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FORD ECOSPORT P.40

VOLUME 04
ISSUE 07
₹75
JULY 2013

CFO

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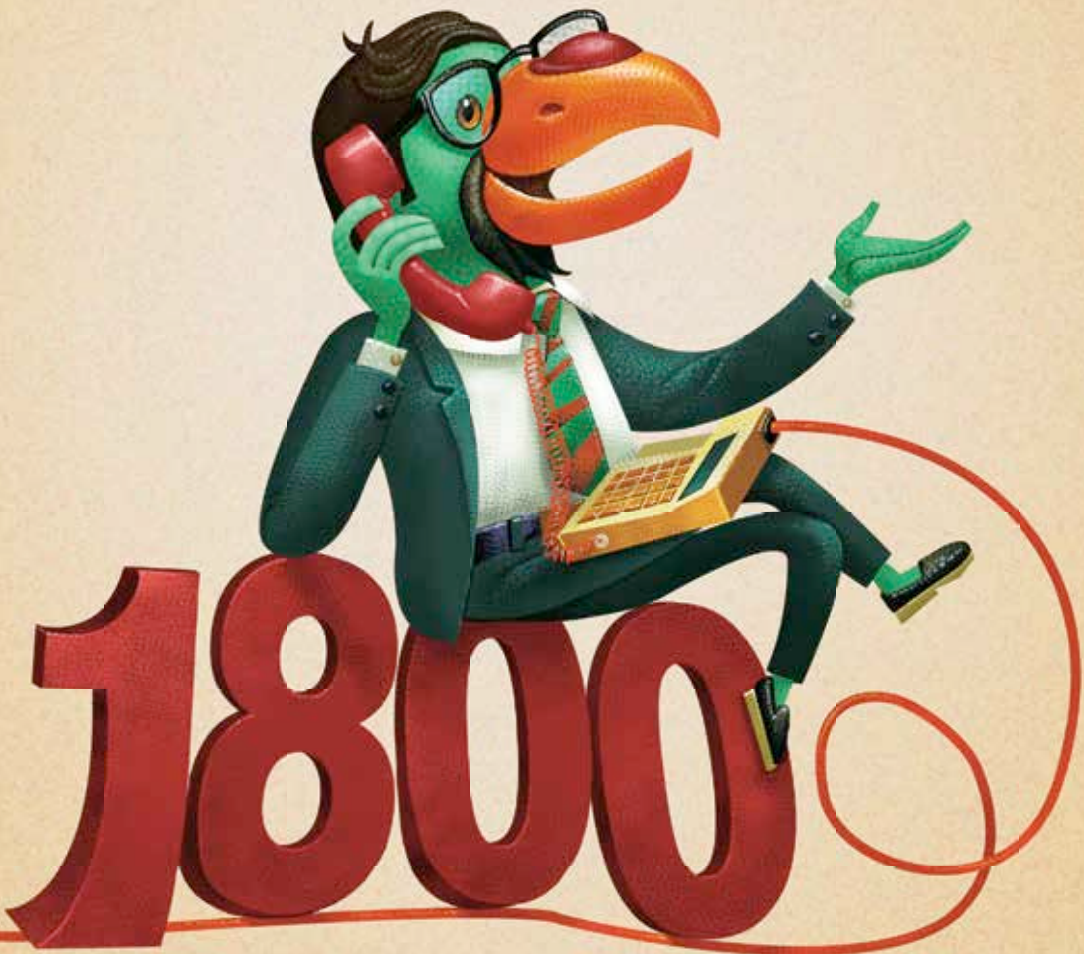
Bondmania

Indian companies were poised to raise a staggering amount of foreign currency debt. CFO India finds out if market turmoil has scotched that trend.

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Changing global appetite for emerging market debt may temporarily scotch India Inc's desire to raise foreign currency debt.



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The Great 'Bond'soon

IT IS MONSOON season across India. Rains are eagerly awaited in India, yet excess of anything is almost always bad. Ask the pilgrims to the various shrines of Uttarakhand. They had not signed up for a Himalyan tsunami, only for gentle, seasonal showers. In the global capital markets, anticipation has been belied in a different manner. Federal Reserve chairman Ben Bernanke put the markets through turmoil when he indicated that the unprecedented quantitative easing measures could wind down by 2014. In India, the consequence was the Indian rupee touched 60 to a dollar mark.

Indian companies like the pilgrims too are getting a deal different from the one they signed up for this monsoon. In the past year many had decided that overseas markets awash with the great flood of liquidity were great places to look for long term debt capital especially when a neat interest rate arbitrage opportunity existed. In June, such plans came unhinged as the rupee slide continued in uncertain drips. Many prospective issuers called off issues as the rupee skidded. Those who had taken the plunge earlier may yet show red ink in the coming quarters on their P&L statements. Our cover story this issue explores the various dynamics at play around this trend. Do read the piece and tell us what you think.

Another issue which has dominated the conversation last month has revolved around the quality and composition of the board—whether it was the case of promoter representation in YES Bank and the examination of 'fit and proper' criterion for board membership or it was the return of N.R. Narayana Murthy to the Infosys board as executive chairman and the retreat of KV Kamath to lead director. William George, former CEO of Medtronic and a veteran of ten corporate boards shares deep and relevant insights in one of our regular pieces on corporate governance in the context of the board.

Aloke Ghosh, CFO, Mahindra Holidays mulls over the challenges prevailing in his unique sunrise industry in our regular column.

When the rains and the markets become a bit much, then perhaps it is time to retreat to a corner to seek some comfort food or just food for thought. Our Lounge section suggests some options.

And as the heavens crack up with monsoon showers, it is important to remember that this too shall pass. There will be easier times.

Shalini Dagar



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OFFICE ADDRESS

Nine Dot Nine Interactive Pvt Ltd
Office No. B201-B202, Arjun Centre B Wing, Station Road,
Govandi (East), Mumbai 400088 INDIA.
Published, Printed and Owned by Nine Dot Nine Interactive Pvt Ltd.
Published and printed on their behalf by Kanak Ghosh.
Published at Bungalow No. 725, Sector -1, Shirvane, Nerul,
Navi Mumbai - 400706
Printed at Tara Art Printers Pvt Ltd., A-46-47, Sector-5
NOIDA (U.P.) 201301

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Inspired Reader

I find the magazine quite interesting. The publication promotes new thoughts and covers the latest, relevant and live issues around us. Apart from this content is quite pragmatic and practical. I would like to congratulate you and your team for the splendid work on the magazine as well as allied areas of common interest initiatives.

— **Jagannatha Rao**, CFO – E&C Accounts and Finance, Hindustan Construction Company



07.13



Your voice can make a change: Share your viewpoint on what's happening in the community and your feedback on the magazine at editor@cfo-india.in

NEEDED: MORE NEWS & MARKETS

I have been reading the magazine regularly. I would like to suggest you to accommodate news on currency and market along with the regular features.

— **Baabu Sundaran**, Manager – Accounts, SCHUNK Intec India Private Limited

COMPANIES BILL DISCUSSION

I have been reading the CFO India issues regularly. It makes an interesting read as well as provides a spectrum of gripping articles related to all the relevant issues in the corporate world. Insights into the lives of CFOs as inspirational professionals who took their companies from dangerous lows to great heights and interesting travelogues provide for an all round reading experience. A column that would make for a compelling read would be a debate featuring a MCA official on one hand and a CFO or CEO on the other on how far the Companies Bill 2009 is going to take the Indian corporate scene. Also a column doing a SWOT analysis of the recent trends in the economic, social, legal and political environments can actually make CFO India a regular item on the work desk of all CFOs.

— **Dilip Kohli**, Director- Finance & Company Secretary, Kuehne + Nagel Pvt. Ltd

WOMEN & ASH POLICY

I just finished reading the current issue on Alpha Women. I really liked the article on the making women leaders and the column on CFO and ASH policy. I find the articles in the magazine quite inspiring and motivating to achieve top performance which I guess is very useful especially for the younger ones.

— **N.Ramakrishnan**, CFO, Sanovi Technologies

FOCUS ON LEADERSHIP

I found the latest issue very interesting. It is heartening to know that diverse but important issues are finding a place in the magazine. The Alpha Women article was generally spot on. I would like to add one small point. The complexity and inefficiencies that tend to exist within large companies are the women do not often move from middle to senior management. Post motherhood, the office politics, large teams and long working hours make many women opt for less challenging roles. I would like to add that the magazine as a whole has become a lot more interesting and I hope it continues to focus on issues such as leadership, company cultures among others.

— **Govind Sankaranarayanan**, Chief Financial Officer & Chief Operating Officer - Corporate Affairs, Tata Capital Financial Services

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BUZZ

Weekends bad for surgery?



A STUDY CONDUCTED by researchers from Imperial College, London found that weekends can turn life threatening or unsuccessful when it comes to surgeries. As per the study, death rates were found to be higher for operations carried out towards the end of the week and at weekends. Analysis of hospital episode statistics looking at the day of procedure and a 30-day mortality period for elective surgery found that there

was a higher risk of death for patients who have elective surgery later in the week and at the weekend, compared with those earlier in the week.

Researchers assumed that if there is a quality of care issue at weekends, higher death rates would be seen for operations carried out towards the end of the week and at weekends.

The study examined all operating room procedures for elective inpatient admissions for three years.

It also focused on a selection of low and high risk surgical procedure groups. There were 4,133,346 elective inpatient surgical procedures with 27,582 deaths within 30 days of the date of procedure during 2008-09 to 2010-11. About 4.5 per cent of these surgeries were performed during the weekend. The overall risk of 30-day period for patients dying after undergoing elective surgery increased as the week progressed. Compared to the beginning of the week, the death risk was higher if procedures were carried out on a Friday. Monday is certainly not maniacal for surgeries!

WHAT'S AROUND ZONE

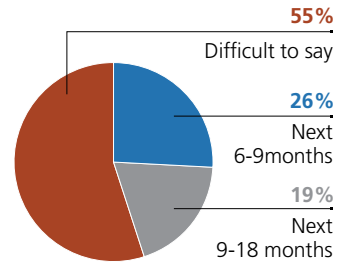
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Jargon Decoded: Balls in the Air..... Pg 08
CFO Movements..... Pg 10
Acer's new tablet..... Pg 10

ne

THE CFO POLL

RESULT

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CURRENT POLL QUESTION

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SPACE

A telescope for everyone

PLANETARY Resources, a privately-funded US space organisation recently announced plans to launch a telescope called Arkyd costing \$1 million. Though the name is inspired by Star Wars, the telescope will be the world's first publicly-funded telescope which can be used by anyone around the globe.

The telescope will weigh 15 kg, with a peak power of 50 watts and will operate from an altitude of 354 km. Orbiting at a velocity of 8km per second, it will have the capacity to continuously observe the night sky. It will have an external screen and camera which will allow people on earth to take pictures.

Unlike the Hubble telescope which is accessible only through a competitive selection process in which 200 proposals are chosen annually, Arkyd will be available to everyone. The launch schedule will be fixed once funding becomes available.

SPORTS

Soccer improves heart health

ACCORDING TO A study conducted by Copenhagen Centre for Team Sport and Health in Denmark, soccer training improves heart function, reduces blood pressure and elevates exercise capacity in patients with Type 2 Diabetes. The study also revealed that training for the sport reduces the need for medication too. The study included investigations on the effect of small-sided games on 21 men with Type 2 Diabetes, of ages between 37-60 years.

According to Jakob Friis Schmidt, who co-authored the study alongside PhD.

student, Thomas Rostgaard Andersen, "we discovered that soccer training significantly improved the flexibility of the heart and the cardiac muscle tissue was able to work 29 per cent faster. This



means that after three months of training, the heart had become 10 years 'younger'." Schmidt says the heart muscles of patients suffering from Type 2 diabetes are less flexible increasing the risk of heart failure. Advanced ultrasound scanning of the heart showed that the heart's contraction phase improved. And capacity of the heart to shorten improved by 23 per cent—a research result that had not been reported with other types of physical activity. The study revealed that participants' maximal oxygen uptake also increased by 12 per cent with their intermittent exercise capacity elevated by 42 per cent. Now that seems like reason enough to head for the playing field.

cfobook



Sujit Sircar

Wall
Info
Boxes
+

Attach
Share

PERSONAL

- Zodiac: NA
- Views: Liberal

WORK

- CFO, iGATE Corporation (August 2008 to Present)
- Senior Vice President, iGATE Corporation (April 1998 - August 2008)
- Finance Head, Wipro (1993 - 2008)

EDUCATION

- CA from ICAI
- B.Com, St. Xaviers College
- South Point High School

Sujit Sircar recently won an award for his contribution to mergers and acquisition activity
June 11 at 06.20 · 18 comments · 24 people like this

Sujit Sircar is just back from Kabini and feels lucky to have been able to spot a tiger
June 15 at 10.20 · 31 comments · 46 people like this

Sujit Sircar loves to spend time with his pet dog
June 23 at 18.45 · 19 comments · 20 people like this

I Read...
Forbes, Businessweek

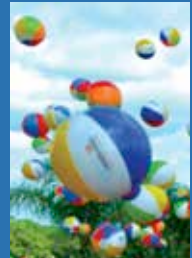
I Listen...
 Tathastoo
19 comments · 13 people like this

RECENT ACTIVITY

Sujit Sircar likes... National Geographic and two others
Businessweek, Trekking

National Geographic and The Economist
June 8 at 11.13 · Comments · 21 people like this

JARGON BUSTER THE PHRASE: BALLS IN AIR



THE MEANING

Number of ongoing tasks. Used when feeling maxed out like a busy juggler.

THE USAGE

"Let's meet again when I have fewer balls in the air."

AUTO

Porsche 911 anniversary edition

THOUGH IT IS yet to make its Frankfurt debut, the limited edition Porsche 911 50th anniversary edition has been priced at Rs 1.72 crore. (ex-showroom India). The deliveries are expected to begin in December 2013. The 911 is one of the longest running nameplates in the automobile industry and to celebrate the half century of the iconic sports car, Porsche will showcase a limited edition celebration model at the 2013 Frankfurt Motor Show in September where it was originally showcased in 1963. Only 1,963 pieces of this anniversary edition will be manufactured. It will feature the Porsche's wide body and is visually differentiated with retro design cues as tribute to the original car. It is essentially the rear-wheel drive 911 Carrera S featuring a naturally aspirated flat six engine.





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H.264 High Profile	Yes	Yes	NO	NO	NO
Desktop/PC clients	Yes-Inbuilt	EXTRA COST	EXTRA COST	EXTRA COST	EXTRA COST
Recording facility	Yes-Inbuilt 1500 hrs	EXTRA COST	EXTRA COST	EXTRA COST	EXTRA COST
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ENVIRONMENT

WWF TO CONVERT PINE WASTE

THE LOCAL WING of World Wide Fund (WWF) will harness power of pine needles, which are generally considered a waste. This initiative is to decrease waste and prevent forest fires from pine needles. WWF has plans to come up with a project to make pine needle briquette (coal) at Anjli Mata panchayat at Dharampur near Shimla.

According to Shailender Chauhan, Project Officer, WWF, "Though the project is in a very initial stage, it is aimed at provide livelihood through pine needle briquette making, pine mulch, and basketry, besides controlling forest fires and is being carried

out in association with local communities and with inputs from Panchayati Raj Institutions and agencies like NABARD."

The local government aims to train women in basket making by using pine needles and straw. It has a multifold purpose of skill enhancement of local community through adoption of pine needle briquette making technology, which will be source of alternative fuel, controlling forest fire by collecting pine needles as well as reduce pressure on forest produce by engaging women in basket, mulch and compost making.

TECHNOLOGY

Acer to launch Windows 8 tablet

ACER IS CURRENTLY working on launching a slew of new devices that will reinvent the way computing is looked at in PCs, tablets and notebooks.

To begin with, Acer launched a 8.1-inch Windows 8 based tablet Iconia W3 that it claimed "brings desktop into your hands."

JT Wang, Chairman and CEO, Acer said, "Users are becoming smarter and don't need to keep buying new devices. PC makers should understand this and explore beyond our own limits. Acer is prepared to collaborate with industry leaders to create innovative products with better user experience. We want to be category leaders in tablets and smartphones." Iconia W3 offers full HD display with 1280x800p resolution, 8-hour battery life, has a keypad hidden inside and is quite light-weight. It is based on Intel processor that was yet to be announced and has Microsoft Home and Office bundled. Not just office productivity, the device also boasts good gaming prowess.



CFO MOVEMENTS

Rejig at Mahindra companies

Bharat Doshi, Executive Director and Group Chief Financial Officer at automobile company, Mahindra & Mahindra will relinquish his executive positions from November after a four-decade association with the group. He will continue as a non-executive director. He will also continue as Chairman of Mahindra Finance and Mahindra Intertrade, in addition to retaining the board directorship of various Group companies and his role as a trustee on the boards of foundations and trusts. Doshi was a prime mover in the creation and subsequent growth of Mahindra Finance and its associated businesses. At another group company, **Tech Mahindra**, **Milind Kulkarni** has taken over as CFO from Sonjoy Anand who has resigned. The Pune-based software firm, which is poised to merge with Mahindra Satyam, has also acquired a deputy CFO, Manoj Bhat. Kulkarni was earlier senior vice-president (finance) while Manoj Bhat was heading corporate planning, M&A and investor relations.

CFOs on a break

As the economy slows down several CFOs are taking a much needed break. While some are mulling new ventures, alternate employment options others are just taking it easy and are happy being on a sabbatical. It is a great time to test new ideas and rejuvenate one's career with some out-of-box experiences. Watch this space for more news.

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ALOKE GHOSH

Facts & Trivia

EDUCATION: Don Bosco School, Calcutta

PROFESSIONAL QUALIFICATION:
B.Com (H), ACMA, ACS

FIRST JOB: Philips India Ltd.

Aloke Ghosh, CFO, Mahindra Holidays shares the major challenges in the timeshare industry. Ghosh adds that CFOs should they judiciously allocate time and resources in an increasingly chaotic and challenging world.

IN A WORLD AFFLICTED with economic crisis, inflationary pressures, exchange rate volatility, political turmoil and extreme corruption the business landscape is facing challenges like never before. All CFOs are grappling with important issues of survival, sustainability and at the same time bringing about growth. Cost management, bringing about efficiency in the organization through better systems, processes and controls is a common refrain.

The timeshare industry is still at a nascent stage in India though it is picking up rapidly. In the initial days the greatest challenge was to explain the concept to potential customers—the benefits of investing into a product which provides the right to use a holiday resort over an extended period of time. One common reason was that this was a unique inflation-free product which would give high quality holiday time to the family. This is in contrast to the trend in the western world where timeshare means the sale of a specified

week in the year versus a right to use as is prevalent in India. In the initial days, there concerns were raised on sales practices and subsequent experience. However, as the industry has matured the holiday experience with the family these concerns have receded.

Lead generation i.e. identifying potential members continues to be one of the leading challenges which persist. Subsequent conversion to members, revenue waiver freebies, sales commissions, telemarketing costs etc. are key processes which increase costs for this nascent industry. It is a challenge area for the CFO as the cost of acquisition of a member is a leading cost element in this industry. Keeping an eye on this matrix is a key control area for the CFO.

Another area which needs constant planning relates to the rooms and the fund generation to make them available either through building, buying or leasing. The ratio of member rooms, member: non-member occupancy ratio of such rooms and overall occupancy is

another interesting subject that needs to be addressed. Efficient planning of room inventory is critical.

Employees are integral to this industry as they have direct customer facing interface—service being a key factor at the resorts. Retaining top employees is crucial but growth has to be ensured through manpower efficiency. As is the case with any industry it is important to retain costs within reasonable levels.

Retention of members within the system is important as is ensuring that they are current on their payment and are overall satisfied with the experience. Driving cost efficiency and promoting automation in key areas of operation are always critical.

Growth too presents challenges. As the business enlarges it is equally important to be nimble. However, the CFO needs to ensure at the same time that business is not hampered due to too much control. Major issues facing CFOs today include:

- Volatility in financial markets and ris-



“As the CFO one has to live with the possibility of hitting a single instead of a home run. That does not mean extra risk is acceptable.”

And if necessary be opportunistic at times even if it suppresses operations for a short period. Focus needs to be on what is going to happen next year and the year after, not on the next week or the next quarter. No matter how sound the evaluation process not every plan is going to work. Some acquisitions will fail to live up to expectations, some internal investments will go nowhere. As the CFO one has to live with the possibility of hitting a single instead of a home run. That does not mean taking on extra or unnecessary risk is acceptable. It does mean that you cannot be so cautious that you are unwilling to fail. In the pursuit of growth, the key is to have a good batting average and to learn from failures.

CFOs, therefore, must be judicious in allocating time and resources. The challenges includes prioritisation and balancing short term versus long term trade offs as business seeks to reduce costs but also look out for long term growth. **CFO**

ing commodity prices and inability to pass increased cost on to consumers is a concern. Analysing and modelling price risk is crucial to a large company.

- Risk management is an increasingly important part of a CFO's role. Tighter margins, unstable markets and inflexible supply chains have magnified the threat and impact of supplier failure.
- Brick and mortar business models

can be reinvented by a new entrant very quickly as entry barriers have dropped.

This brings us to the question of how can CFOs allocate their resources and time in the face of the huge and increasing responsibilities. Increasingly, CFOs have to view the organisation through a strategic and not financial lens. One has to understand the difference between operations and opportunity.



The Great **BOND**soon

Interest rate differentials and tight liquidity in India made foreign bond issues attractive for India Inc. Has the window closed for now?

✦ SHALINI S. DAGAR DESIGN BY HARIDAS BALAN

Last September, when NTPC raised \$500 million in 10-year bonds in September 2012, the company officials had a relatively easy and relaxed time—unusual for a fund raising exercise. They did not spend any time on the road trying to woo investors via roadshows or investor meets. A.K. Singhal, Director, Finance, NTPC says, “We did this last issue sitting in Delhi. We priced the issue and closed it the same evening. It was oversubscribed eight times.” NTPC’s track record of credit and the insatiable appetite that global investors had for emerging market debt were the chief reasons for the enthusiastic response.

For global investors Indian bonds were an attractive asset to chase simply due to the returns on offer when compared with the U.S. and other developed markets. Loose monetary policy along with quantitative easing unleashed a flood of capital in the post-2008 years. This liquidity found an easy home in emerging market debt. Through 2012, and indeed for the past few years, this asset class was among the better performing ones.

The NTPC issue cracked open the door wider for foreign currency denominated bonds from Indian companies, and not just the AAA-rated but even

those rated lower. The reduction in withholding tax on investors from 20% to 5% helped. What followed was a sweet spot where state-owned companies were joined by large private issuers such as Bharti, Reliance Industries, Tata group companies and lower rated companies like Suzlon Energy in accessing these overseas capital pools. Wind turbine maker, Suzlon which defaulted last year managed to raise \$647 million on the back a guarantee by State Bank of India.

In the first quarter optimism of 2013, Thomson Reuters had estimated that Indian companies might raise up to \$20 billion this year, double the nearly \$9.4 billion raised in 2012.

PRICING, TENURE AND LIQUIDITY

During this time, Indian issuers found foreign currency debt an attractive option due to the interest rate arbitrage opportunity prevailing between Indian and global rates. NTPC’s Singhal explains, “the base rate in domestic currency for the best rated companies too is 9.25-10.5% while a foreign currency bond can be issued sub-5 per cent. Even after hedging there is still a considerable difference.” Since 30 per cent of NTPC’s funds are raised via external commercial borrowings (bonds) the total cost of borrowing is as low as

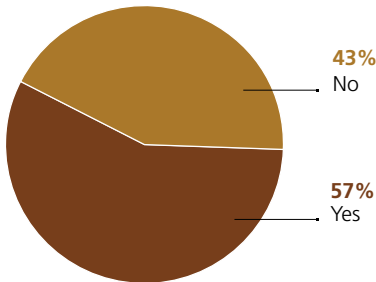
Indian firms were expected to raise \$20 billion this year in foreign currency debt before emerging market debt became unpalatable.

7.8%, while surplus funds can fetch around 9.5% in the Indian market.

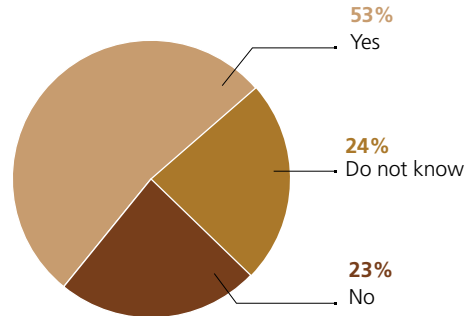
As fixed rate, long tenor instruments, foreign currency bonds help CFOs avoid the risk of interest rate fluctuations over the course of a business cycle. Apart from this inherent logic, other reasons

CFO INDIA SURVEY, MAY 30 TO JUNE 12 (72 COMPLETE RESPONSES)

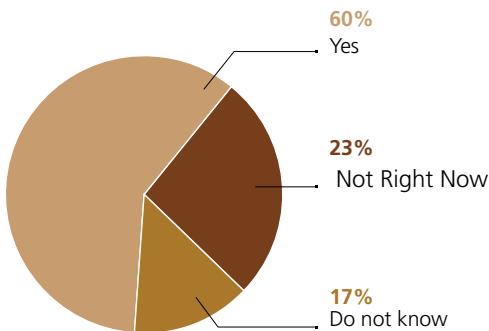
Is it a good time for a foreign (Dollar, Euro, Yen) bond issue?



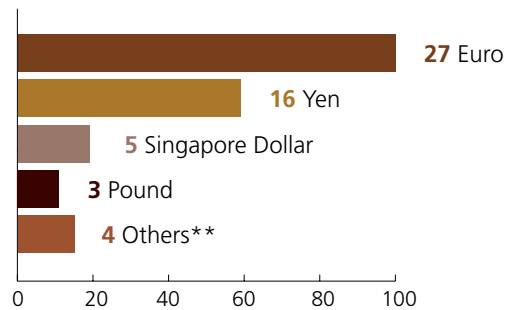
Is the confusion about the withholding tax a deterrent?



Has the full cost of hedging become a deterrent?



Which other currencies other than the dollar are attractive right now?*



(* In this query we have ignored answers which either said \$ alone or none or suggested Re bonds or said do not know. Respondents have had the opportunity to suggest multiple options)

** Including Swiss franc, Australian dollar and Malaysian ringitt

converged to propel Indian companies towards foreign lenders. Higher government borrowings, rising bad loans and regulatory requirements such as prudential sector and company lending norms curtailed the ability of Indian banks to lend. In such a context, foreign currency debt offers diversity in lender profile. Overseas debt investors include long term investors such as pension funds which have a propensity to hold the bonds to maturity and hence provide stability.

For example, in case of software firm, Rolta India, one of the recent lower rated, first time issuers, the logic stemmed from the need to open up another funding channel which will

sustain over the longer term, says CFO, Hiranya Ashar. The company's \$200 million issue in May 2013 has been called the first true high yield bond out of India. Since India's own rating itself is just about investment grade, any company which is not AAA domestically gets high yield rating overseas. Rolta was able to get a rate of 10.75 per cent and was oversubscribed two times.

According to Ashar, "This market is certainly not cheap. However, it offers diversification of investor base and long range funds which are completely unsecured." And even if the funds do not seem cheap on debut for Rolta, Ashar argues that over the longer term they genuinely are more cost effective.

For infrastructure companies, the rationale stems from the need to match the cash flows with the long gestation of the projects. Given the absence of a vibrant corporate debt market at home, such long range funds are not widely available domestically.

Syndicated loans are available for shorter tenures such as 4-7 years, but also carry the risk of investors to shed the loans halfway through. And long range loans such as the ones from OECD though available come with constraints on end use—usually the funds are tied to spends in specific countries. It is then no surprise that fast globalising Indian companies are looking overseas for debt.

PREFERRED CURRENCY

Though revenue streams of Indian companies have diversified substantially in tandem with their globalizing businesses, the dollar remains the preferred currency for overseas debt. Reason: Stability, predictability and deep liquidity of the currency. Results of a survey conducted by CFO India among finance professionals showed that Indian companies are actively considering other currencies too. Given the regulatory requirements, the euro market is also very popular. Other currencies which offer diversification of investor base include the ones such as yen and Singapore dollar. Several Indian companies in the past few months raised funds in Singapore market. Yet the liquidity on offer in such currencies is typically smaller. Most companies switch to dollar liabilities through swaps.

“The size and depth of the US dollar bond market provides an opportunity for a wide range of Indian issuers to access longer tenor funding at attractive rates,” says the deputy CFO of a recent

TABLE OF COMPANIES WHO HAVE RAISED FUNDS VIA FOREIGN BONDS			
	NAME OF COMPANY	AMOUNT RAISED	COUPON
1.	Airtel	\$1.5 Billion	5.125%
2.	Reliance Industries*	\$800 Million	5.875%
3.	Tata Motors	\$350 Million	4.25%
4.	ICICI Bank	\$225 Million	3.65%
5.	Tata Communications	\$400 Million	4.25%
6.	Relta	\$200 Million	10.75%
7.	Suzlon**	\$647 Million	4.97%

* Perpetual bonds. ** Credit enhanced by way of a letter of credit from SBI

large private issuer in the energy space. “While USD remains the currency of choice, we also evaluate other low interest rate currencies from a cost view point as well as from the need to diversify our investor base. However,

the size and depth of the bond and swap market become relevant factors before making the choice,” he says.

ASSOCIATED RISKS

Yet the advantages of the foreign bonds

“We could not have asked for better timing for our high yield bond. **That window seems to have shut at least for sometime.**”

— HIRANYA ASHAR
CFO, Relta India





“We did the issue sitting in Delhi. There were no roadshows. We priced the issue and closed it in the evening. **And it was oversubscribed 8x.**”

— A K SINGHAL
Director, Finance, NTPC Ltd



may be chimerical, if the downside risks are not properly appreciated and guarded against. One such risk relates to the depreciation of the rupee which nullifies the interest rate differential. It was not very long ago, that several enthusiastic foreign currency convertible bond issuers were caught on the wrong foot. The sharp decline of the rupee against the dollar in May and June (almost 10 per cent) again highlighted these risks. Several planned issues were called off.

Companies where the end use was in India are bound to feel the pinch at repayment time, especially if the payments are in the next few quarters. Their P&L statements might show a hit on account of mark-to-market losses. However, new regulations may also allow for a ring fencing of such losses in specific cases. Infra companies specifically can capitalise interest payments.

In cases where companies have raised funds for use overseas either for M&A activities or to buy equipment the forex fluctuations may matter less. Consider for example the dollarised balance sheet of Reliance Industries where almost all

revenue numbers are pegged to global prices. In such cases, the balance sheet provides a natural hedge for such debt.

IS THE PARTY OVER?

Many market observers believe that the emerging market bond party is over. Investors in Indian corporate debt may have better options going forward, notably in the developed economies. Federal Reserve chairman, Ben Bernanke in mid-June spooked the markets when he talked of a mere slowing down of the quantitative easing (QE) that has entailed the Fed buying \$85 billion worth of assets every month. Liquidity which had been happily sloshing towards Asian assets headed back to American shores. “The emerging market story is coming to an end. The appetite for Asian bonds has evaporated,” says a Mumbai-based veteran CFO and independent director. The window, therefore, for first time Indian issuers may have temporarily closed. Not just because of waning investor appetite but also because in many cases domestic funds may be cheaper.

What keeps companies interested, however, is that there are gainers in this turmoil as well. Rolta’s Ashar points out that the funds raised by them would be brought to India only now, well after the sharp drop in the rupee, giving the company some extra currency gains. Other precedents too exist. For instance, the first bond issued under MTN programme by NTPC in 2005 at the time of maturity in 2012 earned the company 10 paisa per rupee raised rather than costing anything. The secret here may well have been brilliant timing or smart calls. It is a tough game.

On the appetite of investors, it may be early days to conjecture. Standard Life Investments, which manages a total £167.7 billion in the midst of turmoil in June launched its second Emerging Markets (EM) debt fund. PIMCO, the world’s largest bond manager, is also apparently retaining its EM allocations for now. Perhaps the window has not closed completely. In the meantime as Ajay Mahajan argues in the following column it is time to spruce up our own corporate debt market. **CFO**

Bond in Finance

Indian companies were finding comfort in raising funds through foreign currency bonds. Volatile currency markets and appreciating US yields may put a spanner in the works though

✦ AJAY MAHAJAN, R-SQUARE ADVISORS



Global financial markets have never ceased surprising in the direction and volatility of market variables.

Though the asset price volatility did come off rather sharply post financial crisis, Indian markets have, generally been exposed to higher volatility both in currency and equity markets. It is this volatility that makes business decision making harder and also exposes institutions to large costs - both direct and indirect - for making hasty decisions.

Central banks across the world have pumped large doses of liquidity into the markets to prop up lending sentiment and buoy sagging confidence. Jury is still out on how successful have they been in fighting the slowdown but there is increasing evidence of at least one global market, and the largest one at that—the US economy—seeing improvement in the housing market, employment numbers and private sec-

tor productivity. In a sense, there has been complete decoupling between economic prospects and asset markets.

Despite economic prospects being bleak, financial markets and real assets have performed very well, at least up until now. Credit markets have been one of the biggest beneficiaries of the ongoing boom. Investors have been awash with liquidity which has been chasing high yielding assets.

Government bonds have been yielding less than 2% for the most part driving investors down the credit curve, compressing credit spreads to historical lows. The US high yield market has rallied all the way to less than 5% yield never heard before. The risks being taken in the private financing space has been huge too, with investors settling for much lower quality and level of collateral for making leveraged loans to enhance yield.

Indian corporates have benefited from this liquidity surge too. Many

have tapped the global bond markets to raise long term resources for expansion and refinancing. The list has been long and most have been welcomed by the markets. Another interesting feature has been that the interest has been very broad based and spread across many world markets representing different pools of liquidity.

Falling treasury yields in the international market and widening of the investor base have resulted in Indian companies raising over \$5 billion by issuing FX denominated bonds in 2013. The momentum is expected to continue though US yields rising in the second half of this year may play spoilsport in reducing the investor appetite for incremental issuances. These issuances were also supported by steps taken by the government to avoid a downgrade of India's sovereign rating.

One of the recent geographies to show interest in Indian loans and bonds has been the Singapore market.

There has been a spurt in issuances in this market too helping incremental issuances. While the bonds are issued in the currency most suited to the investor, the issuer usually swaps the liability promptly into US Dollars thereby eliminating the third currency or interest rate risks. However, there is no running away from the US Dollar to INR currency risk, unless the proceeds are used exclusively for creating foreign currency denominated revenues which is rarely the case.

This aspect deserves more attention. Currency risk related to these offshore borrowings has gone up sharply in the last 10 years. Large Indian corporates have seriously globalized their balance sheets acquiring global assets, through foreign currency borrowings. While those acquired assets are offshore, the borrowings are spread between offshore companies and onshore flagships and serviced through a mix of FX denominated and INR denominated revenue streams. The recent slide of the rupee to 59 aside, INR has been steadily depreciating for the last few years, far in excess of the inflation differential, and has depreciated nearly 50% over the peak made in 2007 of 38.60 to the dollar. Rising imports too have created challenges for the rupee. Compared to 18.6 per cent in 2002-03, the share of imports in Indian firms' operating expenses surged to 30 per cent in 2011-12. During the same period, however, exports failed to keep pace. Hence, from being a net earner of foreign exchange ten years ago, India Inc turned into a net spender of foreign exchange.

At a time like this, therefore, due caution needs to be exercised while increasing foreign currency liabilities bets on the balance sheets. The world is a lot slower, revenue growth has been absent or sluggish and earnings have been under pressure. In a way the earnings cushion to deal with serious unanticipated shocks does not exist, while the risk of such shocks has gone up sharply. This is not to say, that such forms of capital need not be raised - all

A consistent, thorough and focused approach is needed to deal with foreign currency exposures and its risk.

— AJAY MAHAJAN
Founder, R-Square Advisors

that is being said is that it is not possible to ignore the associated financial risks. A very consistent, thorough and focused approach is needed to deal with such exposures.

It may be also said here that if the foreign investor could directly invest in the rupee denominated issuances of these corporates in an easy and transparent manner, it would help Indian companies raise capital a lot easier without taking the currency risk. The cost of such capital would be aligned to the prevailing rupee rates and hence would be costlier as compared to the optical cost of borrowing in foreign currency, but the cost of hedging is almost as high as 6-7% per annum and when adjusted for that, many Indian corporates will find it cheaper to issue rupee paper instead. While steps have been taken by the government to increase investment allocation to foreign investors to USD 75 billion, corporate limits are far from being fully utilized. There are many issues to address to get that market going - transparency, secondary market liquidity, rating issues, to name a few. But there is still a lot of

clarity needed on taxation (QFI), easing of KYC processes etc which will seriously help develop this market further and help companies take less foreign currency and interest rate risks.

Turning back to the global markets, there is a limit to how much more appetite may exist for local and regional issuers. The party simply cannot continue forever without its concomitant fall-outs. As a result, while the output gap remained high reducing the consequent impact on inflation, major debate has opened up on the whether the timing is now right for the US FED to start reducing asset purchases every month. Fears that it may happen sooner than later (expected by Q3 of 2013) has already caused severe panic in the world markets with USD soaring against not only other global majors but also against most emerging market currencies. In the month of May alone some of these currencies lost as much as 5% and continue to lose in June thus far, with Indian Rupee at the forefront as one of the weakest currencies.

And it has not been restricted to currencies alone, the sell-off has sharply extended itself to other asset classes like emerging market bonds and equities. Bond Markets are clearly not ready for higher yields. A sharp jump in 10 year US Treasuries to 2.25% from lows of 1.50% is a big move enough to shake the world to the possible new reality of a sharp steepening of the US yield curve. The consequences of a sharp sell-off in bonds will be intense - the cost of raising money for banks and corporations the world over will jump sharply, let alone the cost of hedging for many that are exposed to floating rates of interest.

May be it is time to pull out all stops to develop Indian bond markets! **CFO**

Ajay Mahajan, Co-Founder & Managing Partner, R-Square Advisors has spent over 23 years in financial services with a specialisation in debt capital markets. He has closely worked with RBI on expanding derivative markets in India. This piece was written mid-June.

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Of Popcorn & Peanut Butter

The journey of **Hemant Kumar Ruia, CFO, AgroTech Foods** through the world of finance has been one of seamless transition across roles and sectors. And he continues the quest for relevance with a great deal of panache.

 **SHALINI S. DAGAR**

FOR THIS Kolkata-based Marwari, the world of finance was a detour. His first dream was to become a naval officer—work for the country with its defence forces—and to this day it still remains an unfulfilled dream.

“Though I have no regrets, yet it is still my dream,” he says candidly while adding, “I do not know how or why the idea came to me, but I was clear I wanted to be an officer in the Indian navy.” Yet fate and family intervened in the form of his grandmother who just would not countenance her grandson going away to any treacherous zones.

So though Ruia remained shore-bound, he found another channel for his passion. It is that ephemeral but profitable quality that courses through any Marwari—the ease with numbers. “Finance runs in a Marwari’s blood so I turned to what was core competence,” he remembers. And did he turn to it with great gusto?

For the last five years Ruia is the chief financial officer of the Rs 800 crore AgroTech Foods, the Indian subsidiary of ConAgra Foods Inc. AgroTech Foods is the maker of Act II popcorn and Sundrop refined oil among other food brands. Prior to that he has had a 15 year career with

5

MILESTONES

→ **FIRST JOB**

Larsen & Toubro

→ **BIG BREAK**

Each job was great.

→ **AHA! MOMENT**

When I conducted the first reverse auction in ICI Paints globally

→ **DREAM**

To learn Sanskrit



equally fruitful stints at infrastructure company, Larsen & Toubro, chemicals major, ICI and consumer goods company, Reckitt Benckiser.

Ruia's career of more than two decades has straddled experience in finance, fund management, budgeting, accounts, procurement, sourcing, vendor management and commercial operations.

Yet this career may have almost not taken off. Fresh from the disappointment of not being able to chase his dreams of a naval career, Ruia almost did not get admission into the college of his choice as well. This was of course in the 80s and the preferred mode of communication for the interview calls was what is now so pejoratively called snail mail. The telegram reached Ruia in the evening on the day of the interview.

"I was clear that it had to be this one college (St. Xavier's College) and when I missed the interview that night was a sleepless one for me." Next day, however, Ruia made it to the college at 6.00 AM in the morning and secured an interview slot for himself. He was offered a seat immediately.

After a Bachelors in Commerce, not only did Ruia complete his chartered accountancy and cost accountancy but at a later stage also obtained a Chartered Financial Analyst's qualification as well. And the succession of jobs has been smooth and fortuitously gainful.

"I have experienced the unusual in my career and I thank God, my mentors and my bosses for the kind of work and opportunities that I got," says Ruia gratefully.

The first step in the career was L&T where Hemant handled accounting, finance and treasury and also dealt with the IT function. "I designed the IT system for accounts and I recall that our office was the first one to get a Reuters' terminal in the entire company—even before there was one at the L&T House," he recounts.

That sense of being ahead of the times continued with his next job at chemical company, ICI. Ruia recounts that he was the first person in the company globally to conduct a reverse auction. "The process manual that I set up was subsequently followed through out the company," he recalls. Halfway into his decade-long experience with ICI, Ruia had been pulled out of his comfort zone of finance and made in charge of a hard-core business function of procurement worth close to Rs 400 crore. Though surprised by this change in profile, Ruia believes he gained



FAVOURITE PICKS

BOOKS

Fiction

MAGAZINE

Economist, Harvard Business Review

HOBBIES

Reading

FAV DESTINATION

Historical places

FILM

Action films



MUSIC

All types of music

ROLE MODEL

Adnan Ahmad formerly with ICI

PASSIONS BEYOND NUMBERS

Yoga



↑ RUIA BELIEVES THE HEALTH PLATFORM UNDER THE SUNDROP BRAND IS A STRONG PLATFORM TO APPROACH THE INDIAN MARKET

tremendously from this stint. In the initial few months, he taught himself the chemistry of paints and figured out the functions of solvents, latex and extenders. "I got a good perspective of business and also learnt how to manage relationships." No doubt, these skills were to come in handy later.

The next transition in Ruia's journey was a brief halt of just over a year at Reckitt Benckiser, where Ruia was a financial controller and for sometime was based in Bangladesh. However, an almost insolvable work permit issue made it an itinerant job where he was traveling in and

Over the next few years, the challenge is to grow both the topline and the bottomline at AgroTech. The target over the medium term is \$1 billion in revenues.



out of the country every 15 days.

The constant dislocation and the uncertainty proved difficult and finally Ruia took the call of making a transition to AgroTech. And there has been little to complain about the stint so far. The profit after tax has gone up from Rs 16 crore to Rs 41 crore as of last reported earnings. “We are never struggling with processes.”

Ruia sticks to a formula—simplicity, automation with as little customisation as possible. An example of this effectiveness is in evidence in that the company has paperless approval for all its payments.

Yet satisfied does not mean unchallenged. “The single largest challenge is still to grow the topline and bottomline,” he adds. And the aim is to get to a target of \$1 billion topline. “The aspiration is to be valued member of the business and do a good job in finance.”

Ruia is also contending with how best to marry financial analysis with business acumen to make a difference. In the Indian market, currently AgroTech has a motley of brands stretching from refined oil, a near necessity in a kitchen to comfort foods like popcorn, snacks and ready to cook meals. Some time back, it

launched peanut butter under the Sundrop brand umbrella which has done well. Ruia along with the AgroTech management team is contemplating what else to bring to India from the rich shelf of over multiple food brands owned by ConAgra.

Beyond finance, there is one more big dream to chase. Ruia wants to learn Sanskrit when he has time to devote to it properly. “I do not just want to learn it as a hobby, I want to do justice to the language.” Well, Sanskrit is as mathematical as a language can get, we are about to remind him as he heads off to celebrate his daughter’s birthday. CFO



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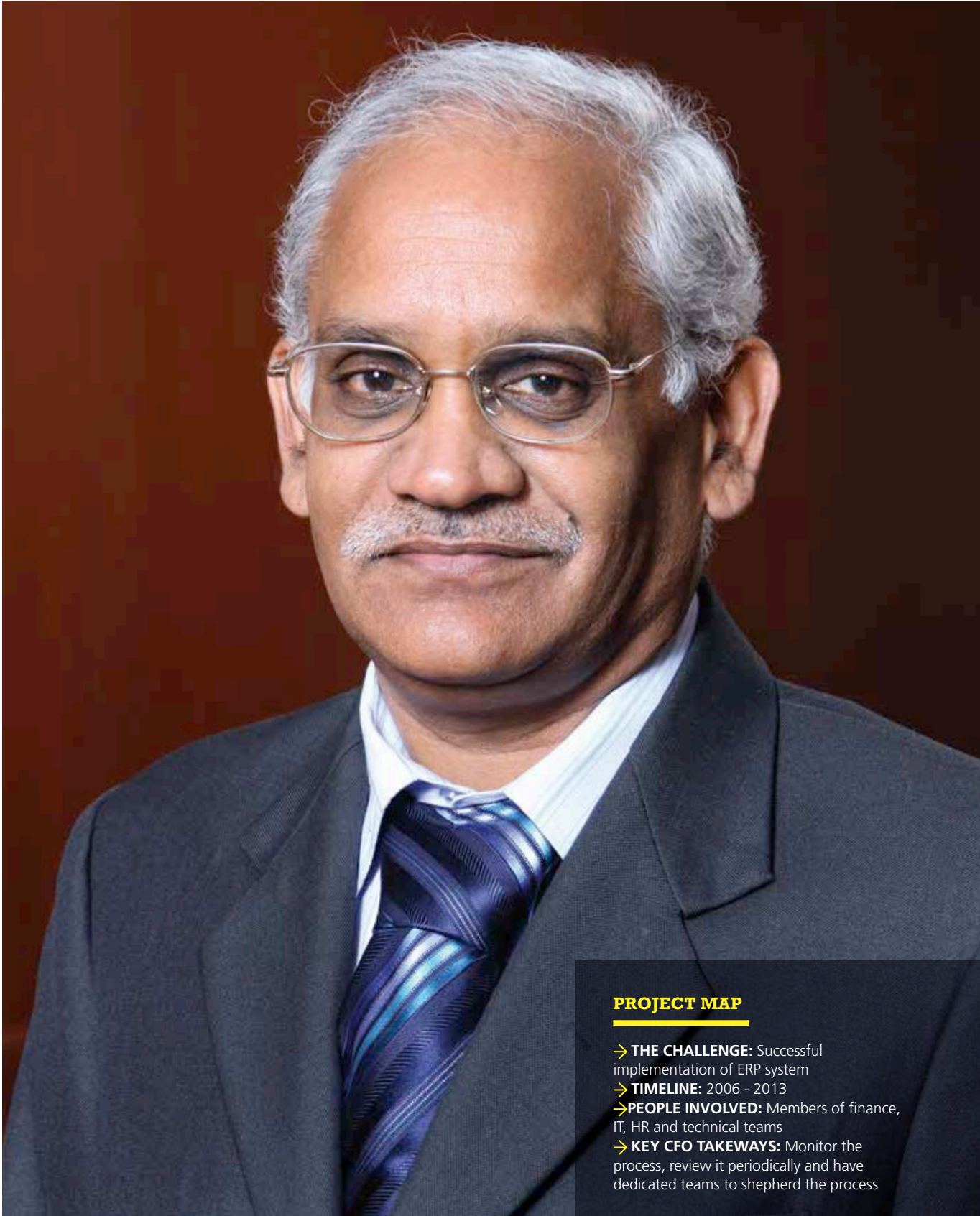
All teams must be full time employees of an organisation. Third party consultants, advisors, etc are not eligible to represent the organisation in the DPL 2013.



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PROJECT MAP

- **THE CHALLENGE:** Successful implementation of ERP system
- **TIMELINE:** 2006 - 2013
- **PEOPLE INVOLVED:** Members of finance, IT, HR and technical teams
- **KEY CFO TAKEAWAYS:** Monitor the process, review it periodically and have dedicated teams to shepherd the process

Get the Basics Right

Successful ERP implementation is possible only when the entire process is streamlined. **VVS Murthy, CFO, Granules India** shares the joys of getting it right with appropriate resources and correct deployment strategy.

✦ PURVA KHOLE

Pharmaceutical manufacturer, Granules India makes a broad spectrum of products ranging from active pharmaceutical ingredients (APIs), pharmaceutical formulation intermediates (PFIs) and finished dosages (FDs). “Since the operations are widespread, the company needed to switch to Enterprise Resource Planning from its manual accounting system. ERP implementation was crucial for efficient product costing,” says the chief finance officer, VVS Murthy. Earlier in 2006, the company had planned for an ERP project but it was soon aborted due to many fundamental errors in implementation.

CHALLENGES

“Ideally before one has to set up and implement ERP systems, many basic building blocks need to be in place

to ensure the success of the system. When we attempted to switch to ERP earlier, we made mistakes at the configuration stage. And configuration of product costing in a mid- to large-sized company can often be quite time consuming because many processes are involved,” explains Murthy.

Another challenge which beset Granules’ hunt for the appropriate ERP system was that the system was unable to fully support the tax function. There was a glitch in developing records and reports required according to Indian tax regulations. In the midst of all this change, the team had to cope with a version upgrade of the system used. With these missteps, the ERP implementation project did not go live according to the initial expectations of the management.

In 2009, Granules opted for a different implementation partner and tried to iron out the implementation wrinkles.

Many of these problems could be attributed to the fact that there was no dedicated team that would look after the process. The person who handled the daily accounting functions used to manage more than one portfolio. And the consultants did not have the support of a cost expert who could help with the financial aspects of the project.

Murthy recounts, “after I joined in 2012, the biggest challenge I was given was to go live with the ERP system as soon as was possible.”

HOW WAS IT TACKLED?

As soon as Murthy joined Granules, he got cracking. The first task was to get a realistic picture of the situation as it existed. This was done with detailed discussions with all the people involved. The next step was to recruit a cost accountant who along with the project manager and a senior chartered account-



“A cross-functional team is a better option to drive complex change. It facilitates buy-in of all key departments. Regular dialogue resolves issues before they became knotty problems.”

tant could focus on analysing problems as they emerged so that they could be addressed speedily. The process was streamlined with regular reviews which were conducted by the project manager in tandem with the consultants and the internal customers.

To deal with the tax regulation challenge, the consultants were tasked to develop appropriate reporting formats which would help in tax compliance. Notwithstanding these efforts, there is still a long way to go. “The ERP system needs to generate several reports to comply to local taxation requirements. However, our current iteration of ERP does not support this function so we don’t have full functionality as of now,” says Murthy while adding that the company is planning to upgrade to the new version of ERP in the next few months.”

The new edition will allow the company to customise reports to meet local requirements. Earlier overhead allocations were not properly configured in the system. Part of the reason was that some entries were done manually and the others were done online. This generated a great deal of discrepancy in the two versions of the data. In some cases, there were mistakes in the machine hours because overheads were not updated.

To smoothen the process, meetings with the plant heads were held and people were dedicated to upload data as and when it was generated. The improvement was drastic. The company accounts started closing by the second or third day of the reporting month instead of the fifth or seventh days. “With these changes we were ready and we went live on April 1, 2013,” he says.

TEAMS INVOLVED

Team work was the secret sauce which led to the resolution of the problem, according to Murthy. Multiple teams were involved in effecting this change. These included finance, human resources, IT and technical personnel. The whole jigsaw puzzle came together and the project was successful only when members from different departments started to work together. Murthy recalls, “When we first started with ERP implementation, we stretched our resources. They did not have the bandwidth to focus on the intensive ERP implementation. Hence, as a first step, we hired more experienced people who would focus on ERP. These new resources supported the ERP team to make sure that the system was as per our expectations.”

Initially, the approach within the company was to have one team drive the change through the organisation. “However, over time, we realised that a better approach was for a true cross-functional team to work together. This facilitated buy-in from all the departments. And a regular dialogue resolved issues before they became insoluble problems,” points out Murthy. This measure alone transformed the ERP implementation project into something more than a Finance & IT initiative.

LESSONS LEARNT

“As we dealt with the various issues that came in way of successful ERP implementation, we learnt a lot,” exclaims Murthy. Complex and organisation-wide projects like ERP implementation need focused approach and dedicated resources for the timely completion. The presence of domain experts is a must. Beyond these hygiene factors, it is essential that the systems and controls are monitored to avoid basic issues and to ensure a reality check early in the process. Equally, it is also important that there is a periodic review and corrective actions if required are taken with alacrity. **CFO**

Challenge of Pension Adequacy

Arvind Usretay, Retirement business leader - India, Mercer



— Arvind Usretay, Retirement business leader, India, Mercer

‘Old age’ provision is currently an actively debated social issue in both developed and less developed countries. In many developed nations like Germany & Japan, ageing populations is a serious concern. It is anticipated that the proportion of elderly (Age 65 plus) would become more than double by the year 2050 in many of developed countries. In India, while we are currently a young country, a United Nations report states that by 2050 the number of elderly will reach approximately 300 million - three times the current number.

In India, current structures for old-age provisioning are inadequate as the unorganized sector, which forms majority of the country’s working population, has no access to formal old age provisioning. They continue to be dependent on the rapidly disappearing joint family system.

Even for the organized sector, employers are moving away from pre-defined (DB) pension benefits to pre-defined (DC) contributions for old age pensions, thus creating an issue about adequacy of provisioning. India has surely caught-

up with the world in changing over from DB pensions to DC structures for providing pensions but is still to conceptualize, develop and implement long-term solutions that ensure financial stability for citizens after their working years.

With the emergence of a worldwide trend of moving away from the unpredictable financing and costs of DB plans towards the cash-oriented simplicity of DC structures plays out, the true aim of retirement plans must continue to focus on providing provision of an adequate pension benefit for the elderly. Moving from a DB to a DC structure does not eliminate risk and responsibility. Rather, they are transferred from the employers (or plan sponsor) to employees (or plan participants), who must now build an adequate pension benefit, primarily through contributions and investment choices. Yet, are these individuals effectively prepared to take control of their own old-age provisioning? And what measures are governmental agencies and employers adopting to encourage them to prepare? An adequate pension from all sources is thought to be in the

range of 60%-70% of pre-retirement income. In a DB plan it is readily known what the full-career benefit will be, usually defined as a multiple of pre-retirement income - something not as obvious in a DC structure, in which benefits are defined in terms of the contribution flow into the program, rather than the pre-defined annuity at retirement.

Key components of building an adequate pension under DC structure include contributions, investment earnings & length of contributions. So, why do many individuals contribute less, start contributing late and invest inappropriately? More often, it comes down to lack of knowledge about required contribution levels needed to build an adequate retirement income, and how to take control during the accumulation phase. In the new DC world, employers, plan sponsors, trustees and governmental agencies need to provide the information, tools and knowledge to allow citizens, including workers from both formal & non-formal sectors to take more effective control of their old-age provisioning.

BOARD GOVERNANCE: DEPENDS ON WHERE YOU SIT

William George, former CEO of Medtronic and a veteran of ten corporate boards, reflects on common governance pitfalls and how to overcome them.

Board governance is frequently discussed and often misunderstood. In this article, I offer an insider's perspective on the topic. Over the years, I have had the privilege of serving on ten corporate boards, as well as being chairman and CEO of Medtronic, chairman only, and CEO only. I have also observed dozens of boards from outside the boardroom and engaged in numerous confidential conversations with members of these boards about the challenges they faced and how they handled them. What I have learned from these experiences is that one's perspective about a board's governance is strongly influenced by the seat one holds—independent director, chair and CEO, CEO only, or chair only.

That's why it is essential to look at corporate governance through the eyes of each of these positions. In surveying governance through the lens of differ-



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ent roles, I hope to address a problem in the prevailing dialogue: many of the governance experts exerting power over boards through shareholder proposals, media articles, and legislative actions have never participated in an executive session of a major board. It's no surprise, therefore, that their proposals deal almost entirely with formal board processes and "check the box" criteria that generally have little to do with the substance of how boards operate.

I worry, in fact, that many of these proposals could weaken the performance of boards by burdening them with an excessive amount of ministerial details. That would be a shame, because corporate boards have made progress since the scandals of recent years, with a new generation of CEOs sharing with boards more openly, listening to them more closely, and working to achieve a healthier balance of power with independent directors.

ROLE # 1: THE INDEPENDENT DIRECTOR

The combination of new governance regulations and rising expectations makes serving as an independent director much more important—and difficult—than it was in years past. The greatest challenge these directors face is to stay fully informed about the companies on whose boards they serve. Information asymmetry is often at the root of this challenge. When directors are truly independent of the companies they serve, they generally lack the wealth of knowledge about the industry or business that their senior-executive counterparts have. Moreover, independent directors typically have limited engagement with the company and its board, meeting perhaps six to eight times a year. Consequently, management has far more information than independent directors can ever absorb. I recall this challenge well: of the nine boards I served on as an independent director—across a range of industries—I

Independent directors can provide leadership and contribute to companies they serve in ways that go beyond meeting the basic legal requirements.

had industry-specific knowledge in exactly none of them. In one instance, I recall asking why a company wanted to implement an aggressive stock-buyback program when it might be better to preserve cash to take advantage of opportunities or to use as a cushion if cash flow turned negative. My question was not well received. The CFO argued that the company had always been able to raise cash when it was needed and had never passed up an opportunity for lack of cash. A fellow director told me that I simply didn't understand the industry and that stock buybacks were routine. So I backed off. However, a year later the company became so concerned about volatility in financial markets that it suspended all stock buybacks and began an aggressive program of increasing its liquidity. That was a good thing, because the following year the markets completely shut down when the credit and liquidity crunch occurred. Had the firm not had a large cash reserve, it might have wound up insolvent, like many of its competitors. Whether or not my questions a year earlier helped nudge management in this direction, I strongly believe that independent directors can provide leadership and contribute to the companies they serve in ways that go beyond meeting the basic legal requirements and fiduciary responsibilities inherent in board service. In addition to asking tough questions, three opportunities stand out.

BE AN ADVOCATE FOR SOUND GOVERNANCE

Independent directors should be advocates—and enforcers—of sound governance principles. This is especially important in challenging times or when the company is in crisis. Too many directors accept board governance as it is, without suggesting the kinds of process improvements that would make a difference; some directors even resist them. Yet process matters hugely in the boardroom, and not just to make sure a company abides by governance rules. Process steps help to keep board members engaged and able to fulfill their responsibilities and, more important, establish the proper balance of power between management and the board. Perhaps the most useful aspect of the governance rules passed a decade ago in the United States is the requirement that independent directors meet in executive session without the CEO present. These sessions give directors the opportunity to share concerns about the company and to ask for improved governance steps or additional reviews. They are also a time to discuss privately any concerns that directors have about management and to ensure that directors are fully informed. Finally, the sessions are useful in building chemistry among the independent directors. Good chemistry is important. The director of a major European company shared with me his frustration when he challenged its CEO and the direction in which the chief executive was

The real test of a board of directors comes when the company is in crisis. Independent directors are counted upon to step up to their responsibilities.

moving the company, but received no support—just silence—from his fellow directors. Later, when the board went into executive session without the CEO in the room, the directors around the table unanimously agreed with this director, saying that the CEO was not providing the right leadership or taking the company in a sound direction.

LEADERSHIP SUCCESSION

Nearly all independent directors say that selecting the right leadership for a firm is their most important role. Yet in my experience, the time spent on succession is far too limited and the discussion not nearly candid enough. All too often, board members settle for a “hit by a bus” contingency plan. Such plans are crucial, of course, even if just for an interim period. Yet oftentimes the person ultimately identified to lead is just the most obvious interim leader, not the best long-term successor. To better prepare for succession, boards should have multiple discussions each year to identify the company’s next generation of leaders. They need to create ways to get to know these candidates personally and observe them in crises and under pressure. The board should also create a series of assignments to prepare prospective

CEOs and other senior-executive candidates. If succession isn’t taken seriously, directors may find that when the time comes, they do not have confidence in the internal candidates. Faced with this situation, directors may react—or overreact—by immediately

initiating an external search, which bears substantial risks of its own. Outside hires may look good on paper and have been successful elsewhere, but it is not uncommon to find they do not understand the company’s culture and values and do not take the time to identify the people who make the organization run successfully. The board should instead conduct detailed leadership-succession planning sessions to review candidates and their progression, ensuring that they have the necessary experiences to get them ready for the top jobs. In these reviews, the age of the potential top leaders matters. They should not be so close in age to the CEO that they would be unable to have a sufficiently long tenure as CEO prior to reaching mandatory retirement, nor can they be so young that there simply isn’t time for them to have the experiences they need for such a major task. Thus, the process of identifying candidates for top roles must start early—typically, with leaders who are barely 30 years old.

On one board on which I served, the long-time CEO, who was doing an excellent job, steadfastly resisted the board’s insistence that he develop potential successors. Frustrated by his inaction, the compensation committee (of which I was not a member) voted to provide him with a special bonus for grooming a prospective successor. He then reluctantly initiated an external search for a chief operating officer. However, before any candidates were identified, he set up an off-site meeting with the independent directors to recommend that the

external search be canceled because “it was causing too much disruption.” Instead, he proposed to the board that he would develop some much younger candidates who not only were several years away from being viable successors but also, in some cases, seemed unlikely ever to make effective CEOs. That was enough for me. I decided to resign rather than remain part of what I viewed as a charade. The CEO stayed for many more years, eventually stepping down after two decades in the job. Even then, he continued to occupy his CEO office at company headquarters. His successor, who was quite junior to him in age, found that managers routinely took problems and opportunities to the old CEO, thereby undermining the new CEO’s authority.

LEADING IN CRISIS

The real test of a board of directors comes when the company is in crisis. Independent directors, in particular, are counted upon to step up to their responsibilities in difficult times. Their accumulated wisdom and judgment are crucial to make sound decisions under the pressure of time and media attention. The overarching lesson I have distilled from the crises I’ve experienced (among them, the termination or resignation of CEOs, external financial crises such as the 2008 financial-market meltdown, major governmental action against the firm, and an unexpected takeover attempt) is that board members need to understand and trust each other. Only when they can have candid conversations will they ultimately reach a consensus that has positive and far reaching implications for the company. Trust becomes even more important when meetings are conducted by telephone, which is often the case in crises. The bottom line for independent directors is that their responsibilities and obligations are so great these days that they cannot serve on a board and expect to preside while fulfilling only the minimum requirements. Rather, indepen-

dent directors must be fully engaged, do their best to learn the business, and stay connected between meetings. Otherwise, they won't be prepared to lead when a crisis hits. For many independent directors, this will mean not serving on as many boards as they did in the past—a change that's appropriate given the time it takes to be an effective board member.

ROLE # 2: CEO WITH NONEXECUTIVE CHAIR

In 1991, I became CEO of Medtronic, two years after joining the company as president and chief operating officer. My predecessor, who had just turned 65, continued as chair of the board. I was quite satisfied with this arrangement. His wealth of experience and wisdom were valuable to me as CEO, and he had the board's full confidence. He was also more than willing to take on difficult assignments at my request regarding delicate government and legal issues. This dual structure—the standard model in Europe—is preferred by most governance experts and some regulators. The split clearly distinguishes the role of management (to lead the company) from that of the board chair (to take responsibility for the board and governance). Yet as obvious as the structure seems in principle, I have seen no evidence or research to demonstrate that split roles create superior performance or even provide greater stability at the top. Anecdotally, the opposite is often the case. In practice, the model's effectiveness depends on the relationship between the two individuals in these roles. If they are not squarely in agreement about the direction, leadership, and strategy of the company, an unhealthy separation may emerge within the board, and between management and the board. The result can be a lack of clear direction for the company—a state of affairs that leads to malaise or confusion within the employee ranks and, ultimately, to dissatisfied customers and shareholders. In the worst

case, the two leaders engage in a power struggle that paralyzes both management and the board, thus preventing the company from making important decisions and responding quickly to changing conditions. As much as I initially supported the separation of roles when I became CEO, over time the arrangement became more difficult. For example, some board members seemed confused about whom they should look to for strategic direction, especially in the case of acquisitions. In addition, the chair felt he should be “the eyes and ears of the board” in the company.

North
American
CEOs
strongly
prefer
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squarely in
charge.

Over time, this led to some confusion within management about his role. The board was also somewhat confused about whether I reported to him or to the board as a whole, an issue that was never fully clarified. Quite naturally, I felt that I reported to the board as a whole and that my responsibility and authority to lead the company depended on those relationships. Tension also developed because board members

seemed hesitant to give me direct feedback or to talk openly about their concerns. When I became board chair as well as CEO, this tension evaporated quickly, and I found myself spending far less time on board governance. In part, this happened because communication lines opened up and were more direct. By contrast, when the roles had been separate, I found I had to spend more time than I had expected involved in board governance and in responding to issues raised by the board.

ROLE # 3: THE DUAL MANDATE

North American CEOs strongly prefer the dual mandate of being board chair and CEO, as it puts them squarely in charge and avoids the likelihood of conflicts or power struggles within the boardroom. The downside of this model is that in the past it often encouraged complacency by boards and discouraged them from getting deeply involved in issues until it was too late. In practical terms, a leader is most effective in dual-mandate roles when he or she starts by keeping independent directors well informed through a combination of telephone updates, monthly progress reports, and candid comments in executive sessions with the independent directors about the real-time issues facing the company. The leader must be responsive to the independent directors' concerns and either take action on them or put them on the board agenda for discussion by the full board. Such a leader also must learn to perform a delicate balancing act: facilitating open discussions on the board while at the same time representing management's position to it. If this individual argues his or her case too strenuously, he or she may shut down thoughtful comments from the independent directors. On the other hand, if the individual acts solely as a facilitator of these discussions, the directors won't get the full

benefit of management's thinking and rationale. Having served on several boards with a single leader in the combined roles of chair and CEO, I have learned that a board is most effective when the leader clearly understands the difference between these two roles and bends over backward to respect the board's independence. This independence extends to the directors' need to have open discussions without the CEO present, to ensure that important issues are addressed privately.

Similarly, when I had this dual role, I did whatever I could to open up meaningful discussions within the board, especially by drawing out the opinions of its quieter members. This was particularly challenging when the board was discussing important strategic issues or acquisitions and needed the benefit of my judgments and insights. I had to learn to withhold my opinions until others had the opportunity to offer theirs and then work them into the context of my conclusions. Frequently, this meant delaying decisions until the board had time to digest the ideas or management could undertake additional analyses. One of the benefits the board and I had was an active, capable lead director with whom I could work closely. He did a superb job in guiding the issues of the independent directors and in keeping me fully informed of any concerns and issues the board might have.

When it came time to select my successor, he developed a sound process that we both agreed upon and led the board through it. The rise of the role of lead director, elected by the independent directors, is contributing to a better separation of governance from management. To make the position work effectively, it is essential that this role have a separate job description that is publicly available and respected by the chair and CEO.

The most effective lead directors view themselves as "first among equals" and can coordinate the opinions of all directors and facilitate open discussion among them.

The board and I had an active, capable lead director with whom I could work closely. This role contributes to better separation of governance and management.

ROLE # 4: NON-CEO CHAIR

The role played by a non-CEO board chair will depend heavily on the experience that person brings to the position. If this individual was the previous CEO—a common situation—he or she will bring a wealth of experience, a keen knowledge of the other directors, some strong opinions about what the company needs, and oftentimes a legacy to nourish or at least maintain. Therein lies the difficulty: no matter how hard old CEOs try to restrain themselves, they may have a tendency to overshadow or, worse, override new CEOs. This problem is exacerbated by independent directors who still rely heavily on the ex-CEO's opinions and may trust his or her recommendations more than they do those of the current CEO. Still, when former CEOs can restrain themselves, recognize that it is time to let go, and do everything they can to support their successors, they can be very effective in the role of board chair. In my case at Medtronic, I was committed to a seamless transition with my successor and to ensuring his success and the company's. Also, the board and I had agreed upon a timetable of just one year for me to serve as chair, so I was clearly in a transitional mode. I was still in my 50s and looking forward to turning my attention to other interests.

Nevertheless, it didn't take long before I faced a board-level challenge. It came at an off-site board meeting just a month after the CEO transition. For 15 years,

dating back to my predecessor's tenure, Medtronic had pursued publicly announced goals of 15 percent per annum growth in both revenues and profits, compounded over any five-year period. These aggressive goals provided discipline within the company and a consistent benchmark for shareholders. We had been successful in exceeding these goals, but not without risks and challenges. At a board meeting, however, one of the independent directors argued forcefully that given the company's larger size, it would be impossible to continue to achieve such high rates of growth. Although I was tempted to jump into the discussion and defend the importance of the goals, I held my fire. My successor held firm, and the company stayed the course.

Many people make a strong case that a former CEO is not the right person to serve as board chair and that he or she should leave the board immediately. An alternate choice could be one of the existing directors, provided there is a well-qualified candidate available. An equally good choice is to appoint someone who has served as chair, CEO, or both at another company. In some countries, the board chair may be an independent attorney or financial expert, but this approach risks ending up with a candidate who has insufficient knowledge of the company, its business, and what it takes to lead it. Regardless of who holds the position, it must have a well-defined job description to keep accountability strong. A non-exec-

utive chair should be formally evaluated at least annually by fellow board members. Finally, the position should have a defined term of office, after which a new non-executive chair is elected or the existing chair is formally re-elected.

REFLECTIONS

The diversity of perspectives that board members bring to the role can be a considerable strength for the companies they serve. How can organizations make the most of it? Here are three suggestions.

- The board should acknowledge that no single structure works in all cases. Boards must be pragmatic enough to adapt to the individuals involved rather than put a rigid structure in place.
- All parties, but especially CEOs, should acknowledge different points of view and work to minimize the conflicts that

inevitably arise from them. This requires high-level listening skills, the ability to see situations from the other person's perspective, and the wisdom to understand the basis for the different points of view.

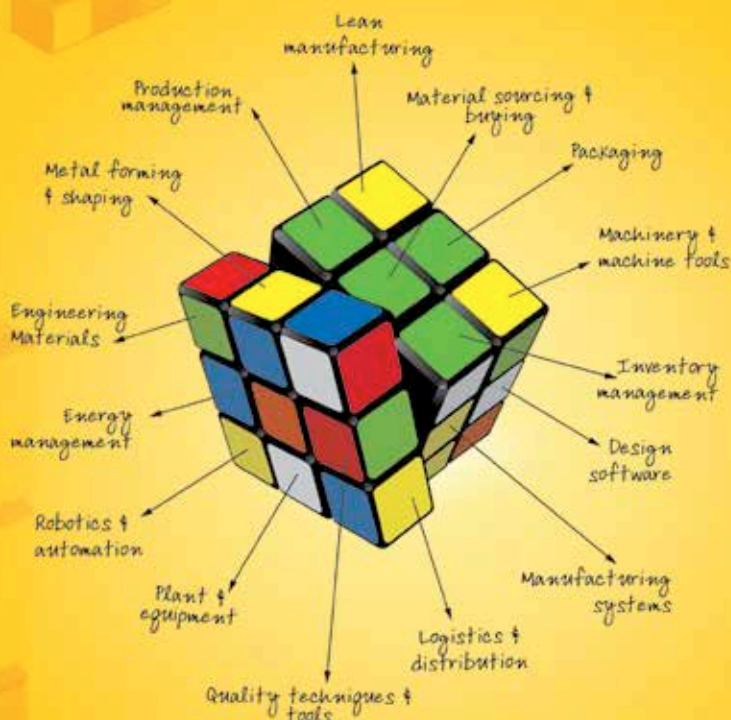
- All directors, but especially CEOs, can benefit from holding different positions, either within the company or on other companies' boards. Nominating committees should seek out prospective board members with diverse experiences. Boards should also encourage CEOs to serve on at least one outside board to give them the experience of being an independent director and seeing firsthand the challenges outside directors face.

If these basic guidelines are followed, I believe that board governance will improve markedly. As a result, companies will have a steady hand in the board-

room to sustain their achievements through successive generations of leadership and board membership. **CEO**

William George, a professor of management practice at the Harvard Business School, is a board member of ExxonMobil, Goldman Sachs, and the Mayo Clinic and previously served on the boards of Novartis AG and Target, among others. From 1991 to 2001, he was the CEO of Medtronic, whose board he chaired from 1996 to 2002. This article is an adaptation of a chapter George contributed to *The Future of Boards: Meeting the Governance Challenges of the Twenty-First Century*, edited by Jay W. Lorsch (Harvard Business School Publishing, July 2012). This article was originally published in *McKinsey Quarterly*, <http://www.mckinseyquarterly.com>. Copyright (c) 2013 McKinsey & Company. All rights reserved. Reprinted by permission."

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Everest 60 Years Later



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There are many leadership lessons that one learns while mountaineering. One of them is to trust climbers to take appropriate decisions.

MAY 29 just a short while ago marked the 60th anniversary of the first ascent of Mount Everest. Since that historic ascent by Tenzing Norgay and Edmund Hillary, Everest has been skied down, had people jump off the summit with a parasail, and even had a brief visit by special, customized, high-performance helicopter. A woman (Junko Tabei) climbed it in 1975, to be followed by many. In 1978, climbing aces Reinhold Messner and Peter Habeler successfully pulled off the first ascent without the use of supplementary oxygen. In the limited space here, I'll explore some hidden leadership nuggets from a selection of expeditions; as well as why we have an enduring fascination with a peak that gets more than 500 ascents annually.

LESSONS FROM THE 1953 EXPEDITION

If you have a diverse team, it's imperative to create a cohesive atmosphere. John Hunt, the leader, made Tenzing Norgay a full and equal member of the British Commonwealth team. By right, this should have happened anyway, as various nations of the British Commonwealth were represented and most of the Sherpa porters then hired by the expeditions were of Indian origin. However, a colour bar existed – until Hunt broke it, and why not. Tenzing had several failed Everest expeditions under his belt, and more experience on the peak than anyone else. Even so, he encountered difficulties at the initial stages from his own Sherpas, who viewed his status with suspicion. More critically, taking care of everyone on the team increases the chance of maximal

cooperation and effort, and Hunt learned this the hard way when the Sherpas were billeted in the stables in Kathmandu while the rest stayed at the British Resident's quarters. A near-mutiny that ensued hammered home this lesson.

Have you heard of Tom Bourdillon and Charles Evans? But for a cruel twist of luck and untried new technology, it would have been their names and not Tenzing's or Hillary's in the history books. Long forgotten except in mountaineering circles, Bourdillon was an engineer who pioneered a closed-circuit oxygen system where very little of the compressed gas in a tank was wasted, versus the open circuit system which merely pumped oxygen through a loose fitting mask to supplement the available oxygen. The pair climbed fast, but had to turn back at the South Summit of Everest; just 150 metres from the top when their system began to freeze from the moisture it had accumulated. Exhausted, the second and final attempt would be by Tenzing and Hillary. They used the open circuit system successfully to the summit.

The lesson here is that all leaders should develop contingency plans, as Hunt did, and many until today fail to realise that it was Tenzing and Hillary who were the 'back-up' team.

Emphasising the point about preparedness, Hunt obtained the state of the art equipment for that time including windproof Ventile smocks, the best food, and of course, the winning supplementary oxygen system.

THE 1965 INDIAN EXPEDITION

After two failed expeditions, the Indian team of 1965, led by Captain Mohan Kohli made sure it learned from any skill-based shortcomings of the previous two climbs, and pulled off a successful climb; securing many records at that time – most on top from a single team (nine), oldest and youngest climbers and several others. The prevailing wisdom was that heavily equipped teams, often led by military officers were almost de rigueur for success on the 8000-metre peaks.

THE 1975 BRITISH SOUTH-WEST FACE EXPEDITION

Surely a landmark expedition in scaling what was thought to be the hardest 'problem' on Everest—the sheer, 3000-metre south-west face. The face had repelled two strong international expeditions. But on closer inspection, leadership of the earlier expeditions failed owing to a number of factors, one being the inclusion of too many 'star' climbers. To make matters worse the



“The secret is allowing climbers on the team a high degree of autonomy; in short, trusting they will do what is right for the team.”

German leader of the 'international' team only led from the rear and was often out of touch with the frontline realities of pushing the route upwards. The 1975 team learnt from past mistakes and assembled a team of 'star' as well as workman climbers, keen, team players eager to get a crack at Everest without any guarantee of a ticket to the summit. In addition, the constant winds that destroyed tents were addressed by the Whillans Box—a rectangular tent with sturdy aluminium tubes making it like a nylon wrapped box.

On the team dynamics, Bonington would skillfully manage personalities and egos, and ran several mini-teams of two persons with each pair taking turns at the exciting front end while moving exhausted parties back to their base camp to recover. This, combined with a masterful management of the supply chain of equipment eventually saw two stand atop Everest after a breakthrough push from the southwest face.

The key lesson for me was that nothing motivates a team more than a leader who knows how to give enough to individuals to satisfy their own selfish needs, while at the same time extracting sufficient effort and skill for the team goals so everyone make progress. The secret is allowing climbers on the team a high degree of autonomy; in short, trusting they will do what is right for the team.

Next month, I'll cover more leadership lessons as expeditions on Everest began to polarize into commercially driven ventures and innovative mountaineering attempts. **CFO**

CFO

07.13

Lounge



With gloomy skies setting in, its time to let yourself free on the roads with **Ford Ecosport**. This time, go beyond gadgets, sushis and geishas and explore **Japan**. If you feel there are not enough colours around with the rains, catch up with friends over a drink at the recently opened **Loca Loca** and enjoy the delectable finger food that the place offers!



FORD ECOSPORT

Brawn Compressed!

The upcoming Ford Ecosport, with its great all round package is all set to raise the game in the compact SUV segment. Here's a log of our experience with the car on the beautiful roads of Goa. **Amit Chhangani**

FORD MEANS IT when they call the Ecosport a 'compact' SUV. The first look at the Ecosport coincides with the overwhelming thought of its diminutive size. The Ecosport is much smaller than its perception created in your mind through its pictures on the internet. Meant primarily for the urbanscape, the Ecosport has been designed keeping the congested city streets and the resultant clamor for parking space in mind.

Design & Appearance

The highlight of the Ecosport's design is its belligerent, devil-may-care attitude. The front fascia is extremely aggressive with that massive octagonal Ford grille and humongous bumper. The bonnet comprises a bunch of complex

DID YOU KNOW?



Ford Motor Company was founded by Henry Ford and incorporated on June 16, 1903. The company sells automobiles and commercial vehicles under the Ford brand and luxury cars under the Lincoln brand.





surfaces. These prominently defined creases lend the highly placed bonnet a very chiseled, muscular and tight look. In profile, the Ecosport is defined by the prominent central crease on the flanks of the bonnet, the raked A-pillar, the silver roof rails and finally the rear roof spoiler. In the middle you have an upswept shoulder line with rising rear window sills to lend the Ecosport a dynamic stance. The Ecosport manages to fuse two polar traits—it looks brawny and sporty. The design, in parts, may look busy, but together, the Ecosport is defined by a sense of purpose and cohesiveness which is a rarity to be seen in cars from lower segments.

Engine and gearbox

Boost is the secret of the Ecosport's energy! The 1.0 liter, three-cylinder Ecoboost engine is quite simply a technological marvel. With 125 PS of peak power available at 6000 revs and an even more impressive 170 Nm of torque between an expansive 1400–4500 rpm rev band, the output specs of the engine are nothing short of phenomenal and belies its size. Typically, 3-cylinder engines are more noisy as compared to their four-pot counterparts. Ford engineers worked out an ingenious trick to counter the vices that come free with a three cylinder engine – they deliberately imbalanced the engine at critical points to create a neutral sum total. In addition, the unique engine mount system reduces overall vibration when idling or pulling away from low revs.

Being a turbocharged unit, there sure is a little bit of lag. Above 1800 rpm, this engine oozes character. The higher than usual torque kicks in as the rev needle swings past 1800-2000 rpm, mid range is meaty, thanks to the turbo and the Ecosport accelerates purposefully without any reluctance all the way to 6500 rpm where the limiter cuts in. The 1.0 Ecoboost loves being revved and is capable of bringing a wide grin on the enthusiasts' face despite its diminutive size.

BOOST IS THE SECRET OF ECOSPORT'S ENERGY. THE CAR HAS A CHISELED, MUSCULAR AND TIGHT LOOK



FORD ECOSPORT

ENGINE:	1.0 liter Ecoboost Engine
POWER:	112HP
TORQUE:	170 NM
PRICE:	To be announced

⊕ POSITIVES

- Great overall package
- Sporty exterior design
- Handles really well, one of the most fun-to-drive mainstream cars around
- Amazing engine – gearbox combo, with more options available
- Functional, built to last interior which is comfortable and feature rich

⊖ NEGATIVES

- Diminutive size may put off a few customers who are looking for girth
- Plastic quality in the cabin isn't too great
- Rear seat ideal only for two



Driving Dynamics & Ride Quality

Riding on McPherson strut front suspension and a Multi-link independent rear set-up with 205/60R16 MRF rubber strapped on, the Ecosport quite simply dazzles you with its fine balance of ride and handling.

Cabin quality, space and comfort

The Ecosport, on the inside offers a lot of storage space, well bolstered front seats, a fantastic A/C, comfortable backseats with good leg and headroom for two, a neat sounding audio system and a composed ride. What goes against it is not-so-great plastics, some panel gaps and a center console layout which may confuse some. Both the front seats are well bolstered offering great lateral support to slim to medium built occupants. The back bench is set higher than the front.

We tried using the SYNC voice controlled command system. The system spells convenience for sure, allowing you to make or receive calls without taking your hands off the wheel or eyes off the road. The Ecosport looks the business, it drives like a dream and is powered by a peach of an engine in the Ecoboost guise. It would be tough to pass the final verdict without knowing the price. We'd wait for the price of the car to be announced before passing any judgement. **CFO**



HOT SPOT

ASUS VivoBook S550

A classily built touchscreen ultrabook.
Vishal Mathur

AT A TIME WHEN ultrabooks are smeared with bulk and unnecessary weight increases with the switch to touchscreens, the ASUS VivoBook retains the old charm – what ultrabooks were supposed to be. Despite sporting a touchscreen, it doesn't feel heavy or bulky. The aluminum chassis is one of the best in this price bracket, and the angular design gives it a very classy look. The dual colour theme of black and silver is a good contrast.

System performance in the real work is pretty much at par with the HP ENVY 4 touchscreen ultrabook, even though the PC Mark 7 benchmark scores show a different picture – 2296 score for the S550 while the HP ENVY 4 clocked 4061, with the same processor. But the VivoBook S550 has the advantage of a dedicated graphics card – Nvidia GT635M (2GB), which offers fairly acceptable

gaming experience. The VivoBook's keyboard is slightly behind the HP ENVY 4 – in terms of key travel, precision of force and key placement. Battery backup times are around 5 hours for web browsing, document editing and a bit of music playback. Speaker quality is acceptable up to 50 per cent volume, but begin to jarr post that.

The touchscreen quality is quite good, but we still don't see you using it on a regular basis on an ultrabook. But an ultrabook worth considering, for the good specs and performance figures.

SPECIFICATIONS:

Processor: Intel Core i5-3317U @ 1.7GHz; RAM: 4GB; Graphics: Nvidia GeForce GT635M / Intel HD4000; Display: 15.5-inch (1366 x 768 pixels); Storage: 500GB; Connectivity: 2 USB 2.0, 1 USB 3.0, memory card reader, HDMI; OS: Windows 8 (64-bit) **Price: ₹ 57,999**

NEW LAUNCHES

BenQ L32-7000

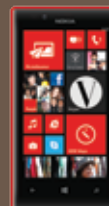
Looks wise BenQ L32-7000 is quite ordinary. The L32-7000



sports an IPS panel with a native resolution of 1366x768 pixels. However, we kept getting the message to keep the resolution at 1280x720 pixels. The overall visual experience wasn't bad unless we came across very dark scenes. This is when the backlight bleeding becomes prominent. Price ₹25,000

Nokia Lumia 720

The Nokia Lumia 720 is the latest Windows Phone handset from Nokia. It has a 1GHz dual-core processor clocked at 1GHz and only 512MB of RAM. The phone is quite slim and light and feels solid. The 6.7 MP camera on impresses when shooting images in good light. It is a good buy for the plus points it offers. Price ₹18,999



Fujifilm FinePix X20

The Fujifilm X20 has a 12 megapixel sensor. A new EXR II Image processing



chip accompanies the new sensor, the combination of which effectively delivers incredibly improved image quality. X20 is a point and shoot that delivers great images and doesn't really succumb to the terrors of poor light. Price ₹39,999

POWERED BY





INDIA'S NEW MEETING & EATING PLACES

A Riot of Colours

If you missed WTF in Khar for too long, there is a reason to celebrate at the newly opened Cuba inspired bar, Loca Loca from the same promoters as WTF and The Big Nasty. **Purva Khole**

AFTER A LONG DAY at work, we headed to the exotic sounding Loca Loca which replaced our old favourite WTF. Located in Khar West, the bar has a totally Cuban feel. The bar area is designed with old styled mosaic tiles. The bright green and orange coloured walls add the much required colour to add cheer after work. The walls

LOCA LOCA

LOCATION: Mumbai
WHERE: 8, Vora Building, 3rd Road, Khar West.
USP: Bar Food and Cocktails
RESERVATIONS: 022 26486233



← THE WALLS OF THE BAR ARE BRIGHT COLOURED AND INTERESTINGLY DECORATED USING POSTERS OF CUBAN MOVIES AND HATS.



are interestingly decorated using posters of Cuban movies, hats and music rattles for the quintessential Cuban feel.

Since we were a group, we comfortably settled down on the stylish leather sofas, and started our evening by calling for a Vodka Grape Sangria, Fresh Watermelon Cubanito, Miami Mojito and the classic Long Island Iced Tea. The place serves cocktails by jars as well. You can opt for the jar option if you plan to spend some good time at the place. To go with the drinks, we called for Non Veg Platter and Fried Calamari. The Vodka Grape Sangria was comfortably cooling and so was the Watermelon Cubanito except that the latter was a little too sweet. The Miami Mojito was refreshing. Though most of the cocktails were stiff, we were a little disappointed with the Long Island Iced Tea as it failed to add zing. Coming to the food at Loca Loca, you must try the Fried Calamari, it's perfectly spiced and cooked to perfection without being too oily. The non veg platter has quite a good variety and descent portions. But make sure you order this if you are a group so that you can finish it when it is hot or it becomes a little chewy later.

Overall it's a good place to visit after work with your colleagues to beat the work blues or just catch up with friends and feel happy at the end of the day with the colours and the cheerful music that the place offers. Since we went on a Wednesday evening, we did manage to find place, but I suggest you probably would not be as lucky as we were if you visit the place over the weekend. The place does live upto its name and made us go Crazy Crazy with the music and drinks. **CFO**



JAPAN

A Layered Cake of Contradictions

Japan is more than simply
sushis, gadgets and geishas.

Husain Akbar

A FEW DAYS BEFORE Christmas, I landed in Tokyo. Winter had just set in and unlike north India, it meant that the days were sunny and the nights nippy. If you travel to Tokyo in January and do not happen to be a big fan of chill, pack extra woollies. I have been told that it gets cold. This was my second, longer trip to Japan to film a TV programme—yes, I do seem to have some lucky stars—called Vintage Traveller.

With a host, a crew and yours truly, our team was on a quest for all things medieval; artefacts and antiques.

Tokyo was the one city on our travel map that I was looking forward to the most. There are two aspects of Japan that I enjoy experiencing—its streets and people. On my first visit, I realised that Tokyo's sense of pragmatism and functionality reverberates across its architecture. It did remind me of Nehru Place (Delhi) a bit. Those unfamiliar with Delhi's super-busy electronic goods area, it is where the city shops for its latest gadgets. There is an aura of no nonsense across Tokyo, both admirable and intimidating.

A greater part of the city was bombed out during the Second World War. Newer structures stand testament to the country's romance with functionality married in small spaces. As one would imagine, you can see every sort of automation in Japan. However, unlike Asian mega-cities, technology is not flaunted in your face.



In Japan, my land of contradictions, there is a twist to every tale. For a nation so in love with functionality, there is a whole culture of the 'cute' (kawaii). From police mascots to shop and subway signs, Japan has made everything cuter. As some Japanese people pointed out, the culture of kawaii is often about making taboo items easier to process. As for my favourite bit—the people—Japan really offers the whole gamut. Its citizens are polite, helpful, bound by traditions,



LEFT: ONE OF TOKYO'S BUSIEST CROSSINGS'S. THE CITIZENS ARE POLITE, HELPFUL, TRADITIONAL AND QUITE CONSERVATIVE

BELOW: A JAPANESE FLEA MARKET AND TEMPLES



EXTREME LEFT: AN AUSTRALIAN WOMAN WHO HAD COME TO JAPAN TO TRAIN AS A GEISHA (HOSTESS), MADE THIS LAND HER HOME.

LEFT: THERE IS A PROFOUND SENSE OF DISCIPLINE THAT WE CAN LEARN

and sometimes quite conservative. Perhaps, it is this side to the civil society which leads to its more eclectic or outlandish ways—perfectly-professional adults walking the streets dressed up as their favourite Manga or Anime character. If you can keep

the bizarre aside, there is a profound sense of discipline among the Japanese that Indians could learn a thing or two from. For example loud telephonic conversations are considered rude in subways. Even during the rush, commuters manage a silence which Indians cannot even dream of. It can be a fair challenge to get around on one's own in Tokyo without knowing Japanese. Though there are more English signboards these days, a majority of the population does not

speak English. However, most make an effort. That is Japan for you—cool people. Take Mr Saito for instance. During our hunt for everything vintage, we met this collector of nohintos (Samurai swords). An affable man, Mr Saito was nowhere as dangerous as the swords that he collected.

My trip threw up a motley crew—a collector of Godzilla figures. The iconic status of Godzilla underlines the fact that Hiroshima and Nagasaki incidents still resonate in the nation's psyche. For those rare few who are not familiar with the figure; Godzilla is a creature 'burdened' with extraordinary powers after getting exposed to a nuclear explosion. There are hundreds of Godzillas on sale at most shops. I may not have found them particularly attractive, but they do sell for a fortune. That's Japan for you; obsessed with its cartooning tradition. Take Nakano Broadway for instance. It is a mall dedicated to Manga and Anime cartoons. If you believe that reading graphic novels or cartoons is silly and dressing up as them even more so; Japan would be a cultural shock.

Look beyond the obvious, there are more layers. It is a land where the traditional co-habits with the post-modern; and Australian geishas walk the streets. CFO

HOW TO GET THERE: There are a number of direct flights to Tokyo from Mumbai and New Delhi.

CLIMATE: The climate from June to September is marked by hot, wet weather brought by tropical airflows from the Pacific Ocean and Southeast Asia..



PICK OF THE MONTH

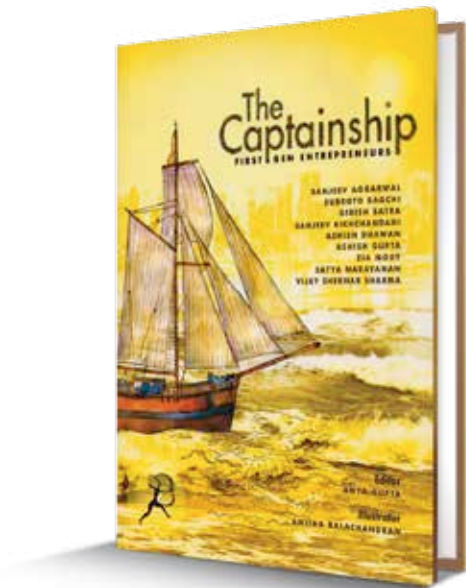
Gritty Entrepreneurial Fables

The first Bloomsbury book out of India is an easy and interesting read for the young and ambitious.

“DREAM BIG, start small,” wrote Sanjeev Bhikchandani in his large and extremely clear handwriting on the opening page as he signed a copy of the *The Captainship* for a reader. The book is a collection of first person narratives of first-generation entrepreneurs of present day India including Bhikchandani. *The Captainship* was officially launched on May 25. It could not be just a pretty coincidence that the first ‘made in India’ book to be launched from the Bloomsbury stable is a book on entrepreneurship. These modern day fables—and they are fables with nice happy endings and inbuilt messages of hardwork, values and good intentions—are about success, grit and determination. The nine profiles are mostly tech entrepreneurs, who rose the post-liberalisation wave to prosperity and clout. They are the builders and the reapers of the new Indian economy.

These are entrepreneurs who have crafted businesses in the new, brave and liberalised economy with their grit, determination and few other tools in their arsenal. Mostly they were not born in privileged backgrounds, but neither very impoverished ones. Solid middle class values of good education and hard work seem to have driven them.

Though the book may leave serious readers of either biographies or entrepreneurship hankering for more, it is a good start. The first person accounts skim through the key milestones and point to some sketchy details of their journey. There are memories of early childhood beliefs, doubts and the struggle prior to success. Where the book succeeds is that it offers vignettes of the rather ordinary and often difficult life of an average middle class Indian entrepreneurs. The fact that there is nothing remarkable to distinguish these successful entrepreneurs in their origins is perhaps what may be attractive to the generation which is trying to make it now. And they are fables in the sense hard work ultimately yields success.



If, however, you are searching for deep and insightful profiles then you will be disappointed. That may partially be due to the fact that the book emanated from a detailed study that Helion Venture Partners conducted with a group of successful entrepreneurs to determine if their success could have been predicted on the basis of the qualities they bring to their ventures. The editor of the book, Anya Gupta, had worked on this study. And Helion is using this work on the great entrepreneurial DNA for its future investments. According to Helion partner, Sanjeev Agarwal the decision on a majority of their fresh investments have incorporated findings of this study. Some common traits that are visible according to Agarwal are brilliant vision, the ability to understand the big picture along with the ability to go down to micro-details, self-awareness and the sheer ability to get along with people. Time will tell if Helion through this study of entrepreneurial values has struck gold and is able to remarkably improve its returns.

In the short run, there is the book *The Captainship* to enjoy. It is an easy read and full of inspiring nuggets. And it has been beautifully illustrated by Anitha Balachandran. The book will be popular certainly. Anya is looking for a million copies in the next one year.

One does not yet know if Bloomsbury, the publisher of authors such as J.K. Rowling and Khaled Hosseini has hit pay dirt with this book. It is, however, an interesting book for Bloomsbury to start their India office.

Book: *The Captainship*

Editor: Anya Gupta

Illustrator: Anitha Balachandran

Publisher: Bloomsbury

Pages: 165

Price: ₹ 299

THE HOLY GRAIL OF BIG DATA

Finance professionals have a pivotal role in making sensible use of 'Big Data' across businesses.



◀ At a small gathering of CFOs in Bangalore, CFO India in association with CIMA brought forth the various implementation aspects of Big Data

BIG DATA is a phrase which is resonating through the corporate offices of almost all companies. And this catch all phrase means many things to many people. The context stems from the changing role of CFOs over the years. Apart from basic skills of financial management, they now need to bring to the table analytics and insights to help the CEO make appropriate decisions. That often requires non-financial drivers of business. Increasingly, Big Data and resulting analytics are helping to bring new rigour to the decisions.

For example, when supply chains for the transnational corporations are global in the truest sense of the word, then the knots in the chain too can be located pretty much across the world. That is what a US tech giant discovered sometime back when it found that

orders worth \$30 million were held up.

Sophisticated data analytics was able to pinpoint the nub of the problem accurately. Not just the product line, but the specific vendor and the specific part which was causing the whole delay. It seemed an Asian supplier wanted to cut costs and therefore was keeping a low inventory of a small part worth only 25 cents, which in a cascading impact was holding up an order pipeline of \$30 million.

On June 6, CFO India in association with the Chartered Institute of Management Accountants (CIMA) held a session on the dynamics of Big Data for a select gathering of CFOs in Bangalore. To set the context, Charles Tilley, Chief Executive of CIMA took the gathering through a brief presentation. This was followed by another riv-

eting presentation by Ravichandran V., Senior Vice President with the Global Business Services at Hewlett Packard who brought forth many startling examples of areas where the quality of decision-making improved due to incisive data analytics.

In the following interactive session, finance professionals pitched in with their own experiences and specific implementation issues within their organisations. An extremely vigorous session followed. Both Tilley and Ravichandran sometimes answered questions and in some cases asked more questions thus either highlighting the solutions or clarifying doubts. Participants including the speakers took away a holistic, informative and thought provoking session as everyone headed for drinks and dinner. **CFO**



Understanding and simplifying the complex: possible?

The refrain in corporate India for the longest time has been that politics is too complex to understand, so let's pretend it doesn't exist. What about the economy? Too complex, by half, as well...

Should we ignore that too? This may sound facetious, but I am asking a serious question. Can we apply the 80-20 principle to the economic environment for our businesses – the global scenario, the domestic economy, our specific industry and the context for it – and then decide what to focus on? Or is there so much dynamism around us that the trick is to be prepared for the uncertain – in alarming proportions.

The trigger for this thought is our cover story – India Inc's effort to go out and issue foreign bonds in the wake of either inadequate or expensive capital available through banks in the country. CFOs believed that foreign bond issues were an attractive option for cheap long-term money. However, currency fluctuations may have changed the calculations and put a spanner in the works. Could they have done more, planned better?

It seems, the economy has become as complex as politics. And we cannot afford to side-step it. Our businesses exist 'in' it. The interface between politics and the economy, and its undeniable impact on business, only makes the situation more unpredictable.

At a recent meeting with the for-



mer US Secretary of State, Madeleine Albright who has worked for years in the area of 'commercial diplomacy', she was asked about the impact of a chaotic democracy on growth and the economy. And while acknowledging the fact that chaotic democracy was damaging, she said rather convincingly that, 'democracy isn't easy, it is messy'. It requires 'compromise' – as distinct from 'appeasement'; in fact 'compromise' which is the ability to see another viewpoint and even accommodate it, is the very foundation of democracies or indeed any other 'non-autocratic' method of governance. And it comes with uncertainty.

Businesses prefer autocracy to get started and democracy to thrive in. Unfortunately, the systems of government don't change with the lifecycle of a business, nor does the economic environment. One way to think about our operating environment is that modern businesses were established in

a democratic India with its accompanying challenges, and now the economy is becoming democratic too! No one can quite dictate its behaviour or response. And given the 'messiness' of democracy, do we need to define a new way to think about both politics and the economy, engage with them, and influence them?

The new world comes with blurred boundaries. Between geographies thanks to technology, between ideologies – both political and economic, between personal and professional – given the seamlessness of our lives, and the list goes on. Negotiating in the gray zone is a new skill that we all need to learn. While we become more individualistic in our aspirations, whether national, organizational or personal, we are connected in a way that makes isolation of any kind, next to impossible. And therefore the only way to get on with it and get ahead, is to embrace 'messy'. Could this be a life lesson, with relevance to the way we work?

I think this might be yet another 'new normal', but what do you think?

My very best wishes as we learnt to live with 'messy'...

Anuradha Das Mathur, Editor, CFO India

Anuradha Mathur

Chief Sustainability Officer

Drive sustainability strategy;
optimize resource efficiency.

Production Manager

Maximize production;
ensure operational safety.

Facilities Manager

Manage energy, lighting,
safety, security, and HVAC.

IT Manager

Ensure uptime
and availability.

Your
enterprise
optimized with
StruxureWare software

Chief Executive Officer

Achieve competitive advantage
through an efficient enterprise.

Now, enterprise-wide energy efficiency is at your fingertips

StruxureWare software delivers enhanced visibility for fast, informed decision-making

You can't manage what you can't see. To optimize business performance and conserve enterprise resources, you need an efficiency and sustainability strategy driven by powerful, intelligent software that is integrated and engineered to work together. StruxureWare™ software applications and suites from Schneider Electric™ are the answer.

The right information to the right user at the right time

Open, scalable, and easily integrated with third-party and legacy systems, StruxureWare software is a unique platform of applications and suites that gives you visibility into energy and other resource use across your organization. Control rising energy costs; meet reporting obligations; keep stakeholders informed and engaged. No matter what your challenge, you'll get customized, actionable information that eliminates departmental silos and conflict. And, when you deploy StruxureWare software within EcoStruxure™ integrated system architecture, you can realize significant savings on capital and operational expenses.

A global leader in efficiency and sustainability

Ranked 13th on the Global 100 Most Sustainable Companies, Schneider Electric has the solutions and expertise you need to maximize efficiency and minimize environmental impact. Independent analyst firm Verdantix named Schneider Electric a 'Leader' in energy management software, citing a compelling market vision, robust capabilities, and best-in-class partner network that 'set the bar high'.



Five critical ways StruxureWare software helps you from shop floor to top floor

- > **Access data instantly:** Get the information you need, when and where you need it, presented in a form that meets your requirements.
- > **Share information confidently:** Provide accurate, timely information across and outside your organization.
- > **Create actionable reports:** Develop critical reporting tools, empowering your enterprise to take action.
- > **Make informed decisions:** Work from one, integrated, real-time version of the truth, eliminating guesswork in decision-making.
- > **Operate more efficiently:** Identify ways to save energy, enabling efficiency and process improvements.

From theory to reality:
3 steps to implementing a
sustainability programme



Where are you on the road to sustainability?

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Electric™



The single solution to your many printing problems

The last thing you want in a challenging work situation is a printer that does not perform as required. LaserJet Enterprise flow MFP M525c is designed to stand by your side even in the most challenging situations.

Workflow



Concern: Long scanning/uploading process

Solution: Enhance productivity by scanning directly to a user's SharePoint folder, network folder, email or fax directly from the MFP without saving the file to their PC/Laptops first. All this can be done with built-in user security.



Concern: Complicated workflows

Solution: HP Quick Sets let you launch document workflows and access functions at the touch of a button. HP Quick Sets help by automating all the steps of a complicated workflow, on a large, full-color touchscreen that is a pleasure to use.

Mobility



Concern: Can't print from iPad

Solution: Print wirelessly from your iPhone, iPad or iPod Touch. You can even send a print to this MFP via email.

Security



Concern: Sensitive data lying in printer hard disk

Solution: The hard disk drive in the M525c is electronically scrambled using state-of-the-art encryption, so even if the drive is pulled out, no unauthorized person can access the data.

Green



Concern: Higher power bills

Solution: Built-in smart tools turn off the MFP automatically to save power when not required and turn it back to action when required. So you can save on power bills while also contributing towards a greener environment.

General



Concern: Manually stapling documents

Solution: Stapling is a standard feature in this MFP. This saves time and also gives your documents a professional look as machine stapling is neater and more consistent. Each staple cartridge comes with a generous supply of 1,500 staples.

The Solution



HP LaserJet Enterprise color flow MFP M525c

Special Features:

- Ultrasonic Double Feed detection
- Blank Page removal
- Auto-orientation of pages
- Rearranging of scanned pages
- Add/Delete pages to scanned job
- Walk up USB
- Production Class Scanner Duty Cycle
- Easy preview of scanned pages - 8" Touch Screen
- HIP for Security/Third Party Solutions

General Features:

- Print, Scan, Copy, Fax and Stapler
- Speed: 42 PPM (Letter), 40 PPM (A4)
- Duty Cycle: 75000 Pages
- HP ePrint, Apple AirPrint™
- Automatic two sided Printing
- Auto On/ Auto Off
- HP Web Jetadmin & UPD support

Scanning



Concern: Missed pages as ADF pulls multiple pages at a time

Solution: The M525c is powered with a sophisticated ultrasonic sensor which detects if two pages are fed as one and informs.



Concern: Orientation comes out wrong and time is spent on sorting them

Solution: This smart machine actually reads the pages and reorients them automatically – whether they are in landscape or portrait or upside down – so they always come out facing the right way.



Concern: Can't edit scanned images of text documents

Solution: Optical Character Recognition (OCR), powerful software that transforms images into text that can be edited, comes pre-loaded in this device. Edit and save directly to a USB drive connected to this printer. No PC needed!



Concern: Tough to preview scans

Solution: The M525c comes with a large 8-inch colour touchscreen that you can use to preview the scanned images and also edit your scan job before you send it to a network folder, e-mail or USB pen drive. The pull-out/push-in keyboard adds to the convenience.



Concern: Slow scanning of documents especially double-sided ones

Solution: While most scanners can only read one side at a time, the M525c can read both sides at one go. This combined with the large document feeder, that can accept up to 100 pages at one go, translates to a high scan speed of 52 pages a minute.



Concern: Blank pages get copied/scanned too

Solution: This MFP recognizes blank pages and instructs the printer to ignore them and go straight to the next page saving both time and paper. It can also recognize when only a portion of page has information and can crop out the blank portion.