Letting go without tears

The purpose of a meeting to break the bad news can't be to demean the employee or to hurt his self-esteem

HUMAN FACTOR

SHYAMAL MAJUMDAR

The over six-minute long audio clip in which a human resource executive of the Mahindra group is heard asking an employee to put in his papers by 10 am the next day or his services at the company will be terminated has raised a lot of heat and dust. But consider this: Has the HR executive done anything out of the ordinary? A host of companies follow this practice when they decide to let go of employees. In fact, most companies think they do a great favour to people in the firing line by giving them the option of resigning.

So if the HR executive concerned is wondering what the noise is all about, the answer is simple: Something that happens quiet regularly within the confines of cabins is now out in the public domain and has gone viral. Plain bad luck for the Mahindra group as it's certainly not alone.

It's quite strange that even many well-managed companies can't handle exits in a more dignified manner and forget that the purpose of a meeting to break the often inevitable bad news is not to demean the employee or to hurt his self-esteem. In fact, everyone's best interests are served when the employee is able to move forward with his life as quickly as possible.

Some companies choose other — more devious — ways of humiliating employees whom they don't want. Here is an example. The boss of a junior manager who supervised five employees called him one day to say he was taking one of the people under him off his hands to give him more time to work on bigger projects. The junior manager was happy because it would (or so he thought) give him an opportunity to grow. A few days later, the company issued a circular deciding to take away the manager title — and bonuses — from anyone who managed less than five people. The junior manager may have been incompetent and the boss was well within his rights to remove him from the post. But by playing a game, he lost the confidence of his entire team.

But come to think of it, many managers play such games as they dread a meeting where they have to ask an employee to go. Such a meeting can end in tears and tempers. But while sacking an employee is never going to be pleasant, it's a necessary part of the job when you're a manager. So, what is the right way to do it?

Thankfully, there are many other companies that have found a way out. A leading software firm had identified quite a few employees, who had to be let go because of performance issues. What the company did was to give them the option to resign, or to stay with the company at a nominal compensation and receive training for a fixed time frame. The idea was to hand-hold these employees while helping them to get jobs, so that they can walk out of the door with their heads still held high.

Some others give non-performers an opportunity to raise performance levels through additional training and consistent mentoring over the next 12 months. It also sends resumes and contact details of these employees to its external placement partners to help outplace the employees. There are generally three parts to such outplacement actions: Emotional counselling, financial counselling and career counselling.

These companies know that nothing makes an employee angrier than feeling blindsided when fired. So they believe letting their employee go is the last step in a careful, fair and transparent process that started long before the actual firing. In other words, if the dismissal is for poor performance, then it should occur after a series of performance discussions and plans. If it's due to job redundancies, it also should follow conversations, announcements, and a reasonable fair warning.

This is not to argue that there is no case for managers to not fire people who need to be fired. If an employee has been identified as a marginal performer for months on end, and the manager takes no initiative to let the person go, he is doing a great disservice to his employer.

But it's equally true that demonstrating respect and compassion during exit meetings are important. After all, how you treat people on their way out of the door does not go unnoticed by the rest of your organisation.

CHINESE WHISPERS

In the 'right' proportion

The State Bank of India (SBI) has submitted an application against Monnet Ispat alleging that the company has defaulted on a loan of ₹1,500 crore, with total claims standing at ₹2,200 crore. While making its argument before the National Company Law Tribunal on Thursday, an SBI lawyer kept requesting the judge to refer to different pages of the application document to bolster his argument. At one point, when he requested the judge to refer to page number 1,318 of the application, the judge told the lawyer, "Looks like you have prepared an application document in proportion to the defaulted loan amount." The courtroom burst into laughter.

News 'control'

Congress leader Manish Tewari on Thursday tweeted that according to his sources, "Prasar Bharti (is) being instructed to terminate the services of both PTI (Press Trust of India) and UNI (United News of India) and replace (them) with RSS (Rashtriya Swayamsevak Sangh)-backed Hindustan Samachar." Tewari, who was information and broadcasting minister in the second term of the United Progressive Alliance government, said that next in line was another news agency, Asian News International (ANI). In another tweet, Tewari said that according to his sources, PTI and UNI are together paid ₹15.75 crore. "Pressure is being applied so that both wire agencies only provide slanted feed. Manage feed out of wire agencies (and) you control the narrative. If PTI, UNI and ANI do not fall in line, Hindustan Samachar (is the) default option," he said.

Jawa challenge for Bullet

The Bullet's return to glory on Indian roads might be the most narrated business story of recent times. But its legendary rival, Yezdi/Jawa is giving it tough competition. Around two decades after Ideal Jawa (India), which used to produce these much-loved bikes from Mysore, shut shop, the Bangalore Jawa Yezdi Motorcycle Club is keeping interest around the bikes and the cult alive. On July 9, they celebrated World Jawa Day in style. They even attempted a Guinness World record by getting more than 500 Yezdis on the roads.

Angad Thakur and Tejas

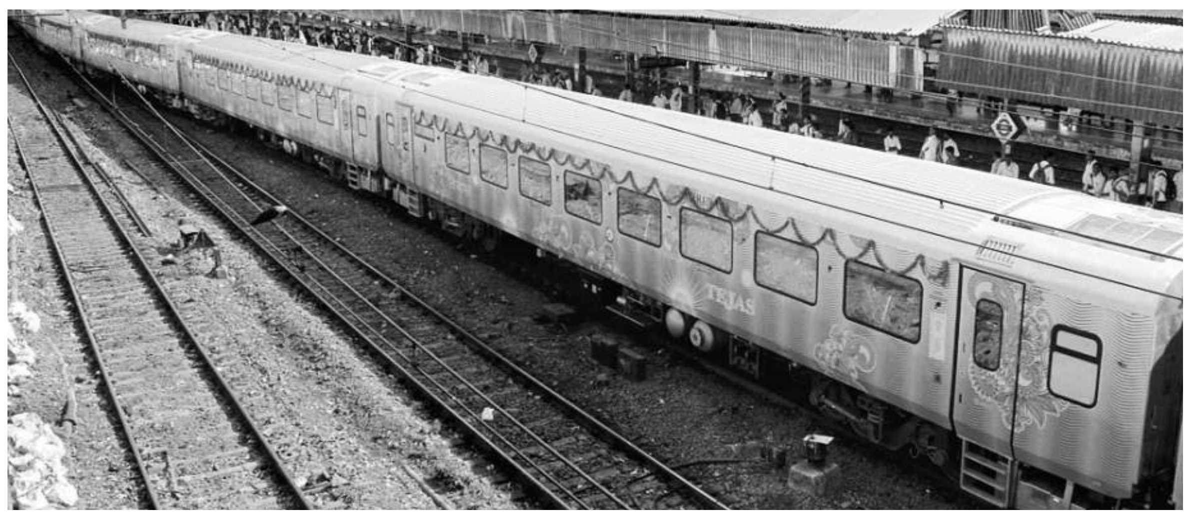
The man from Bihar is trying to create a sense of citizen ownership of trains that could prevent incidents of vandalism such as that on Tejas

BIBEK DEBROY

Manihari, or Manihari Ghat, has lost some of the importance it used to possess. This is a place where Krishna is believed to have lost one of his jewels (*mani*), thus giving it the name of Manihari. Manihari is in Katihar district. Therefore, it is close to Katihar junction. If one travels towards the Northeast, one can't miss Katihar. It is a busy junction with lines that radiate in various directions — Barauni, Kumedpur, Purnea, Barsoi, Samastipur. And there is a minor line from Katihar to Manihari, just under 25 km away. Manihari is on the Ganga, near its confluence with the Koshi. The Farakka Barrage made Manihari lose some of its historical importance and also partly marginalised Sahebganj, 9 km away in Jharkhand. Before Farakka, if you intended to go to Darjeeling from Kolkata, there was a broad gauge line up to one bank of the Ganga. You crossed the river by ferry and took a metre gauge train from Manihari to Siliguri. With Farakka providing a broad gauge link in 1975, there wasn't much use for the Manihari-Katihar metre gauge link. The Siliguri-Katihar segment was completely converted to broad gauge in 2011 and has traffic. But I wish to focus on the Katihar-Manihari link, originally built as early as 1887. More accurately, the line goes a bit beyond Manihari, up to Tejnarayanpur.

Should one have bothered about the Katihar-Manihari-Tejnarayanpur link (34 km)? It could have died a natural death. But Bihar has occasionally received special treatment. In the 1996-97 Railway Budget speech, Ram Vilas Paswan announced, "I intend to take up surveys for a new line from Katihar to Tejnarayanpur." In 2008, the Railway Board sanctioned ₹65 crore for gauge conversion. In 2010-11, Mamata Banerjee mentioned it as one of the projects identified for gauge conversion. What was the point of gauge conversion if no trains were going to run on it? So she also announced a Katihar-Tejnarayanpur passenger train. In 2011, the Bihar chief minister flagged off the first train. Part of the Northeast Frontier Railway (NFR), there are four unreserved passenger trains every day between Katihar and Tejnarayanpur, with general seating class accommodation. After all, the travel time is just over one hour. None of these eight trains (four up, four down) is financially viable. There are six stops between Katihar and Tejnarayanpur. None of those, including Tejnarayanpur, is viable. Katihar junction is the only exception. Logically, we shouldn't have wasted money on that broad gauge line and we shouldn't waste money on these trains. Since road connectivity exists, no particular social objective is served.

NFR may still decide to cross-subsidise Katihar-Tejnarayanpur. Courtesy the Northeast proper, there is emphasis and enhanced allocations for NFR. But just in case NFR decides otherwise, there is Angad Thakur. Even if people pay, because of low fares, most passenger trains are loss-making. This is especially true of the general class. For unreserved, there is the additional problem of people not buying tickets, though the fare is a trifle. For example, the ticket from Katihar to Manihari costs ₹10. As far as I can make out, Thakur lives in Katihar and he and his NGO were part of a campaign that argued for gauge conversion. Post conversion, NFR said that if trains weren't viable, they wouldn't run. Therefore, every day, Thakur travels to Manihari and cajoles passengers to purchase tickets. If poor people can't pay, I believe the NGO buys tickets on their behalf. There is no travelling ticket examiner (TTE) on Katihar-Tejnarayanpur trains. That's understandable. The expenditure on a TTE won't be justified. If not in Delhi, the Thakur case is a fairly famous one in Bihar and within NFR. Many people have suggested that Thakur be made the TTE on these trains. That argument should be take a step further. This is a heritage line, or would have been one had it retained metre gauge status. In Britain for instance, heritage lines and railways aren't preserved or operated by British Rail. They have effectively been outsourced to the private sector. But we don't have such a policy. Moreover, thanks to gauge conversion, Katihar-Tejnarayanpur is no longer heritage.



DISRESPECT FOR PUBLIC PROPERTY On the inaugral run of the Mumbai CST-Karmali Tejas Express, several passengers trashed the train and vandalised it; they even stole headphones. On the day preceding the first run, unidentified people smashed some windows by pelting stones PHOTO: PTI

Contrast Thakur with the incident on Mumbai CST-Karmali Tejas Express, on its inaugural run. Higher speed apart, this train has more passenger amenities, headphones, infotainment screens, reclining seats, USB charging ports, tea/coffee vending machines, touch-free water taps, automatic doors, CCTV cameras, GPS-based information displays. This isn't a train where you travel unreserved. There is one executive chair car coach and the rest are all chair cars. It's a completely air conditioned train. Passengers don't pay ₹10. If you travel the entire distance, you pay ₹1,680 for chair car and ₹2,680 for executive chair car. On that first run, these passengers trashed the train and vandalised everything, even stealing headphones. On the day preceding the first run, unidentified people smashed some windows by pelting stones. Forget unidentified miscreants, what about passengers on the train? All of them travelled reserved and there were CCTV cameras. I haven't read anything about anyone being arrested or charged. In general, it is common to find passengers damage interiors of railway coaches. But typically, you won't find it happening in metro coaches/trains. There seems to be some citizen ownership for metros, which is missing for trains. You can't possibly have Railway Protection Force constables everywhere. Effectively, Thakur is creating a sense of ownership in that train.

The writer is a member of the National Institution for Transforming India Aayog. The views are personal

BUSINESS LIFE

What a London cabbie can teach one about Uber

A traditional industry gets disrupted, then starts to adapt

MOHAMED A EL-ERIAN

Much has been said about Uber's multiple self-inflicted wounds during a period of very rapid growth and that are now being fixed. The reporting and commentary have tended to cloud the extent to which the company's innovative approach has transformed urban transportation. Last week, on a trip to London, I was vividly reminded of the next stage of this transformation by a traditional London taxi driver.

Many London cabbies are now part of a syndicate that uses an app similar to Uber's to provide riders with an expanded menu to hail and pay taxis, as well as offer them more control and transparency PHOTO: BLOOMBERG

It is not easy to become a London cabbie. Applicants have to go through four years of training to acquire the legendary knowledge of the city's streets, alleys, twists and turns. They are subject to licensing requirements and a host of regulations. They drive expensive black cabs, which have become icons. And, these days, they are heavily outnumbered by lightly regulated competitors who go through little training, drive their own cars and rely heavily on technology for client pick-ups, routes, payments and invoicing.

No wonder cabbies have been so upset with Uber, having tried several times — and failed — to stop the penetration of the ride-hailing company. Yet, judging from what I heard last week from one driver, the anger could be evolving.

After resisting everything Uber, the cabbie told me that he and his colleagues are shifting to a more constructive response — they are adapting. For example, he is part of a syndicate that now uses an app similar to Uber's to provide riders with an expanded menu to hail and pay taxis, as well as offer them more control and transparency. The sector is a lot more willing and able to accept credit card payments. And it is all part of an effort to improve customer relations.

In a moment of frankness, he admitted that Uber has delivered a much-needed wake-up call. For him, it is no longer about stopping Uber; nor is it just about coexistence. A growing number of traditional taxis cabs are also embracing some of their rival's best practices.

This is another illustration of the multiplicity of ways Uber has transformed, and is still transforming, the once-dominant world of black cabs, the most traditional and sophisticated market segment in global urban transportation.

The initial phases of Uber's technology-led "disruptive innovation" proved particularly powerful because they lowered in a remarkable way the barriers of entry to both the supply of urban transportation services and the demand. Few disruptions influence both sides in such a dramatic and lasting fashion.

By allowing massively underused assets — personal vehicles otherwise sitting idle — to double as taxis, Uber significantly increased the provision of the service. And by measuring client satisfaction in a timely and high-frequency manner, it ensured that the bulk of this additional service would be clean, responsive, accountable, efficient, cost-effective and friendly.

The revolution on the demand side came from Uber's understanding — and use — of the power of mobility, big data, and artificial intelligence. In doing so, it met the growing digitalisation desires of clients (initially, mostly millennials, but increasingly encompassing a larger part of the population) eager to gain greater direct control over activities that had become ill-served, increasingly distanced and, in some cases, alienating.

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LETTERS

Good choice

With reference to the report, "Gopalkrishna Gandhi is Opposition's vice-prez candidate" (July 12) by proposing Gandhi's name for vice-presidency, Opposition parties have created an excellent opportunity for having a consensus candidate.

Gandhi's experience and record of public service as a civil servant, diplomat and governor of an important state and his non-partisanship while holding all these positions have few parallels. He does not require to supplement his rich credentials with his illustrious family background, being the grandson of not only Mahatma Gandhi but also C Rajagopalachari.

If the ruling party joins hands with the Opposition and appoints Gandhi to the post of vice-president, it will not only give the country the best person for the office, but also create an atmosphere of goodwill and political harmony.

R C Mody New Delhi

Cultural nadir

India's cultural landscape couldn't have turned worse. The refusal of the Central Board of Film Certification (CBFC) headed by Pahlaj Nihalani to clear a documentary on Nobel Laureate Amartya Sen (*pictured*) called *The Argumentative Indian* until words such as "cow", "Gujarat", "Hindutva" and "Hindu Rashtra" are either expunged or beeped out is a telling comment on the state of our polity.

These words are not taboo; they are spoken daily by people and commentators alike. The CBFC is upset, presumably because of Sen's views on cow vigilantism and concomitant lynchings, the Gujarat riots and the project to spread Hindutva ideology and convert India into a Hindu Rashtra.

The ruling dispensation's rationale — as reflected in the CBFC's decision — that the country can do without dissenting voices proves the charge that it is no better than an authoritarian regime. Any political system or set-up that refuses to

allow critical arguments and opinions is heading towards tyranny.

After the Bharatiya Janata Party's (BJP) landslide victory in the Uttar Pradesh Assembly elections, within months of demonetisation, Prime Minister Narendra Modi bragged that he had trounced an "internationally renowned" economist and demolished his economics, despite evidence that the note ban was a financial disaster.

The BJP must ponder why some of India's finest minds are critical of it and its world view. But perhaps that's too much to expect from it as it presides over "an authoritarian regime pursuing its own view of what is good", as Sen has said.

G David Milton Maruthancode

Moderating gold demand

While statistics pertaining to expected gold import in the current year in the editorial, "Gold rush, again" (July 13), may appear alarming and economists may give reasons for reducing gold in the economy, yet the lure of the yellow metal in Indian society remains strong. This is confirmed by the findings of India's citizen environment and consumer economy (ICE 360°) survey.

One out of every two households surveyed bought some gold during the last five years. Sixty four per cent of those surveyed could not buy gold because there were "no savings to spare". Reasons for taking loan against gold were mainly medical emergency and financial crisis.

As is evident, gold acts as an insurance cover as well as savings instrument. The informal economy has a gold-plated underbelly that averts the government's gaze; it comes into play to absorb economic and social shocks in low and middle-income businesses and/or families.

Whatever the government's policy concerns, weaning people away from gold may not be desirable in the absence of reliable government social safety nets. Two unorthodox suggestions: First, facilitate and make reliable gold trading processes so that people work with lesser quantity of gold; second, popularise low-weight jewellery, which might bring down overall demand.

Y P Issar Karnal

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 · E-mail: letters@bsmail.in
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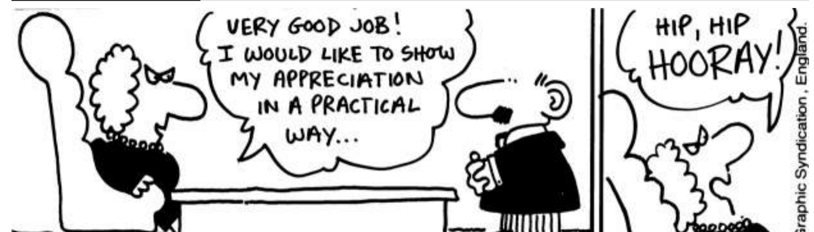
HAMBONE BY MIKE FLANAGAN



Business Standard
Volume XXI Number 235
MUMBAI | FRIDAY, 14 JULY 2017

A cooling economy

Data shows RBI has room for a much-needed rate cut

Official data released on Wednesday reinforced concerns that the Indian economy was slowing. The growth of index of industrial production (IIP) slowed to 1.7 per cent, year-on-year (y-o-y), the lowest in three months. Electricity generation, at 8.7 per cent, y-o-y, pushed up aggregate IIP growth; manufacturing output itself was up only 1.2 per cent, y-o-y, in May 2017, as compared to 2.3 per cent in April. The cooling of the economy was visible also in the data for consumer price index (CPI) in June 2017, which hit a new low of 1.5 per cent, down from 2.2 per cent in May. Food prices, according to the index, in fact, deflated.

The question, therefore, is the following: What arguments remain for the Reserve Bank of India (RBI) to make against a cut in interest rates? The monetary policy committee (MPC) of the RBI has got off to a good start. The new inflation-targeting regime that has been agreed on between the RBI and the government requires the MPC to maintain inflation in the zone between 2 and 4 per cent. But consumer price inflation is now below that target zone. Further, the nature of the goods and services tax, or GST, should provide some confidence about inflation, going forward. Concerns that it will raise prices may be true in general, but most components of the CPI, which the RBI is supposed to target, will reportedly, in fact, see no changes or will witness a decrease in tax incidence. There are certainly other things to be worried about — the increase in state borrowings following the spread of farm waivers, for example; the overall effect on the general government deficit of the new tax regime; and even the patchy progress of the monsoon. But questions such as these will always exist, and none of these worries seems pressing or certain enough to outweigh the obvious fact that inflation is way below the RBI's own projection of 2-3.5 per cent for the first half of this fiscal year. Surely, this means that expectations of future inflation have been reset. If the RBI does not feel that sustained low inflation, including that for food items, can anchor expectations at a new and lower level, then questions may justifiably be raised about the point of monetary policy in the first place and the model the MPC is using.

What is also true is that while the RBI may say that inflation is its primary responsibility and not growth, it cannot avoid the fact that growth is slowing and investment is in a crisis. The temptation may be to wait and watch anyway to see exactly what the effects of the GST and the monsoon are, especially on food prices. And, indeed, a gentle recovery in food prices is inevitable. Global concerns, especially an increase in commodity prices, might also be on the RBI's mind. But none of these concerns can be foregrounded, given the numbers. What is indisputable is that the Indian economy is cooling, and that a rate cut is not just possible but also necessary. The MPC must, of course, remain watchful, but watchfulness cannot be a permanent state of being. At some point it must be supplemented by action.

A bigger bang for retail reform

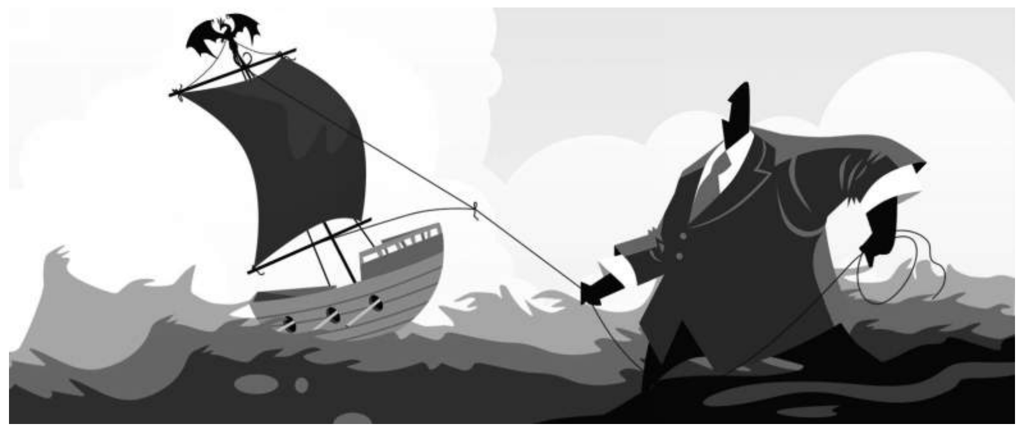
An opportune time to scrap the fine distinctions for FDI

The government's approval for Amazon's entry into food retailing, the first under the policy allowing 100 per cent foreign direct investment (FDI) in food retail chains, could be a good opportunity to scrap the many fine distinctions and confusing conditions that prevail in the retail investment policy as a whole. Big-ticket retail FDI has the potential to significantly expand the market for goods and services, but the incremental pace of reform has meant that India has been unable to maximise the opportunity. This incrementalism was initially on account of some energetic lobbying from domestic retailers. Thus, in 2006, the United Progressive Alliance permitted 100 per cent FDI by the automatic route only in the wholesale or cash-and-carry business and 51 per cent in "single brand" retail subject to approval from the now defunct Foreign Investment Promotion Board. FDI in "multi-brand" retail was prohibited. This asymmetry persisted till 2012 when domestic retailers, struggling with significant debt, started seeking a less restrictive FDI policy. The government obliged but added many conditions. Single-brand retail was brought on the automatic route for up to 51 per cent and was subject to government approval beyond that. There was the additional rider that those foreign retailers that wanted a shareholding above 51 per cent had to source at least 30 per cent of their merchandise from small and cottage industries. Multi-brand retail was liberalised to allow 51 per cent FDI, but at least half of the first $100-million investment had to be in back-end support infrastructure. Also, multi-brand retail was allowed subject to states' approving them — a condition that continues though it should have been scrapped.

It says much for the India opportunity that even these intricate and often opaque restrictions attracted interest from names such as Carrefour, Metro, Walmart (in a tie-up with the Bharti group) and Tesco (with the Tata group). Ikea, H&M, Adidas and Swatch also showed interest in setting up shop. But with the riders in place, there were withdrawals too: The Bharti-Walmart venture split in 2013 and Carrefour exited the next year. In 2015, the National Democratic Alliance relaxed the time-period for sourcing norms for single-brand retailers and allowed them to enter online trading. At the same time, the government proposed to exempt Apple from sourcing norms on the grounds that it was bringing in cutting-edge technology, introducing an element of ill-advised exceptionalism. That proposal is still being discussed. By 2016, the government officially allowed 100 per cent FDI in e-tailers in the marketplace model — some years after the fact — but inserted inexplicable riders on premium pricing and group-company sales.

The existence of multiple retail policies, all of them subject to negotiation, does not enhance India's reputation in doing business and makes little sense. Raisina Hill was able to push through the food retail policy, announced in last year's Union Budget, without significant protest from traditional vested interests such as supply chain middlemen or small retailers. This suggests that the political compulsions that created complexities in the retail policy have receded. A uniform norm for local sourcing would be an unexceptional conditionality, but it would benefit farmers, consumers and suppliers enormously if the other differentials were scrapped.

ILLUSTRATION BY BINAY SINHA



Ocean is the solution to problems in mountains

Why India should rely on sea power to manage China's provocations

THE ASIAN BALANCE

NITIN PAI

We now have a much better idea of what happened at the India-Bhutan-China tri-junction last month. Early June, Chinese troops attempted to build a road in territory claimed by Bhutan. Bhutanese troops challenged the Chinese's, but were outnumbered and hence had to withdraw. Bhutanese and Indian armed forces work very closely, so nearby Indian troops entered the scene and "persuaded" their Chinese counterparts to stop building the road and step back a bit. There the situation stands, with Indian and Chinese troops using banners and loudspeakers to stake out their positions. No shots have been fired so far. The Chinese foreign ministry and People's Liberation Army (PLA) spokespersons have gone on the offensive; as has the Indian media. In contrast, India's external affairs ministry has taken a sober but firm position: Emphasising China's violation of agreements with India and Bhutan, to not unilaterally change the status quo in disputed areas.

From a purely military strategic standpoint, allowing China to get closer to Siliguri incrementally weakens India's defences in the region, by raising the vulnerability to the "Chicken's Neck" (a graphic but unfortunate term) connecting India's north-eastern states. Occupying high ground in the area also allows Indian troops to dominate the bit of Chinese-held territory separating India and Bhutan. So, there are good military reasons to hold the ground, literally, in the Doklam area.

More broadly, China's recent strategy has been to "peacefully" resolve disputes in its favour by leveraging its neighbours' reluctance to allow incidents to escalate into outright conflict. Beijing first makes an extravagant claim — like the nine-dashed line in the South China Sea, or the map of tri-junction it released after the June jostling. Neighbours seek to use bilateral diplomacy, multilateral forums and international law to negotiate with China. This is time-consuming and China ensures that it becomes even more time-consuming. In the meantime, it builds islands, roads, runways and military bases in the disputed areas. The only way this can be stopped is through the use of force, but which of its smaller, less powerful neighbours wants to start a shooting war with China? Before long, China has changed the status quo and is in physical control of the once-disputed territory. Occupation is nine-tenths ownership.

The developments along the India-Bhutan-China tri-junction fit this pattern. Left unchallenged, China will repeat the trick in place after place. Game theorists call this salami slicing. Brahma Chellaney estimates that India might have already lost hundreds of square kilometres of territory in this manner.

How should India tackle this problem? The dominant view in New Delhi is that of a continental power: That we should strengthen our Himalayan defences by deploying the army in greater strength. While India should reinforce the current position and not back down unilaterally as Beijing demands, we should not create circumstances for tensions to rise along the Himalayan land frontier. Overly focusing on the frontier comes with unnecessary, undesirable and avoidable risks of getting into a direct military conflict with China. A direct military conflict is not in our interests (neither I would argue. Is it in Beijing's?).

India should respond to Chinese moves in the Himalayas and the subcontinent with countermoves in the South China Sea and beyond. From its inception seven years ago, this column has argued that India should project power in the waters east of Singapore to deter Beijing from moving in the Himalayan frontiers or among India's immediate neighbours.

For almost a decade, the small and medium powers in East Asia wanted a stronger Indian role to help them balance China. That didn't happen fast enough, causing many of them to jump onto the Chinese bandwagon. But there are important holdouts: Việt Nam, Singapore, South Korea, Australia perhaps, and most importantly, Japan.

For instance, New Delhi's response to the face-off at Doklam could be a signal that it would participate in joint freedom-of-navigation operations in the South China Sea. That is likely to cause concern in Beijing. In other words, by using sea power in a geography that China is sensitive about, India could raise the costs of Beijing's Himalayan enterprises.

In contrast, using land power means responding in a manner China wants us to. Beijing would like India to be preoccupied with defending remote Himalayan peaks and plateaus, locking down large amounts of manpower and money, raising risk of war and attendant tensions. That's probably why Beijing sought to test its new tank in Tibet. Whether it is used in battle or not, if it causes India to ramp up its land defences, it would serve China well. New Delhi should not end up doing what Beijing wants it to. On land, China has an ally in the form of Pakistan. India has none. In the waters of East Asia, China has few allies. India has several.

In the current standoff, India must hold firm precisely to bring about a mutual de-escalation. In the coming weeks, Beijing is likely to raise rhetoric and attempt political and economic coercion. It is unnecessary for New Delhi to respond to these provocations. Diplomacy is the art of not asking what the other side cannot give. China's rhetoric and actions constitute bullying, not diplomacy. That is why India must not yield, and simply hold the current position until the snows fall in September.

It's important to demonstrate that we won't be bullied into submission, not because of juvenile egoism but because reputation matters. Indian diplomacy will be much more difficult if other countries come to see us as folding to China. Likewise, China's diplomats will have to work harder if other countries realise you can successfully stand up to China. Those are the stakes.

The writer is the co-founder and director of Takshashila Institution, an independent centre for research and education in public policy

Can WLTF banks fill the void?

GOURAV VALLABH & SURAJ CHATRATH

Healthy condition of banks is very essential for a well-oiled economy and strong economic growth. The Indian banking system has recently come under the spotlight due to a significantly high percentage of non-performing assets (NPAs). The Reserve Bank of India (RBI) has been assiduously working along with the government and banks to resolve the NPA problem. Recently, the RBI also identified 12 insolvent accounts, which are responsible for 25 per cent of the NPAs in the Indian banking system. The move is laudable as it will help banks focus their energies on specific accounts to recover their money. One of the notable things about the insolvent accounts is that infrastructure and manufacturing sectors, such as power, telecom, transportation, aviation, metals and textile, contribute the maximum towards stressed assets. Projects undertaken by companies in these sectors are typically long gestation and linked to economic cycles. The very nature of projects makes it unsuitable for commercial banks to lend to these projects, as banks depend upon short-term deposits to fund them, which presents asset-liability mismatch (ALM) risk for the banking system.

The Reserve Bank of India should spell out eligibility criteria of projects that can be funded by WLTF banks

India has a long history of specialised long-term financing institutions — from IDBI, IFCI and ICICI to newer financing vehicles like infrastructure debt funds and infrastructure finance companies. Some of these institutions morphed into retail banks while others vehicle could not take off as expected. Globally also, specialised development financial institutions take up the role of funding long-term projects. The RBI took a great first step in setting up such specialised institutions by granting licences to 11 payments banks in 2015 and 10 small finance banks, which would address niche areas in the banking system. In April 2017, the RBI released a discussion paper on setting up of wholesale and long-term finance (WLTF) banks to fund long-term infrastructure and corporate projects. This initiative could not have come at an opportune time. Due to the ongoing NPA issues, commercial banks were already wary to take further long-term exposures, thus creating a critical funding gap for these projects.

Designing the WLTF banks

The discussion paper by the RBI on WLTF banks lists out certain key design elements for these institutions. The RBI proposes an initial minimum capital of ₹1,000 crore, which sounds reasonable given the nature of business. However, in the long term, the capital maintenance requirement should be linked to risk-weighted assets so that these banks are funded appropriately to the risk in their assets. One of the key skills in lending to long-gestation infrastructure and corporate loans is deep understanding of financial appraisal and cash flows of these projects. The RBI should ensure that the promoter group selected for WLTF banks has deep expertise in appraising long-term credits and tackling associated challenges. The RBI should also spell out eligibility criteria of projects that can be funded by WLTF banks such as sectors, nature of projects like greenfield versus brownfield and minimum tenor, etc. The RBI's proposal of relaxing cash reserve ratio (CRR) and priority sector lending norms for these banks is welcome. However, relaxation in deposit insurance maintenance should also be considered. Regulations around NPAs and provisioning norms and recovery processes should also be adapted keeping bank's purpose in mind.

Few critical areas deserve attention to make WLTF banks a success. Firstly, a key ingredient for WLTF banks would be its ability to raise cheaper long-term source of capital. The discussion paper proposes that these banks can raise current account and deposits above ₹10 crore as one of the funding sources. This could prove to be counter-productive for the commercial banks. On the one hand, commercial banks would lose lucrative lending business to WLTF banks, and losing the current account and deposit business would only lead to financial hardship for the sector which is already being challenged by niche players like payment and small finance banks. In our zeal to create WLTF banks, we should not weaken the commercial banks and destabilise financial system. Instead, the best-suited source of capital for WLTF banks would be insurance companies, pension funds, sovereign wealth funds, international capital markets and long-term bond markets. To enable WLTF banks to raise funds from these markets, sovereign guarantee should be explored for enhancing credit worthiness. A suitable structure needs to be worked out for private participation such that proposed banks can avail the benefit of sovereign guarantee without overly depending on it.

Secondly, selecting the right promoter group for granting the licence holds the key. The universal banking licence criteria exclude large corporate houses. Assuming commercial banks are kept out of the promoter group, there would be very few players in the eligible promoter group which have the financial wherewithal and capability required for WLTF banks. Some of these institutions are already sponsors of infrastructure debt funds (IDFs) and infrastructure finance companies (IFCs), which have not performed according to our expectation. It would be crucial to understand how WLTF banks would be different from IDFs and IFCs.

Projects of infrastructure, commercial and industrial sectors have a significant impact on the gross domestic product growth and job creation in the economy. Setting up of specialised WLTF banks would surely give a fillip to the overall economic activity, However, it is important that this initiative is implemented in the right way, avoiding mistakes made by commercial banks in lending to aforesaid sectors. Detailed due diligence on the promoter group and framing suitable financial structures for raising long-term funds would go a long way in making WLTF banks a success.

Gourav Vallabh is a Professor of Finance at XLRI Jamshedpur. Suraj Chatrath is a management professional and Stanford alumnus

A McCormack *kunji*

BOOK REVIEW

KANIKA DATTA

Mark H McCormack wrote his iconoclastic classic *What They Don't Teach You at Harvard Business School* in the late eighties, at a time when management guru-dom and a B-school degree were treated with breathless reverence. This was the age of Tom Peters and Robert Waterman's *In Search of Excellence* and all its subsequent spin-offs, supplementing the more philosophical and rounded analyses of Peter Drucker with the sexier, case-study-driven approach to management strategy.

With *What They Don't Teach...* McCormack, ever the sharp businessman, drove management literature out of the boardrooms, building on the kind of accessible, down-home management wisdom pioneered by Ken Blanchard's *One Minute Manager*. Back then, the earthy (and highly readable) *What They Don't Teach You...* resonated so much with Indian executives desperately seeking excitement in that drab licence-permit Doing Business environment, that when *Business Standard* published a full-page excerpt in its weekend edition a surprised marketing team found itself fielding requests for back issues.

Indian executives weren't the only ones who found McCormack insightful. The back cover of *Beyond Harvard*, published by the late McCormack's family, informs us that *What They Don't Teach You ...* sold over a million copies and "introduced the Mark H McCormack "street smarts — nuggets of wisdom, offering practical insights into how to get ahead in business and in life."

The family of the man who revolutionised sports management through the International Management Group (now IMG) has certainly imbibed plenty of street-smart marketing wisdom from the late scion (he died in 2003). The "street smarts" in this book are not oracular offerings from the man himself but those that were imbibed by people who worked or were influenced by him. The back cover presents some enticing names such as Billie Jean King, Martin Sorrell, Jim King, Monica Seles, Sebastian Coe, and Colin Montgomerie, among others.

This is not just adroit name-dropping in the interests of hard-selling a commonplace little book; it also disguises the fact that half of the 76 contributors of these McCormack-inspired "nuggets of wisdom" are current or former employees of the IMG set-up and that includes his sons, grandson and daughter and even a former PA. Professional management was clearly not critical to McCormack's street-smart management strategy and smarming with the boss' family clearly is.

Being a "self-help" guide, *Beyond Harvard* is formatted not for linear reading but for dipping and flipping, a management *kunji*, as it were. It is helpfully divided into three parts: People and relationships; Negotiation and Growing a business. Equally useful is the list of contributors appended at the end together with the pages on which their derived insights appear. This saves the publisher the bother of compiling an index and the reader the tedium of ploughing through page after page of banalities.

For instance, the insights of Martin Sorrell, the razor-sharp CEO of WPP and, we learn, a former IMG employee, appear on pages 164, 168 and 240. On page 164, you wonder whether the editor read or understood Mr Sorrell's terse one-and-a-half-page entry. Far from endorsing IMG – which is transparently the core motivation for publishing this book — Mr Sorrell writes of their radically different approaches to business. Much of what he says is an oblique criticism of McCormack's penchant for total control, on relying on perception rather than facts to build an image and on how, contrary to the advice embedded in *What They Don't Teach You...*, Harvard actually shaped his (Mr Sorrell's) attitudes and business worldview.

On page 168, though, he pays him a compliment. IMG was a case study when Mr Sorrell was at Harvard and he was struck by McCormack's focus on detail. "Some people will call that micro-management... but if you extract yourself from the detail, it is very difficult to get back into it," he writes. That's a thought-provoking point, but by the time we get to page 240, even Mr Sorrell cannot escape a lapse into the trite with his advice to "Enjoy what you do."

Unfortunately, this sort of stale guidance abounds. Under People and Relationships, we are treated to such truisms as "Honesty is the best policy," Relationships trump theory," "Pace Yourself," and "The Power of Emotional Intelligence", "Communicate, communicate, communicate". And those timeless axioms of "Thinking outside the Box" and "Setting culture and values" all find statutory mention. "All-new"? Same old, same old, is more like it.

Add in the folksy anecdotes from family and admirers and it is difficult not to recall a similarly foolish entrepreneurial advisory that was recently published. Its author is now a presidential advisor whose claims to be a businesswoman rest on leveraging her father's contacts and purveying cheaply made and overpriced garments and jewellery. Perhaps it is no coincidence that IMG bought the Ms Universe property from the current White House incumbent after co-owner NBC refused to air the pageant following his offensive statements about Mexican immigrants on the campaign trail.

A prescient bailout for a future president is certainly something they assuredly won't teach you at Harvard Business School.

BEYOND HARVARD
All-New Street Smarts from the World of Mark H McCormack
Jo Russel (Editor)
Hachette; 256 pages; ₹399