The King is Dead, Long Live the King

Infosys' palace coup shouldn't stop its evolution

Infosys is going through an internal convulsion, beating down its stock and contributing to the fall of the overall market index. When a palace coup happens, who falls and who rises is a matter of vital interest to a small number of people who form the dramatis personae. For the country as a whole, what matters, once shedding a ceremonial tear for the fallen and hailing the victor are done, is that whoever is the new ruler should keep the country stable and improve the quality of governance. The same principle applies to Infosys.

It is natural for Infosys insiders to work up a passion over the rights and wrongs of Narayana Murthy's constant sniping at Vishal Sikka and Sikka's failure to counter that guerrilla action, leading to his eventual ouster. For investors in the company and for the rest of the information technology sector, what matters is that the transformation in the business model initiated by Sikka, leading to steady rise in revenue per employee, should continue. The information technology sector is ripe for disruption. It must adapt to the new environment in which automation and artificial intelligence would take over a lot of the customary work done by legions of coders. Instead of falling victim, India's information technology needs to drive the change. Vishal Sikka and the current Infosys board that supported him recognised the challenge and set in motion a process of change. This is all to the good. But the process of change has been accompanied by a cultural clash, between austere conservatism and expensive flamboyance, which has led to much heartburn among the old guard. Their backlash has been strong enough to oust the torchbearer of change. Whoever comes in next would have to be culturally more compatible but no less insistent on the need for change than Sikka has been.

Narayana Murthy's return from corporate self-exile to activism raises serious questions. Should a founder retire at all, unless other shareholders find him a hindrance to growth? Having handed over the wheel to someone else, why do backseat driving? But the real challenge is to keep Infosys growing and evolving.

Terror Calls for Coordinated Combat

The terror attack in Barcelona and the resort town of Cambrils in Spain killing 13 and injuring dozens more comes after the fall of Raqqa and Mosul. The message is clear, the Islamic State (IS) might have lost its territory but remains potent as an ideology that can recruit killers around the world.

There is a need to acknowledge that terrorism is a global challenge. That IS links up with terror groups and modules across the world, creating franchises. It has links with Boko Haram, Al-Shabaab, Al-Qaeda, Hizbul Mujahideen and others. It uses cyberspace, has access to a pool of disgruntled, dissatisfied and sometimes dispossessed people. It is able to continually reach out to new audiences. One idea unites all these terror outfits: anyone who holds values different from theirs is an enemy deserving death. As long as the ideology survives, terror groups will morph, merge and even improve on terror delivery systems. This not new — the US-led coalition vanquished Al-Qaeda in Afghanistan, driving its leader Osama bin Laden into hiding in Pakistan. The vacuum was filled by a more virulent rendition, called IS. To successfully vanquish terror groups, governments across the world need to defeat the ideology. For that, the major powers must stop differentiating terror strikes in Europe and US from those in Africa and Asia. The US must use its considerable clout with Saudi Arabia to impress upon Riyadh the need to stop the export of Wahhabi Islam and aid to terror outfits that attack Shias.

The events in Barcelona and Cambrils should spur governments to finalise and adopt the UN Comprehensive Convention on International Terrorism. India has consistently argued that defeating terrorism requires concerted global effort; it is time to heed its words.

Indian cities not the world's best or the worst, but how good are they really?

Melbourne the Most Liveable and Loveable

It is certainly not surprising that Damascus, Lagos and Tripoli feature at the bottom of this year's Global Liveability report. That Melbourne, Vienna, Vancouver, Toronto and Calgary retain their places at the top of the order, however, is telling. Barring Vienna, the other four salubrious cities are in countries noted for their low population and wide open spaces, as are the next four: Adelaide, Perth, Auckland and Helsinki. Congestion and crime have consistently kept London, Paris, New York and Tokyo off the top, so Melbourne's seven-year reign as the most liveable city is truly commendable. While Tehran, Abidjan and Harare are listed as having "improved" the most, they are not likely to be on the bucket list of those in search of a cushier life. Chickening out of relocating to Kiev — which, along with Detroit and Moscow, has declined the most — would be advisable too.

Expectedly, no Indian city has figured among the top 10, but given that terror incidents and infrastructure were factors for the rankings, it is a relief that none are among the last 10 in the 140-city list either, though Karachi (134) and Dhaka (137) are. As denizens of practically every urban sprawl in India list their woes, the Union urban development ministry's nationwide City Liveability Index will be eagerly awaited at the end of this year.

For Digital India to really reap benefits, some key technology-related issues need to be resolved

Digits Before Going Digital

Kala S Sridhar & V Sridhar

Prime Minister Narendra Modi has argued for making the country digital, and paved the way for electronic payments and receipts through applications such as the National Electronic Funds Transfer (NEFT), Bharat Interface for Money (BHIM), Unified Payments Interface (UPI) and online wallets. GoI intends to offer higher cashbacks if digital modes of payment are adopted. This has the potential to make India a country with low degree of corruption and black money, given that all transactions will be accounted for.

But there's a flip side. Psychologically, cash brings with it responsibility. By extension, cashless transactions imply irresponsibility. When we swipe a debit or credit card, it doesn't really pinch. But when we pay for something in cash, it makes us think several times, since we need to go to the ATM or bank regularly to get cash.

So, what are the disadvantages of 'digital' spending? At the macro level, saving takes a hit, and the economy may be deprived of much-needed investment and capital accumulation in infrastructure and in other sectors required to boost the rate of economic growth.

At the micro level, the spending spree enabled by cashless transactions will imply less liquidity, and less saving for future generations.

According to the Institute of Management Development's World Competitiveness Centre, tech-savvy countries most digitally ready are Singapore, Sweden, the US, Finland and Denmark. The scores are based on the country's ability to adopt digital technologies, leading to changes in government practices, business approaches and society in general. India is ranked 51st here. While the average domestic savings rate in the most tech-savvy countries is at 29%, and only at 15% in the least tech-savvy ones, the future trajectory of the 'savings and digital' relationship is clear.

India's domestic savings rate for 2015, according to the World Bank, is 31%, much higher than that of tech-savvy and digital Finland (21%), and of the US (17%) in 2015.

Further, Brazil and South Africa with higher digitisation are at only 16% and 20% domestic savings rate respectively, lending credence to the inverse relationship between digital payments and savings.

Don't Have Right Connection

Also, is India prepared for digital transactions? This is a country with low information and communication technology (ICT) penetration. 'There is a problem with the system', 'servers are slow' or 'OTP is not sent' are constant refrains.

Digital payments require the user to be internet- and mobile-savvy. One has to remember at least two factors of authentication before completing each transaction. The two-factor authentication, while improving security, is not very user-friendly and, in most cases, depends on the telecommunication infrastructure.

According to the World Economic Forum Global Information Technology Report 2016, India is ranked 114 (out of 139 countries) in network infrastructure sub-index. The recent State of the Internet Connectivity 2017 by Akamai Technologies indicates that India is ranked 89th in internet connection speed. The poor broadband infrastructure and associated quality of services affect the timely and successful completion of electronic transactions.

Further, the digitally illiterate depend on middlemen to perform their digital transactions. As old habits die hard, the middlemen, now armed with technological skills, extract rent from the user. These tech-savvy middlemen have access to the passwords and account details of their customers, and, hence, can do irreparable financial damages and invade consumer's financial privacy.

The accountability and liability of the different service providers — such as the telecom operators, payment gateway providers and app providers — in case the digital transactions fail, are not specified in any regulation. In most cases, it is left to the poor user/consumer to fight it out. Most often, the blame game on each other leaves the customer empty-handed and with his or her financial privacy at risk.

It may well be the case that cash or digital payments do not really determine the degree, and pace, of consumer spending. But this much is for sure: if we accept rational human behaviour, digital payments are needed in an era of slow growth, when effortless consumer spending is needed for pump-priming the economy.

On the other hand, when the economy is inflationary, it is preferable that cash transactions are made, enabling consumer restraint. The promise of cashback for a digital payment is counterproductive.
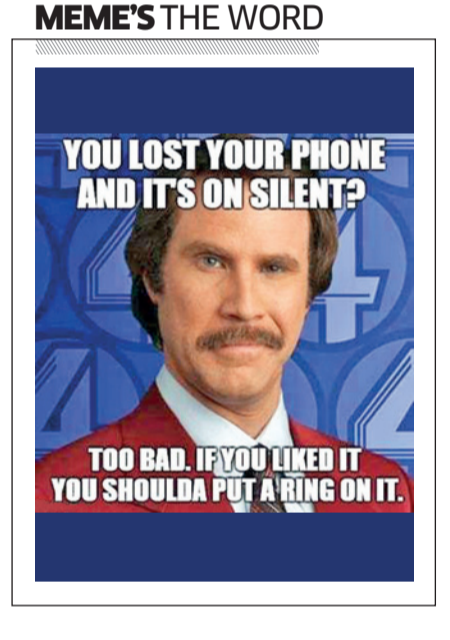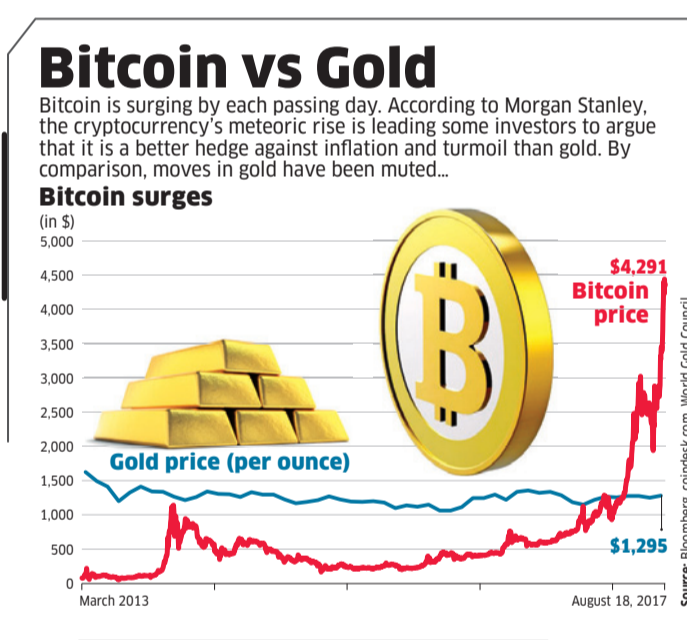
A Tech-tonic Shift

In the interests of freeing the country of corruption that it promises, digital payments should be encouraged, understanding their effects on consumer spending. After all, as a country's income keeps increasing, it will become more, not less, technologically advanced.

Hence, to facilitate digital transactions, regulations should be formulated regarding the onus and liability of different players in the digital economy, such that consumer interests are protected.

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Digital payments are needed in an era of slow growth, when effortless consumer spending is needed for pump-priming the economy

They want those buffers removed

Bitcoin vs Gold

Bitcoin is surging by each passing day. According to Morgan Stanley, the cryptocurrency's meteoric rise is leading some investors to argue that it is a better hedge against inflation and turmoil than gold. By comparison, moves in gold have been muted...

Bitcoin surges (in $)

Gold price (per ounce)

$4,291 Bitcoin price
$1,295

March 2013 — August 18, 2017

Source: Bloomberg, coindesk.com, World Gold Council

MEME'S THE WORD

YOU LOST YOUR PHONE AND IT'S ON SILENT?

TOO BAD. IF YOU LIKED IT YOU SHOULDA PUT A RING ON IT.

CINEMA & BUSINESS

Matinee Show Management Tips

Harsh Goenka

Cinema plays an important role in shaping our beliefs and our way of life. Images and emotions gleaned from films seen when young tend to remain with us for years. Like most people, I, too, have been captivated by the 'angry young man' of Deewar, saddened by the broken lover of Devdas, amused at Sanjeev Kumar's befuddled confusion in Angoor, and held back tears as I watched a mother shoot her son in Mother India.

Many movies have also influenced the way I approach management in the corporate world. So here are some films, whose behind-the-scenes thinking and storylines may have influenced my management philosophy and approach.

▶ Bahubali: While everyone has marvelled at its visual splendour, Bahubali is a classic example of how we should dream big. In loving the film, aren't we all paying homage to S S Rajamouli's vision and ambition? You don't need a Bhalla Deva to engage in a heroic battle. But you will need to battle your doubts and fears and trust in your dream.

Bahubali has been the biggest grossing film ever. Why? It was the scale, the effects, the story — everything would have nodded in appreciation. Unless you think big, you won't gain big.

▶ Dangal: There is a reason why investors give so much credence to the experience of successful promoters whenever they ponder any new idea. Experience teaches you to sniff a good opportunity — you may call it the Winning Formula.

Dangal didn't really attempt anything very novel or innovative. It is a heart-warming story of the underdog winning, infused within a beautifully crafted parent-child relationship narrative.

So, the film's box-office record basically illustrates that there is a certain Winning Formula that is sure to succeed, as it offers something universal and timeless. Even in management, sticking to your core strengths, working hard and believing in yourself is a sure shot Winning Formula. Great success stories like Vedanta, Sun Pharma and Enfield are cases in point.

▶ PK: When creating the film PK, director Raju Hirani and writer Abhijat Joshi spent weeks on end, brainstorming over their daily walks in the park, till they found that one 'magical line' that could bring a spark to the film. They found it, honed it, and created a hugely successful film.

Similarly, Karan Johar once told me that he invests a couple of months, spending time in London, observing, thinking, playing with different concepts to get the right idea for the next movie. Thought is a great investment in business as vital as capital and labour. The refinement of thought is only achieved when we devote extraordinary time to thinking. This can make a vital difference to the quality of decision-making.

▶ Pather Panchali: I was quite young when I watched Satyajit Ray's Pather Panchali in Kolkata. Ray didn't choose one of our epics for his debut, nor did he adapt a 'safe' narrative. He intended, instead, to create a deep impact through his Rich Idea.

It is not every day that you will seize upon a Rich Idea — something perhaps not been tried before, unique. If you do find that really special concept and are convinced about it, you must try your best to put it into action. But this is rarely easy. Disappointment and, perhaps, failure are also possible. Nonetheless, it's important not to give up the opportunity to realise a Rich Idea. This will probably be a huge learning too.

If Steve Jobs had not persisted after he sold Pixar, we would not have had iPhones. The ability to persist with the Rich Idea, solely because of your deep-seated conviction in the idea, despite repeated failures, is a harbinger of greatness.

▶ Titanic: The lesson of the Titanic tragedy is very important. You may be executing the biggest of projects, but in the end, if you overlook even a small but significant detail, you are going to sink. So get into the details.

Enron created a magnificent power plant in India, but failed to appropriately tie up the sourcing and pricing, leading to manifold complications and failure. Asian Paints, on the other hand, went to great lengths understanding market and consumer requirements, tailoring their product accordingly and creating a phenomenal supply chain. The result has been a resounding success.

▶ Golmaal: Like in most of his films, Hrishikesh Mukherjee's 1979 classic Golmaal gently pokes fun at our idiosyncrasies and everyday foibles. Yet, there is a lot of lightness and mirth in his treatment as he drives his point home. None of his characters is treated harshly and there is never a serious moment.

So don't take life too seriously. And never mistake seriousness for earnestness. It's important to set goals, work at them sincerely, but also to have fun along the way. The rest will fall into place.

The writer is chairman, RPG Enterprises

Riding the first quarter

An Interfaith Approach

A K MERCHANT

The four kinds of emotional states in the way people relate themselves to material and non-material realities, are: pseudo-niceness, chaos, emptiness and spirituality. The first two states are directly material and the latter two are spiritual. Daily, we hop from one plane to another, even experiencing all four states in a day or stay attached to one. The longer one remains in a state of spirituality, the greater will be one's joy and success.

Chaos brought on by pseudo-niceness leads one into the state of "emptiness". Silent reflection at this point would result in a desire for genuine relationships and sincere bonding not only with those with whom one is associated but also with the higher spiritual levels of existence. From exploring the inner Self, one moves into a deeper spiritual view of who one genuinely is. As one's personal spiritual understanding increases, every aspect of life is affected. Such awareness also inevitably results in soul-searching.

An awareness of spirituality arises when a person begins to (a) make his relationship with the Divine more important than his relationships with this world, (b) recognise his true inheritance as a valuable human being, (c) achieve an ability to see the spiritual even in the ordinary, (d) stay aware of the divine nature of life, (e) remember there is infinitely more to oneself and everything else than can be known by his mind and senses, (f) experience a higher universal love and respect for all, and (g) being conscious of the subtle power of grace that pulsates behind the physical appearance of his life.

Citings

On Social Sciences

MORTON SCHAPIRO

I do applied econometrics, so I have nothing against maths and statistics, but it's very hard to put in things like culture. How do you put that into a mathematical formula? You tend to come up with behavioural models that are quite often the foundation for predictive models, and they tend to be naïve in terms of real true human behaviour.

You would think that we would engage more with the field of psychology if you're talking about behavioural models, but the literature is pretty clear about that. We don't. A lot of economists work on the cycle of poverty, yet how often do they cite anyone in sociology or anthropology? I have friends who work on voting behaviour, but are they really engaged with the literature and political science?...

The answer tends to be no. I think it's partly a focus on numbers. But part of it is, we're not trained that way. We're not comfortable with things that we can't put into an equation, and I think we lose a lot because of that.... When I was working in sub-Saharan Africa, the story isn't all that good.

I think if we really engaged with an understanding of the history, the politics, the religion, the sociology of the family, rather than just tried to get the prices right and applied the same sort of basic economic model towards successful development, the policies would have been a lot more effective.

From "Why Economists Must Go Beyond the Numbers"

Chat Room

An Unfortunate Exit From Infy

M JEYARAM
Sholavandan

The resignation of Vishal Sikka as CEO and MD of Infosys is unfortunate. No doubt it is the culmination of continuous allegations raised by its one of its founders, Narayana Murthy, over the issues of corporate governance and the severance package for former CFO Rajiv Bansal. Under Sikka's stewardship, Infosys has seen a stupendous transformation, thanks to his commitment to the company's growth through innovation. Sikka has left a strong imprint on Infosys by turning its focus on transformative technologies like artificial intelligence. His exit is a worrisome development for Infosys and the company's shareholders.