantrum', threatened to drag EM growth below that of the advanced economies. The crisis passed, and in the last few years, EMs have again pulled away, led by a definitive shift towards a new, more diversified, less commodity-dependent growth model. The upshot is EMs are far less volatile than even a few years ago. With the West slowly coming to terms with this shift, EMs are fast becoming the centre of action in terms of both direct and portfolio investment.

> The GFC accelerated the shift in the world's economic centre of gravity to EMs, with China's massive stimulus package pulling the globe away from the brink of depression

GROWING ECONOMIC HEFT...

The IMF projects that in 2018, world GDP growth will rise from 3.9 per cent to 4.1 per cent, with the advanced economies growing at 2.4 per cent (up slightly from 2.3 per cent in 2017), and the EMs at a much-faster 5.4 per cent (5 per cent last year). Within the EM world, Latin American growth will jump from 1.1 per cent to 2.5 per cent, led by a reviving Brazil, while the Europe, Middle East and Africa region is expected to remain steady at about 2.5 per cent. However, as it has for over a decade, and as it probably will well into the future, it is Asia, growing at 6.2 per cent, that will lead the way – the 'star' within this 'hub' of world growth. India, with 7 per cent forecast growth – higher than China's 6.5-6.6

per cent – will likely be the world's fastest-growing major economy in 2018. Consequently, after years of being burdened with the cliché about being the 'elephant' to China's 'dragon', it is at last being viewed as a major, sustainable engine of growth. Like with the China of the late 1990s, people now realise that India is no 'flash in the pan' – and despite its many challenges, it has finally become an investment magnet that no one can ignore.

...AND CHANGING GROWTH MODELS

Looking beyond growth rates and economic heft, what is most striking today is the changing nature of EM growth models. For decades, Africa, Latin America and large parts of Asia rose and fell with commodity prices, but today, they are no longer as beholden to the commodity cycle. Simply put, they have managed to diversify, becoming more consumer- and service-oriented, highly entrepreneurial, more gender-inclusive, and at the

> Emerging market MNCs are not only revamping their business models and supply chains, but also deriving much more of their growth from foreign demand

forefront of innovation, including on green and digital technologies. From Sub-Saharan African solar power companies like Mobisol, which sells cheap solar panels on monthly instalments to users in remote villages, and Thai sharing-economy start-ups like Good Meal Hunting, to Chinese firms like Bright Foods that source and build billion-dollar domestic brands around high-quality French milk or obscure Bulgarian probiotics, they are revamping their business models and supply chains. Strikingly, EMs are deriving much of their growth not so much from foreign demand, but internally, and moreover, a rising share – about 40 per cent today – of their trade is with other EMs.

There are important structural driver, too, such as better governance – particularly in terms of economic reforms – and infrastructural spends. This is apparent everywhere from South-East Asia to East Africa, with countries like Ethiopia, Kenya, Tanzania and Rwanda witnessing an investment boom. Crucially, as well, there is a major ongoing supply-chain diversification away from China. Led as much by hedging strategies as by market-size and cost considerations, both Chinese and Western MNCs are now moving capacity out of China. Vietnam is the clear winner in this regard, followed by places like Cambodia, Laos, Indonesia, Bangladesh, Thailand, the Philippines, and India.

The Rise of EM-MNCs

At the company level, there are equally profound shifts underway, with emerging-market MNCs expanding and globalising far more rapidly than their peers from the advanced economies. A BCG study finds, for instance, that between 2009 and 2014, the revenues of EM companies within the top 100 global firms across 63 sectors – a list that includes 16 Indian firms – grew far more rapidly (13 per cent CAGR) than that of their advanced-economy peers (4 per cent). From 18 per cent of the total, their share jumped to 25 per cent in just 5 years. As importantly, between 2005 and 2014 these 'global challengers' managed to quadruple their international revenues, from USD 236 billion to USD 944 billion. Significantly, despite a major downturn in 2015, they have vastly outperformed on the stock market, recording to a five-fold rise, compared to a doubling of share prices for mature-market MNCs. Being the world economy's 'best story' today, they can expect to attract far more investment capital from the West.

...LED BY TECHNOLOGY...

A big change-driver is the great technological 'jump' that is taking place in EMs. By 2025, China will have more trained STEM (science, technology, engineering and math) workers than all the OECD countries combined – and similar trends are visible in India. This will allow them to become the technology 'dominators' of the future. China, in particular, has fully embraced the digital economy, with its share of global e-Commerce sales rising from less than 1 per cent in 2005 to over 42 per cent in 2016, more than either the US (24.1 per cent) or the rest of the rest of the world (33.5 per cent). Alibaba alone recorded sales of USD 25 billion during its recent 'Singles Day'. Chinese mobile payments, meanwhile, were worth USD 790 billion in 2016 – ten times that of the US. Most interesting, in terms of

By 2025, China will have more trained STEM workers than all the OECD countries combined – and similar trends are visible in India

both number (34 per cent, compared to 47 per cent) and value (43 per cent and 45 per cent), China's share of the global 'unicorn' (start-ups worth over USD 1 billion) market is approaching America's. Places like Shenzhen are now competing with Silicon Valley as global hubs for technology, sometimes creating the sorts of things – self-flying single-person taxi drones that will soon have a test-run in Dubai– that may not even receive regulatory approval in the West. As a result, they are, in many ways, starting to bypass the developed world, innovating faster, better and cheaper, and finding new ways to boost commercial margins.

...AND A 'GRASSROOTS GROUNDSWELL'

While the idea of a huge EM middle-class has captured everyone's imagination, equally important to long-term growth are the people who fall one level below – those who are becoming middle class. These 'grassroots' consumers have left behind subsistence living, and are now taking the first steps towards discretionary spending. In China, the ranks of the affluent, the middle-class and the 'emerging' consumers (those with annual incomes of 54,000 Renminbi – about USD 8,000 – or more in 1995 prices) will swell, the latter by 100 million. Meanwhile the number of people who fall below the lowest of these thresholds will, having already halved from about 400 million in 1995, will halve again, to about 100 million in 2025. In short, between 1995 and 2025, some 300 million people will have moved from subsistence to discretionary spending. BCG forecasts similar trends for India, where the share of 'strugglers' – households with incomes below USD 2,300 – is expected to drop from 31 per cent in 2016 to 18 per cent in 2025. Across the emerging world, this trend is gaining momentum, and once started, it is unlikely to slow. Eventually, it will drive both consumption and growth. People who could never have imagined owning anything are renting houses and buying mobile phones and cars – and in turn, using those to start and run small businesses. India's affordable housing boom is a case in point, as are the some 625 million Sub-Saharan Africans without electricity who might, in the next 5-10 years, get a power connection, possibly solar-powered, for the first time in their lives. All of this feeds into the strength and stability of domestic demand, and decreases volatility.

CAN IT LAST? TWO DARK CLOUDS...

A receding tide of liquidity?...

There are two main threats to an otherwise upbeat picture of emerging market growth. The first is the huge infusion of liquidity created by central banks since the GFC, and what might happen when this recedes, particularly if it happens too quickly. So far, this tide of liquidity has lifted all boats, but there are serious downside risks to the scenario, with the US Fed having raised rates 5 times in 18 months, and likely to do so 3-4 more times this year. The Bank of England is also seeing an uptick in inflation, while the ECB plans to raise rates sooner if not later. The 2015 Taper Tantrum, and more recently, the

turmoil in global financial markets over US inflation and interest rates, are a foretaste of what might happen if investors pull out of EMs to shift to 'safer' or 'higher-return' US equities and bonds. Especially vulnerable are countries with low growth, high foreign debt, and large current account deficits (CADs).

Yet, there is another, more positive side to this picture. Not many realise that China accounts for most of the ~USD 40 trillion of new money that has come into the global system since the GFC, with the Western central banks creating 'only' about USD 11 trillion on net. Panicked by the loss of some 33 million Chinese manufacturing jobs in just three months at the end of 2008, Beijing launched a stimulus that single-handedly prevented the world economy from collapsing. The money it created has been going into infrastructure spending, and towards buying up companies all over the world. Since then, it has had to ride this monetary 'tiger', which has given rise to all sorts of issues, including problems with shadow and curb-side finance. Its debt-GDP ratio has swollen to 260 per cent, and it is now by far the world's most heavily indebted economy. Normally, this might signal an impending crisis, but in China's case, most of its lending is 'within the family' – from the state, to either state-owned or quasi-state enterprises. The biggest chunk of debt – 170 per cent of GDP – is held local-government finance vehicles. There is virtually no chance that China will 'call in its debt', and in fact, it can continue to lend at the current, ~10 per cent YoY rates, for another 10 years. Given that China also heavily controls its stock and bond markets, the risks of a serious crisis are very low.

At the same time, EMs themselves have become much more resilient since the GFC. Realising the dangers of large foreign-currency borrowings – which can quickly turn against them if the domestic currency depreciates sharply – they have become much more disciplined about currency exposures. In the last few years, they have borrowed massively, but mostly in the local currency, and via the bond markets. (India, for one, would no longer count among the 'Fragile Five', as it did when the last crisis hit.) Resultantly, even if US or European interest rates move up quickly – which is unlikely, since it would constrain Western demand, bring down inflation, and thus be self limiting – investors may still prefer to stay invested in the EMs. Given their stronger growth trajectories, after all, the potential longer-term returns are much greater.

> **The second big risk to EMs is if the advanced economies shrink away from globalisation, perhaps even from the idea of democracy as something sacrosanct**

...and a retreat from globalisation

The second main risk to the EM growth story is the West's darkening mood towards globalisation. Since World War II, the number of democracies and trade as a share of global GDP have risen in lock-step, creating wealth and income on a global scale like never before. (Democracies tend to have more open trading regimes, which generates more income from trade.) Today, however, this happy trend may have peaked, especially with Americans and Europeans becoming increasingly disenchanted with their lot – reflected in Brexit, the rise of Donald Trump, and anti-globalisation. What is driving this, at heart, is that, for as much as 70 per cent of the population in these countries, there has been no increase in real income since 2005, with some people even seeing declining incomes. Instead of getting rich, the middle class is getting slightly poorer each year – at least in relative terms. The risk is that this will cause the advanced economies to shrink away from globalisation, perhaps even from the idea of democracy as something sacrosanct. New barriers to trade and immigration, the possibility of a trade war, particularly with China, and more 'self-inflicted' damage, such as a break-up of the common currency, may eventually yield a balkanised, less prosperous world.

One possible safeguard that may prevent matters from spiralling out of control is that China knows all of America's big pressure points, and it is not afraid to press them. It may not resort to dumping vast quantities of US Treasurys – after all, that would create a global crisis that would suck China in, too – but it could target US goods, including those, such as sorghum, that are produced in American states vital to Donald Trump's power base. It will also exert pressure on the business interests of the US President, his family and his administration. Mr Trump himself may prove to be a paper tiger when it comes to trade policy – and has even hinted at reversing his stand on the TPP. Hopefully, all of this will limit the damage to some nasty rhetoric, without triggering a full-blown trade war. ■

James Kynge is Emerging Markets Editor at the Financial Times. This article is based on his presentation at the 22nd Annual CFO Roundtable in Guwahati in February 2018

Being World's Best

Jonty Rhodes on the leadership lessons he learned from Cricket

One of the greatest cricketers of our time, Jonty Rhodes is a true sportsman. Known as the live wire of South Africa's national cricket team for over a decade, his fielding ability defied expectations – and gravity. Although his prowess as a batsman was formidable, it was his fielding that reflected some of the finest attributes achievers, in any walk of life, can hope for: the ability to never say die, never give up, to intend to achieve the impossible, and to sustain energy levels that will carry teams to victory. Yet, what many people do not realise is that Mr Rhodes was actually a better hockey player than he was a cricketer – or that he excelled, as well, at football and tennis. He played both sports at the state and university level, but a twist of fate – the fact that post-apartheid South Africa was able to re-join world cricket a few years before it began competing again in hockey – meant that the sport chose him, rather than the other way around. Drawing on his experiences as a player, and, until very recently, as coach of the Mumbai Indians IPL team, Mr

Sri Lanka's 1996 World Cup-winning strategy embodies what it means to drive change and innovation in the marketplace

Rhodes reflected on leadership – and winning – on the cricket field, and in life.

SEIZING THE FRONT-RUNNER'S POSITION

In cricket or in business, there are broadly three ways of dealing with the competition. You can say 'We don't do things that way', and turn your back on what is taking place in the market. Or you can imitate what the front-runner is doing – but then, you can at best hope to keep up. The third way – and the one that can potentially win you the market – is to actually initiate the changes required to be the front-runner. Nothing embodies this better than the World Cup-winning Sri Lankan team of 1996.

Cricket today has an intensity that was not always there. Especially in T20s, every ball can now potentially win or lose a match – a far cry from the game's more languid days. Most people attribute the change to the game's newest format, and indeed, it has helped bring in new skill-sets and fitness levels. However, the real shift in the game goes back much further, to the 1996 World Cup. From dead-last just four years earlier, Sri Lanka caught everyone by surprise. They managed to win despite playing very few games in the run-up: with no real 'stars', Sri Lanka attracted little interest from broadcasters, and therefore, no one wanted to play them. What won them the cup was a unique strategy that ended up changing world cricket. Until then, the first 15 overs of an innings was about 'playing it safe' – preserving wickets and laying a platform for the 'finishers' to smash the ball around in the last few overs. What Sri Lanka did instead was to back its openers, and especially Sanath Jayasuriya, to hit every ball, scoring briskly. If, by the end of the first 15 overs, they had managed to score 95-110 runs for the loss of, say, 3 wickets, it was often enough to take the game away from the opposition. This one, simple innovation changed the game forever.

Like other great leaders, Hansie Cronje would truly lead from the front, not asking his team for anything he was not prepared to do himself

LEAD FROM THE FRONT...

Leadership is the ability to get the best out of your team, but it also means leading from the front. For years, South African was fortunate to have in Hansie Cronje a captain who was first and foremost a leader. (While not every leader is a captain – leadership can come from anywhere in the team – every captain must be a leader.) More than his skills as a player, it was his man-management and people skills that made all the difference. What was unique about Mr Cronje was his ability to see that every player needed to be treated differently. Until then, batsmen, bowlers, and wicketkeepers all followed the same fitness training: they all just ran. In contrast, he, together with Kepler Wessels, introduced a new and specialised training regime. He would personally spend hours in the gym, even training with Zola Budd, the champion long-distance runner. Never would he ask the team to do something that he would not do himself – and at the end of a long day, he would be the one still up and about, running hard. In the Indian context, we see something similar today in Mahendra Singh Dhoni, who pioneered the 'strong-and-fit' approach in India, and in Virat Kohli, who is not only incredibly fit, but also leads by example with his batting, scoring thousands of runs.

Mr Rhodes only came to appreciate the true quality of Mr Cronje's leadership years later, after his unfortunate death in a plane accident. Having moved on to a corporate role, Mr Cronje had become a popular speaker at various business, sporting and school events. He would always have 8-10 stock 'lessons' or 'stories' to share with his audience, which would vary according to whom he was speaking, and over the years, Mr Rhodes became quite familiar with each of them. However, flipping through the books in Mr Cronje's study, Mr Rhodes came across a sentence that was not only under-lined, but also highlighted and circled: 'If things went well, YOU did it; if things went OK, WE did it, but if things went badly, I did it.' Never once had he heard Mr Cronje actually say those words, but in fact, they summed up his entire philosophy and leadership style. Essentially, when the chips were down, that is what got someone or the other to come through and win games for South Africa.

...AND PLAY TO YOUR PEOPLE'S STRENGTHS

Perhaps Hansie Cronje's single-greatest leadership skill was that he got his players to build on their strengths, rather than on correcting their weaknesses. By honing-in on areas where his young, malleable players excelled, and by giving them the permission to see just how far they could go with their skills – while also allowing them to fail and learn from that failure – he built a truly world-class team. In most organisations, the tendency is to identify shortcomings, and to then try and overcome those. Too often, the emphasis is on avoiding failure, and on moulding generalists who can do a competent – but not necessarily game-winning – job. Yet,

unless people have the freedom to fail, it is very difficult for them to achieve real success. With a lot of practice at the nets, Mr Rhodes could have been a half-decent bowler who would fill up a few overs here and there. Instead, Mr Cronje saw that he loved to field, and was outstanding at it, so he told him to only concentrate on that. Similarly, he had a reliable fast bowler, Fanie de Villiers, who could bowl a mean outswinger, but who loved, most of all, to break a batsman's toes with his Yorkers. Rather than guiding him to practice his outswing, Mr Cronje told him to perfect his toe-crushing skills. In both cases, the result was the same: exponential growth, and match-winning skills. A side-benefit, for Mr Rhodes, was that never for a moment did the hard work of fielding practice feel like work – it was something that he just loved so much.

FOCUS ON THE PROCESS – NOT THE OUTCOME

As both player and fielding coach, Mr Rhodes focused solely on processes, not on outcomes. Try as hard as you may, you can never guarantee results – after all, even a poor umpiring decision can swing the game away from you. What you can guarantee is that the right processes get followed, day-in and day-out. This matters because, in cricket as in life, it is the little things that make all the difference. T20 games in particular often boil down to the last over, often even the last ball. Contrary to what anyone might say, even a single run can separate victory from defeat, so nobody should be thinking, 'What difference can I make to the result?' In 2006, chasing a record 434 against Australia in a one-day game, South Africa improbably got to the final over needing just 2 runs to win. The catch was that it was 9 wickets down, with Makhaya Ntini – a great bowler but a hopeless batsman – standing at the crease. At the other end, the fiery Brett Lee, then in his prime, was running in hard, hurling fireballs. Miraculously, Mr Ntini managed to put bat on ball, crossing over for a single, and allowing the more experienced Mark Boucher to hit the winning runs off the penultimate ball. Had he not done so, the game was lost, so, truly, Mr Ntini's one run was what got South Africa over the line.

> Too often, organisations focus on overcoming weaknesses and avoiding failure, whereas what they should be doing is playing to people's strengths

This is why, as coach, Mr Rhodes would constantly be on the lookout for whether, when someone missed a ball or dropped a catch, he was in position, was ready for the ball, and whether he had the right 'body language'. The fielder's job, like a goalkeeper's, is to stop the ball from running away, and if all eleven players stop just 1 run each, it means the batsmen need to score 11 fewer runs. Against the West Indies at the 2003 World Cup, South Africa lost by 2 runs, with Brian Lara cracking a century. En route to that 100, he hit a boundary that Mr Rhodes just about managed to touch, but which he could not stop. Had he just let the ball go, he would forever have been haunted by the thought that he could have stopped it, and possibly won the match for his team. By giving it his all, diving at full stretch – and only getting his finger-tips on it – he knew for certain that there was nothing more he could have done. Not making that effort would have been a failure; having tried and not succeeded, however, is merely part of the learning process. Focusing on that process, and learning from failure, is what eventually gets results. ■

Jonty Rhodes is a former Cricketer and Coach. This article is based on Mr Rhodes' presentation at the 22nd Annual CFO Roundtable in Guwahati in February 2018

The CFO's Many Faces: Shepherding Expansion

Sanjay Jain, Group CFO of Future Capital, looks at the opportunities and pitfalls involved in the M&A process

Mergers and acquisitions come with a whole check-list of issues that must be resolved before any deal can go through – from the valuation process and having to engage with advisors, to the actual modalities of execution. Even more critical, however, is the post-acquisition integration stage. This includes, first and most importantly, issues related to culture – such as whether the acquirer, and not just the acquiree, needs to fundamentally change itself and the way it operates. In this respect, one cannot overstate just how important the first 100 days truly are. Like molten lava, culture and people issues take shape during this period, and if management is not quick to act, they will fall into a 'cast' that is hard to change. There are also, in any M&A scenario, multiple stakeholders whose needs have to be met, both before and after the transaction goes through. Due diligence is a third, crucial aspect, because failing to dig deep enough can ultimately sink even the most promising acquisition. Capital structures also play a major role in determining success or failure, as does intent – whether the 'top brass' is looking to create value, or instead, engage in 'empire building'. Two major Indian companies – Future Group and Crompton Greaves, both of whom Mr Jain has worked with and observed closely – illustrate the many 'dos and don'ts' of the acquisitions process.

A TALE OF TWO COMPANIES...

Crompton Greaves (CG) and

> Future Group's focus has been entirely on the Indian 'Bird of Gold', while Crompton Greaves has shopped abroad, mainly in Europe

the Future Group (FG) are two very different organisations. One operates in the electrical and infrastructure space, manufacturing everything from transformers to switch-wear, and executing EPC projects. The other services India's burgeoning retail market, selling food, fashion, and nearly anything in between. However, they also have a lot in common: they have successfully come out of a period of severe balance-sheet stress, and they have both acquired firms like there was no tomorrow. FG's focus has been entirely on the Indian 'Bird of Gold'. In just two-and-a-half years, it bought Walmart, Nilgiris, Kara, Heritage, WH Smith, Hypercity, Big Apple, Fabfurnish, Vulcan, and Cold Chain – literally one company every two months. CG, in comparison, has done all of its 'shopping' abroad, in counties like Belgium, Ireland, France, Hungary, the US, Canada, and Indonesia. Yet while their routes have differed, both have managed to create significant value: FG has seen its market cap grow at a 100 per cent CAGR over the last four years, while CG has seen a 133x rise over 20 years.

Empire building – or value creation?

To understand whether these M&A sprees were driven by value creation, or instead, by the need for 'empire building', it is important to look at the thought process that lay underneath. For Crompton Greaves, it was a question of mathematics. On a variety of ratios – MSR (material to sales ratio), EC (employee costs), and OC (overheads) – it saw significant arbitrage opportunities in making acquisitions in Europe. It had skilled employees in India who would bring down the employee cost ratio of the merged entity; on the other hand, target firms such as Pauwell's had strong buying procedures and practices that enabled them to enjoy lower raw material costs. Moreover, they were operating in countries that were, at the time, promising to ramp up their infrastructure spends – which would have created huge new market opportunities. The synergies were clear.

For retail businesses like Future Group, scale, and the ability to offer an end-to-end value chain, are the keys to profitability. Its costs of doing business are huge: it must pay for expensive real estate (so as to be close to where its customers live), run glossy front-page ads and buy prime-time radio slots, do up its stores nicely, and run air-conditioners and cold-storage around the clock. On the flipside, margins – particularly for strong FMCG brands – are low,

so it is important to have private brands that are produced in large volumes, and to sell them not just at FG stores, but also at competing ones. Without scale to amortise cost, it is exceedingly hard to make money – and building or acquiring as many stores as possible was thus an imperative. FG's promoter, Kishore Biyani, rightly believes that while online retail has a place, physical stores are here to stay. At the environmental level, meanwhile, the prospect for formal-sector retail players has received a boost from demonetisation and the GST. All considered, then, the future for FG lies in expanding its pan-India brick-and-mortar footprint, which means buying up the competition.

...AND HOW THEY MANAGED THE POST-ACQUISITION PHASE

Capital structures: creativity has a role

When it comes to structuring a deal, the main covenants include the debt-EBITDA and debt-equity ratios, free cash flows, and FACR. For Future Group, an added consideration, when it was looking to acquire Walmart's India business, was that it was just emerging from a period of stressed balance sheets. With banks putting pressure to resolve these issues, and the promoter hesitant to dilute his equity stake, raising the money was tricky. The solution Mr Jain negotiated was to exchange Future Retail stock for Sunil Mittal's holdings in Walmart, but to get him to agree to cap his returns at 2.5x. The 9.3 per cent stake he received is currently worth Rs 2,900 crores, but if he sells it, his share would be Rs 1,700 crores, while the balance Rs 1,200 crores would go back into Future Retail. Crompton Greaves took a different route, borrowing mainly from European banks to fund its Pauwell's acquisition. By bringing strong brands under its wing, it managed to drive up its market cap. Subsequently, CG sold equity to capitalise on these gains, thereby drawing down its debt. In both cases, creative fund-raising helped maximise the returns on the acquisition.

> **A supportive capital structure deployed for an acquisition can sometimes make the difference between earning a return on the investment, and not**

'Digesting' the acquiree

Just like eating too much can strain a human body, buying up too much, too quickly, and without due consideration to integration issues, can stress the acquirer's balance sheet. Management bandwidth can get stretched, resulting in sub-optimal execution. CG struggled to generate the cost efficiencies it had forecast, which were already built into its stock price. With its books under strain, it later had to dispose of its consumer business. The acquirer, in this case, became the acquiree.

Stakeholders: different strokes

At each stage of the acquisition process, the needs of different stakeholders must be considered. In negotiating the deal, it is the owners or CEOs – on both sides of the fence – that have to be brought into the picture, and made to feel comfortable about the process, as well as about the value they might expect to gain. (Even where stressed assets are involved, and particularly so in India, few deals go through unless the owner consents.) Simultaneously, one must work closely with analysts, the Board, and the legal authorities to ensure that they are in consonance. For many targets, being able to 'relate' to the new owners is critical – particularly with overseas deals, cultural issues come into play. Crompton Greaves actually failed in its first two European bids for this reason – one even ended up selling to another firm for 1 million Euros less than what CG offered, mainly because of 'comfort' issues. Learning from its mistake, CG, in its third bid, first got the owner on board, and then used him to front the negotiations with banks, taking a backseat in the entire process.

When the acquisition has all but gone through, it is vital to bring customers, vendors and employees on board – after all, they should not be hearing about the deal first from the media, but from the management. Arguably, though, for CFOs, the single most stakeholders in the process are themselves. Before submitting a proposal, they have to introspect, asking whether the deal makes sense, whether it is the 'right thing' to do. They must be the organisation's conscience-keepers, and then, when the matter is decided, they must stick their

necks out, finding the best way to execute the deal. Otherwise, quite simply, they are not doing their job.

Due diligence: How deep?

Like with an iceberg, 90 per cent of all integration issues lie below the surface. Accounting, tax, IPR and HR issues – and in Europe and America, pension liabilities – often become visible only after the purchase. When CG was calculating its potential synergies in Europe, it assumed a much higher material-cost ratio for the target company, as well as reductions on the people-cost side. What it miscalculated was the quality expectations that French power utilities have compared to SEBs in India, and the technical issues (oil leakages etc.) that can arise when shipping large pieces of equipment overseas. Consequently, it saw a spike in rejections, and was nearly black-listed by the European utilities. All of this goes to say that due diligence needs to be far more than skin-deep.

Culture

Research indicates that 75 per cent of M&A deals go off-track because of cultural issues – such as a failure to engage the new employees, or the inability to integrate the culture of the merging organisation. For firms making overseas acquisitions, the challenges can be severe. Europeans, for example, tend to be more protective of their off-duty hours and weekends than Indians, who are more used to a 24x7 culture. There are also myriad local nuances that must be handled with care and sensitivity. (Sometimes, it is a good to bring one's local embassy into the picture, not just to understand the domestic policy environment, but also to help push the deal through.) It may not work, for instance, to try and micro-manage people who are used to functioning with a fair degree of autonomy, or to expect them to look up to their new managers for every decision that needs to be made. Not recognising these issues can mean the difference between success and failure. Even within a country, acquirers and acquirees can be very differently built – entrepreneurial vs process/systems-driven; young and upcoming vs old and established; vigorous vs slow and stately. Making such marriages work, ultimately, are about give and take.

> In the final analysis, cultural issues make or break the vast majority of mergers – and the issues are no less tricky in a domestic deal than in a foreign one

AN ENDLESS CYCLE...

Companies that play the M&A game must be prepared to be on both sides of the negotiating table, because what goes around, comes around. Crompton Greaves and Future Group have both acquired several firms, including some that were looking to buy them at one point. They have also, at times, had to sell crucial parts of their business. Future Group funded its growth spree, in part, by selling off its 'crown jewel', Pantaloon Retail. CG, meanwhile, went from near-bankruptcy in 2001 to an acquisitions-driven market-cap surge that eventually fizzled out – mainly because the infrastructure-spending boom it had forecast failed to materialise – and which forced it to sell its consumer business, which had long been its cash cow. All throughout, both companies have not shied away from taking tough decisions, and in the final analysis, they have managed to create considerable shareholder value. ■

Sanjay Jain is Group CFO, Future Capital. This article is based on his presentation at the 22nd Annual CFO Roundtable in Guwahati in February 2018

Life Lessons from Marathon Running

N Shekhar recently ran his first half-marathon, and feels on top of the world

> "Our way of thinking creates good or bad outcomes"
>
> – Stephen Richards

> "Life begins at the end of your comfort zone"
>
> – Neale Donald Walsch

Before I started training for marathon running, I had imagined that it would be a simple exercise that anyone could do. That was, of course, until I ran my first timed 10-km stretch.

It all began on a lazy Sunday afternoon when I was browsing through an issue of Harvard Business Review. I chanced upon an article that sought to demystify how some people manage their time much better than others. It turns out that what they manage is their energies rather than their time. Time is finite, but energy is not – so some people achieve more than others in the same 24 hours by managing their energies better. The author goes on to explain that energy can be managed in four dimensions – physical, mental, emotional and spiritual – with the most important being physical energy. It is obvious that a fit person is likely to get much more done than one who is not. This moment of truth was when my fitness journey began.

Like most people, I began with diet control. I scoured the Net for a good health app and started tracking what I ate. Soon, I figured that it was more important to eat right than to eat light. I also tried to hit the gym at least 4 to 5 days a week. But none of this gave me that instant nirvana I was looking for. The weight loss was slow and frustrating. I craved for even one person to come up to me and tell me that I had lost weight.

Then one day, my wife introduced me to a running group called Gurgaon Road Runners. She even registered me for the 10-km 'ICICI Gurgaon Starry Night Marathon' without asking me. And thus began my experiment.

Running, in my view, taps into all dimensions of energy, though it is only the physical aspect that is apparent. It is as taxing on one's mental energy as it is on the physical. Sometimes you keep pushing ahead only because of your mental strength. Since sprinting releases just about all the 'happiness' hormones in your body – dopamine, oestrogen, serotonin and endorphins – your emotional energy gets enhanced. And finally, it is possible to find some part of your life's purpose (spiritual energy) in enlisting more people to choose health, in the form of running, as a route to happiness.

Running and management: some parallels

When I looked back at my professional journey, I found to my fascination that I could draw several management parallels with marathon running. Let me try and put down some that I could relate to.

Believe in yourself

One of the most humbling experiences I have had was to watch a bunch of visually

impaired children from IBSA participate in Juniorun, a marathon meant for children below the age of 18. While there were volunteers running with these special children and holding their hands, it was decidedly only their self-belief that could have brought them to the venue in the first place.

Self-belief is imperative to embark on any difficult journey. It is what will help you see clearly your opportunities, as well as solutions to possible obstacles. Since other people also play an important role in achieving your goals, you would notice that the responses of other people will be in direct proportion to your own conviction of your beliefs.

Get up, dress up and show up!

One of the most difficult parts of any exercise regimen is dragging yourself out of the snug comfort of your bed on an icy winter morning. When given a choice, living beings are biologically designed to choose a state of wellbeing or comfort. Did you know that, while the human brain is only 2 per cent of the average body weight, it uses almost 20 per cent of all calories consumed? Hence, one part of the brain will always try to tell you to conserve energy.

I realised that I was better off getting out and feeling energised for the entire day than staying in my comfort zone that particular moment and then feeling guilty thereafter. In our professional life, too, most of us would have regrets about the 1-2 challenging opportunities that we did not take, either due to a lack of courage, or simply because of plain laziness about moving out of our comfort zone. The regret is greater when someone else has seized the opportunity and done well for themself.

Get out of your comfort zone. Try new things with a positive frame of mind. Put your best foot forward. The chances of success are high. Even if you lose the game, you always gain invaluable life lessons. The less travelled road may hold treasures untold!

Set a grand goal, but have a clear executable plan to achieve it

Before I ran my first 10 km, I was intimidated by the thought. I had never done something like this before, and even on the treadmill, I had only run shorter durations. Then I told myself 5 things:

1. I CAN do this
2. I MUST complete it in 80 minutes (the requirement was 90 minutes)
3. I will not stop for the first 3 km
4. At no point must I take more than 8 minutes for each kilometre
5. Pace yourself evenly, and review the pace on your timer every 2 km

While I had targeted 80 minutes, I completed it in 82 – though this was still 8 minutes better than the minimum requirement. And I did achieve almost all the mini targets I had set myself to keep going: 'Don't slow down till the next hydration point'; 'Keep going till that traffic cone'; 'Overtake the person in the blue cap'.

All of this is pretty much like our work life. We make executable plans. We have an overall goal but also set a personal stretch target. Usually, we break our targets into smaller monthly and quarterly milestones. We also try to get a good start without burning out, so that the 'asking rate' never become intimidating towards the end. Finally, we review our performance regularly to make necessary course corrections where applicable.

Runners draw energy from each other

Running is an Individual sport, but it also has an inexplicable team spirit. As they say, 'You run alone, but you win together.' In my first 21-km half-marathon, I was so exhausted after 18 km that I was willing to give up and die. Well almost. I could not feel my legs, though I could make out that there were two wobbly limbs that were toiling to get me to the finish line. Just then, one of my co-runners, probably sensing my weak state, clapped and cheered 'C'mon! C'mon! Well done! Just 3 more to go! You can do it!' She was a complete stranger, but her encouragement worked like magic. A warm rush of adrenaline spread out to my aching joints, and I moved forward with renewed vigour.

In the work environment too, positive affirmations drive people to achieve more. The lesson here is to learn to appreciate often and sincerely, and surround yourself

> **“Goals without plans are just dreams”**
>
> **– Anonymous**

> **“Keep your face to the sunshine and you cannot see the shadow”**
>
> **– Helen Keller**

> "Be so busy improving yourself that you do not have time to criticise others"
> – Anon

> "What you do speaks louder than what you say"
> – Ralph Waldo Emerson

> "All our dreams can come true if we have the courage to pursue them."
> – Walt Disney

with people who have a positive attitude. For every ten naysayers, there will always be two who will tell you how you can make the impossible possible. Try and be with the second kind. Positivity begets positivity.

Compete with yourself. Work on self-improvement

One of the nice things about marathon running is that you are under no pressure to compete with anyone but yourself. You only try and improve on your personal best. In doing so, it may just happen that you are better than someone else. Sergei Bubka held the pole vault world record for 21 long years, breaking his own record 14 times.

It is good to know your own strengths, but more importantly your weaknesses. When I began running, I used to develop a pain in the muscle just behind the knee. I had to frequently stop to get the pain to ease. I discovered then that my biceps femoris muscle was weak, so I learnt some exercises to strengthen it. Just as important, you need dedicated training to build strength, both physical and mental. Rome was not built in a day.

In our professional lives, we may not be strong in every element of our function. While we may choose to manage this by depending on team members and fellow workers who have complementary skills, we also need to work on continuous self-improvement. Read up. Be updated to be upgraded. Finally, work on your soft skills, because as you go higher, your human-resource management skills will need to play out better than your technical skills.

Pacers lead by example

Seasoned marathoners run as 'Pacers'. A new entrant in the running circuit may be flummoxed about how to pace him- or herself so as to complete the goal in a specific timeframe. A good option is to choose the pacer with the relevant 'time flag' to run with.

Pacers guide the newbies, helping them plan the utilisation of their energy reserves in an even spread: when to slow down, when to speed up, when to hydrate. This helps them achieve the target without burnout or injury.

In the work environment, real leaders lead by example. As leaders, we must

A) Demonstrate involvement by leading from the front.
B) Provide the necessary strategic direction to move in
C) Help in resource planning and structuring
D) Provide the appropriate impetus and breaks
E) Embody the importance of endurance over speed
F) Boost team morale with encouragement from time to time

Never Give Up

When running long distances, there will be moments when you will want to give up out of sheer physical fatigue. You will feel that you have been plain stupid to have taken up the activity in the first place. This usually happens with me when more than two-thirds of the distance has been covered. This is where you push forward with ONLY the strength of your mind.

This also holds good at work, especially when we have taken up a challenging assignment. Most people who have given up would be surprised to know just how close they were to success. Never give up! Never give up! Never give up!

Co-relating the personal and the professional

Now, I will let you in on a little secret: Try and regularly do some form of outdoor sport with your spouse or significant other. It might be walking, running, yoga, working out, or even a game of badminton. It is even better if you can include the kids and do the activity as a family. Don't ask me how, but it makes a dramatic improvement to your domestic peace and positivity – and it is no secret that that promotes productivity on the professional front!

Finally, whether it is running a marathon or managing a team, enjoy yourself. Have fun along the way. Show gratitude. Celebrate small successes. It is a short life – enjoy it while you can. ■

N Shekhar is Chief Financial Officer and Director – Operations, Times Innovative Media

Gadgets

Our monthly roundup of new gadgets

Frigidaire

With the summer months almost upon us and heat waves bearing down, it's time to start shopping for an upgrade to your old, leaky A/C unit for a Wi-Fi smart air conditioner which runs, if you'll forgive the pun, just a little bit cooler.

Wi-Fi connected air conditioners are a new class of home appliance that make controlling the climate in your home or office easier than ever before with the help of smartphone apps and cutting-edge technology. And with that in mind, the Frigidaire FGRC1044T1 10,000 BTU Smart Window Air Conditioner is just right. It's easy to install and control via your phone, there is an easy to clean antibacterial filter with a built-in ionizer, and 10,000 BTUs to cool large rooms. First and foremost it boasts 10,000 BTUs, which is enough power to cool a room up to 450 square feet. Second, it features built-in Wifi, allowing you to connect to the unit via your smartphone (Android or iOS) and change fan speed, temperature, control the AC's modes and turn it on and off without having to walk over to the unit.

This particular Smart AC unit is compatible with Amazon's Alexa. So if you have one of those at home, you'll be able to control its feature set with the command of your voice. And if that isn't enough, this AC unit has achieved an Energy Star rating of 12, making it one of the lowest cost to operate window units in its category; for those of you that are worried about air quality you'll take comfort in the easily removable mesh antibacterial filter, which easily pops off for cleaning thanks to a magnetic closure. Moreover, there is a built-in clean air ionizer allowing this unit to capture more dust in the air. Lastly there is a sleep mode, battery operated remote (in case you like to go old school on the controls – and on the units), a built-in 3 foot cord, and a window kit with side panels that minimizes leaks and keeps the cold in. The unit comes with a multitude of handy features. The auto-restart function allows this AC to automatically resume operation with its previous settings when you turn the unit back on. The 24-hour On/Off timer is also another way to keep operation simple and hands-free. There's even a clean filter alert that lets you know when it's time to clean the included antibacterial filter, which reduces bacteria, odours, and other airborne particles. The eight (8)-way comfort control design of the unit allows you to direct the air in whichever way you wish, while the clean air ionizer and fresh air vent remove pollen and impurities from the air. ■

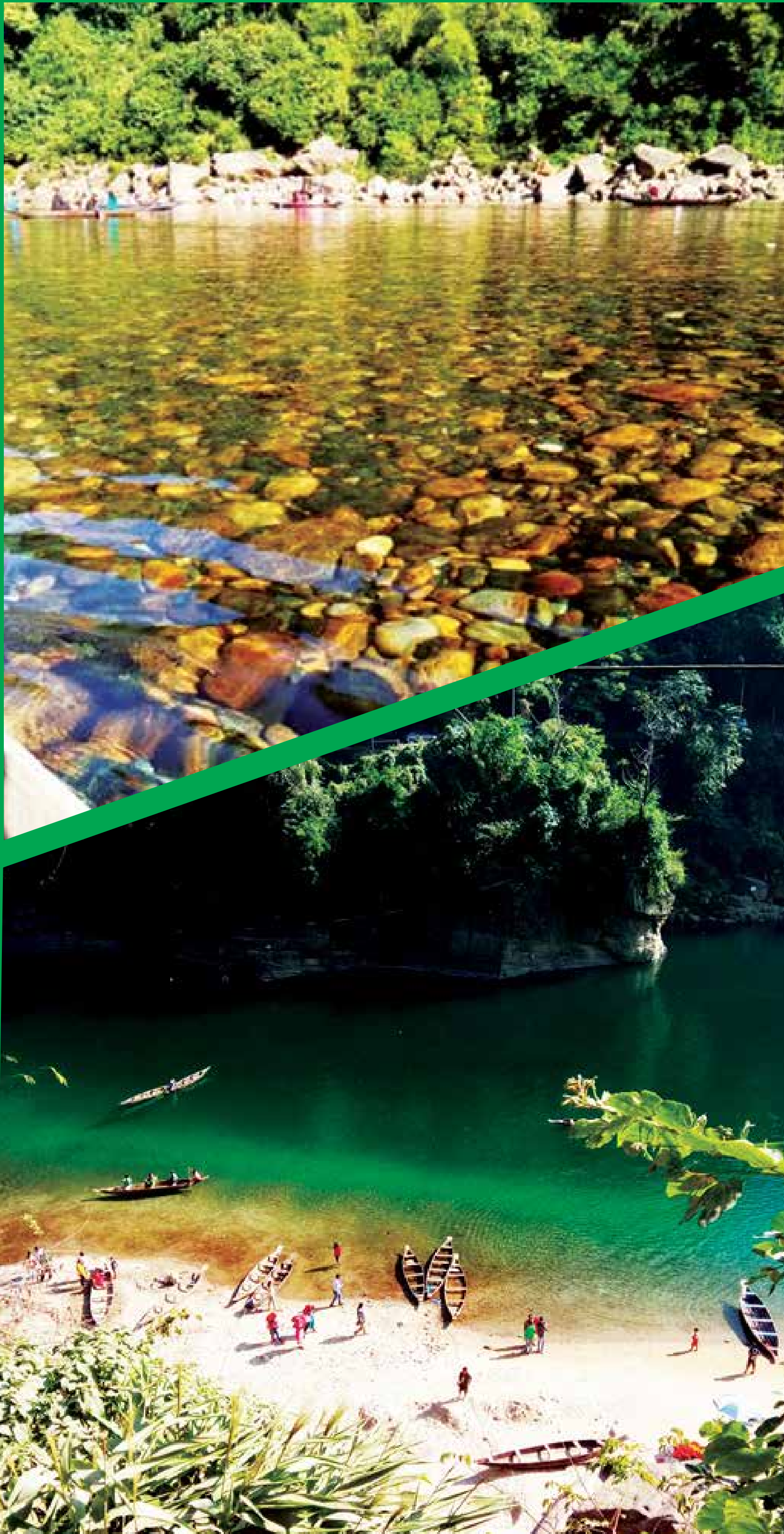
Honeywell

If you live in an area that has outdoor air pollution, have indoor pets, suffer from allergies, have constant headaches, or find that your eyes or sinuses are constantly irritated you should consider investing in a purifier like the Honeywell True HEPA Allergen Remover HPA300, which seems an outstanding performer. It has a purely mechanical filtering system which is preferred to hybrid and electronic units, has a CADR rating of 300, can filter a space of up to 465 square feet, self-monitors filter performance, weighs less than 25 lbs, comes with a 5-year limited warranty, and costs only Rs. 35,760.00 No bull, no fuss, just straight air purification.

The purifier uses a two-stage, mechanical filtration process, first pulling air through an activated carbon pre-filter, then through a HEPA filter. It's powerful enough to handle rooms up to 465 sq. ft. at 280 cubic feet of air per minute without a problem, and it also features an auto-off setting that's convenient if you intend on using this unit passively as a multi-room appliance. A self-monitoring function alerts the owner when it's time to change filters, and the front panel is removable allowing for simple filter replacements. The unit itself is also super lightweight (only 21 lbs), which is very refreshing considering many purifiers at this same level are significantly heavier. ■

The Seven Sisters: Exploring the North-East

Having recently visited three of the seven sisters, Jeevan Balasubramanian promises to go back to see the other four



Having heard much about the unspoilt beauty of the North-East, I have long wished to see the 'Seven Sisters'. Thanks to the 'Golden Week' that fell towards the end of last year, I was finally able to plan a 10-day trip to the region.

Eager to begin my journey, I booked a 5:45 am flight from Bangalore to Guwahati. However, my meticulous planning faced a setback in the first leg itself, with fog delaying my flight by over 4 hours . It was past 1 pm when I finally landed in Guwahati, and without further ado, I immediately commenced my onward journey to Shillong, 4 hours away on a good road. Along the way, there were small stalls selling the local delicacy, bamboo pickle, and it was dark by the time I got into Shillong. Thus ended the first day of my journey.

Starting out early the next day, I visited Cherrapunji and the various waterfalls along the way. I came to know that the waterfalls are at their best just after the rainy season, and most of the ones I saw had been reduced to a trickle of water. Although a little disheartened, I cheered myself up by buying the local wooden knick-knacks, and by capturing the scenic beauty of the mountains.

The third day also began early, with a 3-hour journey to the Umangot River, which lies on the border with Bangladesh. It had the clearest water of any river I have ever seen, and a small island in between. After a relaxing, two-hour boat ride with some friendly boatmen, we moved on to another site of great natural beauty – the so-called 'root

bridge'. A harmony of man and nature, the roots of trees are intertwined by the locals to form a bridge. Over a period of 20-50 years, these roots grow sturdy enough to bear human weight, yielding a bridge that is entirely free of brick and mortar!

Our next stop was Mawlynnong, which in 2003 was recognised as being Asia's cleanest village. Each house has a well-maintained garden, and the entire village is solar powered. The residents were both courteous and polite in their interactions with us. All in all, this third day proved to be the most fulfilling one thus far, and after snacking on tea and homemade dark-chocolate cakes at a local shop, we headed back.

Day 4 was spent at the Don Bosco Museum, spread over six floors of space that offer an overview of the culture and various tribes of the North-East. For anyone wanting to know more about the region, this is a must-visit. The skywalk on top of the museum is an added bonus.

On day 5, we made an early-morning start for Pobitora Wildlife Sanctuary, which is about 100 km from Guwahati. With its high density of rhinos, the park is a good option for people who may not be able to visit Kaziranga. The excitement rose as I headed out for safari, and I was lucky to spot a few rhinos during the two-hour drive. The driver and guide helped us spot the wild animals, and did not mind stopping the vehicle for us to take pictures.

In the afternoon, we headed back to Guwahati. After taking a nap, the evening was spent on a sunset cruise on the mighty Brahmaputra. Accompanied by music and

dance, it was a beautiful boat ride, and I could see the Umananda Temple on an island in the middle of the river. (If you want to capture the temple in photographs, late afternoon is the best time to take the cruise.) Another eventful day came to an end.

A view from the cruise

The next morning, we started out for Arunachal Pradesh. After capturing the scenic beauty of Assam and Meghalaya, we wanted to see the Tenga Valley – a 10-hour drive from Guwahati that is made more adventurous by the difficult terrain. Crossing a convoy of army trucks, I felt my gratitude and respect rise even more for the Army-men who guard our nation even in such difficult conditions. The journey was remarkable, too, in that it allowed me some of the best 'clicks' I have made in recent times – and ones that I will treasure in the years to come.

I stayed for three days in the Tenga Valley, enjoying the beauty of the mountains, streams and peaceful Buddhist monasteries.

Looking back, it was a perfect vacation, with splashes of natural beauty, culture and religion – all in peaceful surroundings. My 10 days were finally up, and the trip had come to an end. Having met three of the sisters, though, I will soon be planning a visit to the other four! Here's counting down to the next Golden Week… ■

Jeevan Balasubramanian is Controller - Finance and Strategy for Meritor Commercial Vehicle Systems India

Keep Learning

Debashish Roy Chowdhury, CFO of Ericsson India Global Services, shares some of the many lessons he has learnt over his career

Debashish Roy Chowdhury, CFO of Ericsson India Global Services

To succeed in the coming decade companies need to embrace mobile technology as a critical driver of performance.

'Hands-on', 'transparent', 'fair', and 'versatile leader' are some words that characterise Debashish Roy Chowdhury, CFO of Ericsson Global Services. Deb (as he likes to be known) believes that leadership is all about building and empowering others. Upbeat and full of beans, he has a lot going for him. Leading Finance for the India unit of one of the world's largest network-services providers is no small task, but he does it with passion. Deb is also the Finance Controller for Ericsson's Global Delivery Centres in India, Romania, China and Mexico. His mandate is broad as well as challenging: optimising costs to increase profitability, and driving operational agility so as to take on the competition.

Deb spoke to us about how his role has evolved, from number crunching to co-driving the delivery strategy, all while focusing on long-term growth. Today, a large portion of his time is spent dealing with planning the existing resources wisely to deliver on the company's objective of 'profitability over growth'. Close to three decades of cross-sectoral experience have afforded Deb the privilege of multiple vantage points through which to view the telecom sector.

These vantage points include stints in the manufacturing and IT sectors. Deb's decade in manufacturing instilled in him financial rigour, and an orientation towards the finer details. His 11 years with IBM India were in a time when the IT industry was undergoing multiple transformations. He witnessed all three phases of growth, when India moved, first, from being a support provider to an implementer of solutions, and more recently, to one built around advanced analytics and machine learning. His experience at IBM was instrumental in honing his leadership, coaching and conflict-management skills.

In 2010, Deb moved to telecom, which was, at the time, rising up the value chain, from being a telecom equipment supplier. At the time, MNCs were setting-up multiple delivery centres across India, and their key engagement model was built around not just cost arbitrage, but also a services focus, strong

compliance, agility, and innovation. Equipped with his prior knowledge and experience, he took on the massive KRA of setting up five global delivery centres for Ericsson. Reflecting back on his journey, he is modest about his achievements in helping to build world-class delivery centres that are core to Ericsson's global footprint, and to achieving its broader vision. Today, India is witnessing a telecom revolution around fourth- and fifth-generation mobile services that will transform the consumer landscape over the next 5-10 years. The first wave of this revolution was marked by the huge expansion of voice services to the masses. In Deb's view, we are now in the midst of a second big shift, driven by the phenomenal increase in smartphone adoption, and complemented by surging data usage. The consequences are far-reaching, and hard for any company or entrepreneur to envisage. Clearly, though, to succeed in the coming decade, companies will need to embrace mobile technology as a critical performance driver.

A Personal Mantra of Success

Today's organisations operate in an increasingly complex and ever-shifting environment. As a result, leaders need to rely more than ever on their teams' capabilities. Additionally, collaboration is no longer just 'nice to have', but an essential ingredient of organisational survival and success. In a participative and knowledge-based economy, individual performance is secondary, and Deb believes that a leader's success is based on how well he or she is able to empower and coach those who are second-in-line. Quite simply, a good leader should be willing to learn from people both above and below. Deb also believes that knowledge is key, and constantly pushes himself to be on top of the changes taken place in the industry. To make that possible, he regularly engages with and learns from external consultants and industry experts. This, he believes, is crucial, especially for those who are part of a global leadership team. Continuous benchmarking and aligning to market best practices, Deb says, are also essential for one to remain effective and relevant.

Prioritising 'De-stress'

Given today's hectic lifestyles, finding time for yourself is challenging, but crucial. Regular exercise helps Deb unwind, and he ensure that it is part of his daily schedule. Pursuing interests outside of work is also helpful. He regularly travels to different parts of the world to meet and connect with people of different cultures and backgrounds. Travelling also helps him connect with global clients. In his free time, he loves watching comedy films that carry a social message in a humorous way.

Noble Ambitions

At the top of Deb's personal bucket list are giving back to society in ways that go beyond money, and going on a wildlife expedition in Africa. Professionally, he would like to take on the role of a Business Head sometime in the future. Deb believes that an effective CFO should be able to lead a business well. The standard ways of doing things are passé – and excellence today is achieved by taking on bigger challenges, and never giving up. ■

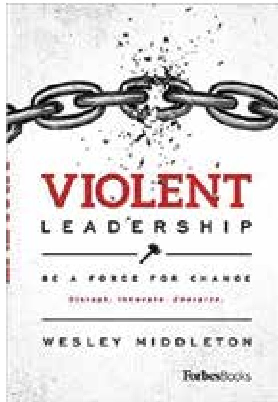
Career Highlights

With over 28 years of diverse business experience, Deb's core strengths lie in Financial Reporting and Planning, Corporate Strategy, Operations, Management of Real Estate, and IT, to name a few.

A Chartered Accountant and an Alumnus of Columbia University, Deb started his career with GEC-Alsthom in 1990 as a Finance Manager. This was followed by a 6-year stint with ABB as Finance Controller. In 1999, he joined IBM India, serving there for 11 years in various roles, after which he moved to Ericsson India Global Services as its CFO.

A leader's performance is based on how well he or she is able to empower and coach second in-line leaders. A good leader should be willing to learn from people both above and below.

Positively non-violent



Violent Leadership: Be A Force For Change: Disrupt. Innovate. Energize.
Author: Wesley Middleton
Publisher: ForbesBooks
Pages: 138
Price: Rs 1557

Violent Leadership: Be a Force for Change by Wesley Middleton is not the book its title might indicate. In Middleton's book, *"violent"* is a positive attribute. In fact, Middleton, the co-founder of a large Texas-based accounting and financial-services firm and a deeply religious man (his pastor provides the book's foreword), was inspired by the Bible to label his style of leadership "violent leadership."

As Middleton explains, Matthew 11:12 says, "The kingdom of heaven suffers violence and the violent take it by force." Middleton quotes different interpretations of the word "violent" in this passage. Thayer's Greek Lexicon, he writes, interprets "violent" as "those who strive to obtain its privileges with the utmost eagerness and effort." Strong's Concordance interprets "violent" as "a forceful, violent man; one who is eager in pursuit. And the HELPS Word studies interpret "violent" as "positive assertiveness."

The latter definition best encapsulates Middleton's meaning of "violent" as a positive attribute that combines passion and aggressiveness as well as fearlessness in taking risks. Middleton describes this fearlessness mindset, writing, "I'm going to do this. I'm going to be the guinea pig. I'm going to demonstrate how this works. If it fails, it fails. If it does not, it does not. We'll see."

For example, Middleton's firm realised that it was spending an inordinate amount of time monitoring people's days off and sick days. It decided to do something radical: allow people to take off whenever they wanted. The only stipulation was that they had to fulfill their billable hours obligations and, even more important, ensure that the clients remained happy. (In addition, as CPAs, taking time off during tax season was off limits.) "It was a scary leap to make," Middleton writes. "Once announced, I was concerned about whether anyone would show up the next day. Luckily they did."

Another element of violent leadership is what Middleton calls being a "thermostat." Middleton separates managers into two types: thermometers who simply record the temperature and thermostats who set the temperature – or "set the tone" in the office, a tone that is upbeat and energetic. "To have an energetic, positive and motivated team, managers have to be energetic, positive and motivated," he writes.

Middleton interprets 'violence' as 'positive assertiveness - a mix of passion, aggression, and fearlessness

Not all managers are comfortable walking around, shaking hands and encouraging their team – especially in a firm full of introverted CPAs, Middleton writes. He should know, for Middleton is one of those CPAs. However, he disciplines himself to get out of his office on a regular basis, to stop by the desks of his team and speak with each team member on a personal basis. "I am not faking it," he writes. "I am sincere, but it has been a learned process for me." He and the firm help other managers learn the same discipline – that is, to recognize that they cannot stay in their offices with their heads down, doing their work and pretending that no one else exists. As Middleton writes, the firm emphasizes to managers that "it is your job to get up and influence others, to encourage, energize, motivate and affect. That is your role, to be a thermostat."

Middleton uses many stories from his firm's experience to demonstrate the effectiveness of his version of violent leadership. He describes in one chapter, for example, how to assign roles for partners and owners based on strengths. In another chapter, he proposes a restructuring of firms from the traditional "finders, minders and grinders" to the more client-centric "advisers, solvers and servers" – the latter category including a client-experience officer who oversees the firm's client-relationship managers, a brand-experience officer and an employee-experience officer.

Middleton writes with both passion and humility about his firm and about his leadership style. Although cantered on professional services, the lessons of Violent Leadership would no doubt be applicable to any company seeking to create an innovative culture that is energetic and fearless. ■

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