



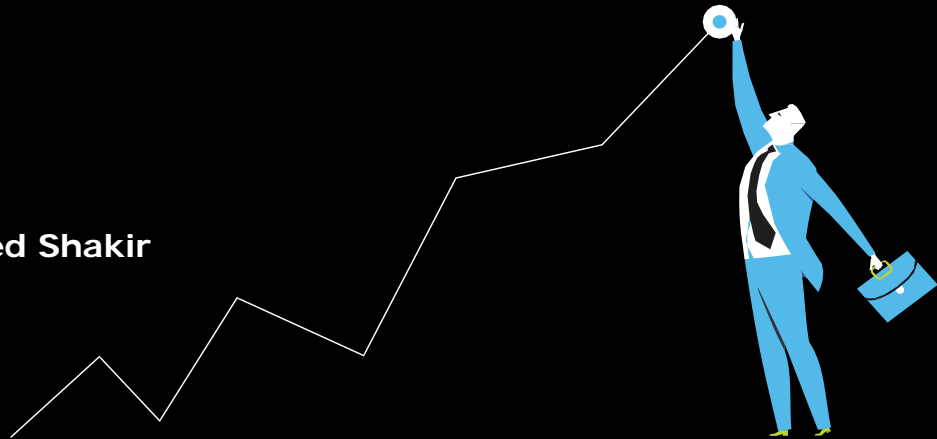
CFO Perspectives

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CFO Speaks



Mr. Kabir Ahmed Shakir
CFO
Microsoft India



1. What are your views on the economy and prospects of IT industry in India?

The Indian economy has witnessed two back-to-back bold moves by the government in the recent times. Both these decisions of Demonetization and GST have been courageous. These steps will bring long-term benefits for the Indian economy and are aimed towards creating a white economy.

In India, implementing GST is complicated, wherein we have 29 States and 7 Union Territories, with each having different layers of taxes at varied rates. It's really a mammoth task to bring the old tax regime into one tax structure, but we believe it will accelerate the country's digitization more than any other recent development. This is the beginning of a transformational journey that will have a very positive impact on the country's economy in the long run.

In India, the informal sector caters to a large chunk of our population. We still have a wide spectrum of customers in terms of affordability and accessibility of the products and services. Our minimum

wages are far lower than more mature economies around the globe, and still a huge stratum of population is at the bottom of the pyramid. Thus, for the economy to grow it becomes vital to invest in critical sectors such as healthcare, education and infrastructure sectors. Investing in these sectors will transform the lives of 1.3 billion people and it would certainly help to uplift the economy and boost the confidence of citizens in government initiatives. I believe these are the building blocks of our economy.

Also, the power of the Internet is making things borderless and IT sector is bound to grow and play a larger role in the economy. With the Internet, people now have access to media and information; it is the time to give them more knowledge and right information. These efforts would enable India to transform now, wherein we have a Prime Minister who is leading by example. Mr. Narayana Murthy once quoted in a conference in Europe,

“What India can’t, Indians will” and I think this is so true when we see Indians rising between hurdles and struggles of infrastructure and healthcare. Over a period of time these have become inconsequential matters and people are very ambitious. Our Indian society, culture and the values, sets us apart from the world and paves a path towards a thriving economy.

2. Government is putting lot of thrust on Digital India. As a CFO, what is your take on its influence on the IT sector?

I feel digital is no longer a luxury; it is the only way forward. It is no longer a question of ‘if’, but ‘when’. We are standing at an exciting threshold - with the promise of a better and brighter future and the zeal to achieve that. The rise and confluence of new technologies like mobile, cloud, data and analytics is resulting in a new world, a new age – what everyone’s calling the fourth industrial revolution.

We have lived through the third industrial revolution with IT and systems coming of age to fuel the businesses of today and now the next phase – that of digital transformation - will advance business forward. It will fundamentally change our lives by giving us time back, making us safer and healthier, bringing significant environmental benefits, inspiring increased creativity and helping us achieve more.

It is the process organizations are going through to implement tech advancements and cultural changes, resulting in new business models and industry disruption. Digital transformation happens through improved customer engagement, empowered employees, optimized operations and transformed products. The combination of digital transformation of existing firms and the disruption from digital firms is creating the fourth revolution in business.

The Digital India push by our government is brilliant. There is no doubt that the nation and its leaders understand the role that technology can will play in realizing the vision for India’s growth – it is a key driver across all plans devised by the Indian Government over the past few years.

The thrust on digital is helping businesses optimize. Earlier IT meant only cables, computer, servers, etc.; but today with the power of technology and data together, digital is an integral part of every business and impacts every item in the P&L statement. For example, in supply chain, digital plays a big role and one can track real time data, which helps in reducing the system downtime and thus, managing costs efficiently.

With technology, every status quo is being challenged. In the last 5 years we have seen computers shrinking and becoming more efficient. Technology is



changing rapidly and we do not know what will happen in the next 5 years. Natural language synthesizers and artificial intelligence are the future, and we will speak more to chat-bots in the next 2 years than to human beings. **“Change is inevitable”**.

As a CFO, I feel that entry barriers for brick and mortar businesses is vanishing and geographies are vanishing too. If someone has a great idea, funds are no more a problem and investors are ready to back it. With the environment being the way it is right now, new start-ups are born each day and in the coming days we will have a much better ecosystem.

3. Being a CFO in the IT industry, you are prone to lot of cyber threats. How do you manage these risks and justify your investment in digital security?

Empirical data suggests that it takes an average of 286 days to detect a worm present in an enterprise network. As an FBI director famously quoted, **there are only two kinds of companies – the ones who have been hacked and those who don't know that they have been hacked.**

As the industry increasingly uses cloud computing, and continues adoption of personal and mobile devices in the workplace, the pace of change in business itself also continues to accelerate. We are in an 'always-on' culture and every organization encourages its employees to be productive 'on-the-go' and stay connected 24/7. The recent surge of sophisticated, targeted cyber-attacks against individuals, governments and businesses highlights the need for improved defences to protect against attackers who research their targets, analyze their weaknesses, and use this information to tailor their assaults. In this scenario, it is important for organisations to understand

the need and importance of security management and be better prepared for cyber security threats to which they are constantly exposed to.

Accelerated speed of digital transformation also requires a security team that works more closely and effectively with stakeholders across functions, to meet the company's business demands while delivering the best-in-class security technology. Security policies and implementing controls to prevent cyber risks from becoming reality must be a top priority in every company. Enterprises must protect important data and adopt modern security posture including identity, security and management solutions. Additionally, employees should be made aware of security threats and a holistic security culture should be nurtured across the organization.

For us, cybersecurity has always been a core focus. Our approach to cybersecurity in today's cloud-centric world rests on three core functional areas: **protect, detect, and respond**. There are three, key important differentiators in our security approach: viz., our **Platform, Intelligence, and Partners**.

- **Platform:** We secure our own technology as well as third parties, whether through identity, device, apps & data or infrastructure. This is done by security teams across Microsoft, Windows, Microsoft Azure and Office365. No other cloud provider offers the breadth of trust features that we do across cloud platforms. Our commitment to cloud is reflected in our heavy investment on 100 data centres in 19 regions in over 40 countries, including India.

- **Intelligence:** We have an intelligent security graph which intentionally takes information from across all of our services and products, and brings them together to be able to be proactive around security. This allows us to monitor for user authentications and updated devices, and check for spam and malware.
- **Partners:** We understand this is a broad ecosystem in which we need to work with everyone. We partner with peers, work with industry alliances and the government.

Our team works with enterprises to understand their business goals, challenges and technical maturity to develop an enterprise security strategy to stay ahead of trending threats. We also have dedicated India-based response team offers cyber monitoring, machine learning based detection technology and ensures rapid response and resolution to cyber threats to enterprise customers in the country.

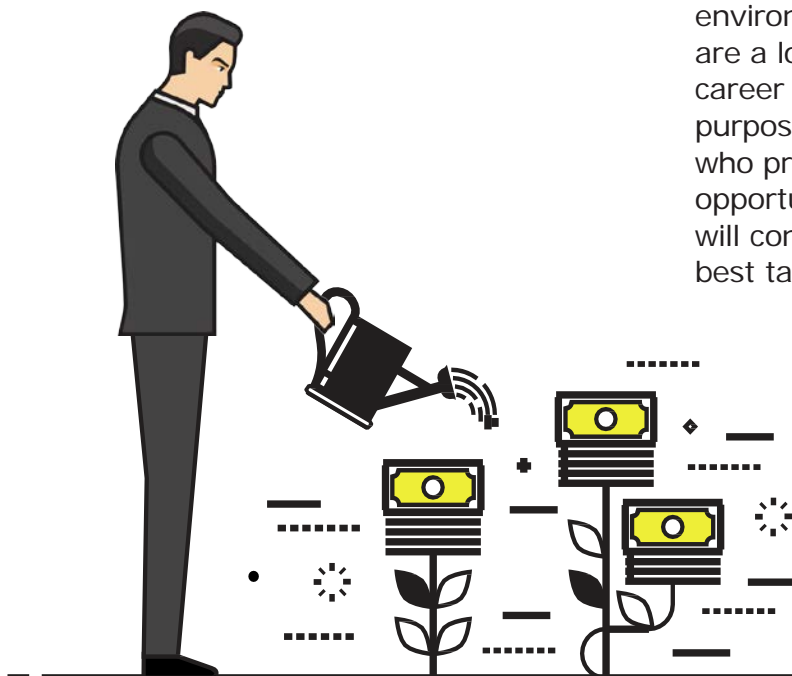
4. What are you 3 top-most challenges as a CFO of an IT industry?

- Business partnering.** We live in a 'VUCA' world and IT industry has its share of

volatilities. It is therefore important to develop the capabilities to look what is 'beyond the bend'. With the use of data and analytics, finance should be able to play a bigger role. CFOs being next to the CEOs, are in the best position to look beyond the bend and help drive long-term strategy balancing with medium to short-term performance. As a CFO, we are comfortable at compliance, but it is important to come out from our comfort zones and embrace proactive business partnering.

- Finance process.** The processes in an organization should be agile and speedy. Over-emphasized controls delay the process and results in inefficiency. Our shareholders expect us to take calculated risks and try to maximize their returns. Thus, risks should be part of the finance process and we should have risk mitigating steps in place. Adopting a three-pronged approach of Simplify, Automate and Eliminate should make every process agile and speedy.

- Talent.** There are only two assets any company has – its brand and its people. An organization needs to create an environment which not just attracts talent but also develops and retains them. Thus, it is important to have right culture and environment to do the same. Millennials are a lot more demanding while making a career choice – they need a sense of purpose and fulfilment and companies who provide learning and development opportunities in an inclusive environment will continue to source and retain the best talent.



Expert Views

India to make massive gains from its Demographic Dividend



- Demography — the fundamental driver of all economies — is shifting the balance of power and economics in Asia, and India will be the biggest winner.
- Asia's elderly population to rise from 365 million in 2017 to more than 520 million in 2027, throwing up new business opportunities.
- By 2042 there will be more over-65s in Asia than the populations of the Eurozone and North America combined.
- Ageing populations to provide a target-rich environment of business opportunities, focused on a growth cluster targeting megatrends such as rising life expectancies, increasing relative health care costs, and tightening public sector budgets.
- With more than 65% of the population below the age of 35, India will rise as an economic superpower, supplying more than half of Asia's potential workforce over the coming decade.

The third edition of the Voice of Asia series titled 'Demographics fueling Asia's shifting balance of power' was released today. The report aims to highlight the fast changing demographic trends in Asia, with most of the countries in the region grappling with an ageing population, and an imminent workforce shortage. However, India is among a handful of South Asian countries that sits on a demographic gold mine. India has a median population age of 27.3 years compared to that of 35 years for China and around 47 years for Japan. It is estimated that India has around 390 million millennials and about 440 million in the Gen-Z cohort. About 12 million people are added to the working age population every year. Demographic growth is significant as it is intrinsically linked to economic growth and therefore, cannot be ignored.

Anis Chakravarty, Lead Economist, Deloitte India, explained that, "India will account for more than half of the increase in Asia's workforce in the coming decade, but this isn't just a story of more workers: these new workers will be much better trained and educated than the existing Indian workforce, and there will be rising economic potential coming alongside that, thanks to an increased share of women in the workforce, as well as an increased ability and interest in working for longer. The consequences for businesses are huge."

However, in order for India to reap dividends of its demographic potential, it has to first equip its workforce with the necessary skills to contribute to the national economy. Anis Chakravarty further adds, sounding a note of caution, "With invasion of machines and

improvement in robotics, India needs to pay special attention to skilling and reskilling its workforce with a focus on the changing nature of today's jobs. In recent years, India has taken proactive steps to deal with the disruptions in the job market with the 'Skill India' initiative being one of them. That said, it needs to be a continuing process of upgrading skills in a rapidly changing environment."

Much like India, Indonesia and the Philippines have also witnessed a steady growth in their working age population. With more and more young men and women joining the workforce every year, a new economic order backed by positive demographic growth has come into play.

While India and some Southeast Asian economies are seeing an increase in their working age population, most of Asia's nations are ageing, and while this creates emerging challenges, ageing population will also generate a growth cluster of new business opportunities.

Ageing to create a growth cluster of industry winners

Three big accelerators drive industry opportunities in an ageing Asia, with each building on the other are as follows:

- Asia is ageing fast, with a billion people in the region to be aged 65 and over by the middle of this century.
- And the money being spent by and on ageing populations will grow even faster than Asia ages, because the impact of new technologies and the on-going management of increasing chronic conditions means health care costs will rise faster than most other costs.
- There will be a steady growth in old-age homes and retirement homes. This will lead to infrastructure and fresh capital infusion, resulting in more employment opportunities and better wages.

"As is already increasingly evident in Japan, the surge in ageing-related opportunities will be evident well beyond health care. Rapid ageing in the Japanese population has changed the needs of people and the way businesses satisfy them. There has been increasing demand in sectors such as nursing, consumer goods for the elderly, age-appropriate housing and social infrastructure, as well as asset management and insurance," notes Tsuyoshi Oyama, Deloitte Japan Economist.

Similar to Japan, much of China's economic growth can be attributed to the abundant human capital they once had. As their workforce ages, China has acknowledged the need to increase their workforce, thus abolishing its one-child policy. Both China and Japan, sensing an impending crisis, are offering incentives to young mothers to have more than one child. However, this cannot resolve the issue alone.

To manage ageing populations, the report recommends the following measures to deal with rising shortages in workforce and pre-empt the adverse effects:

- **Increasing the retirement age:** Fewer jobs are labor-intensive these days, while rising life expectancies are encouraging longer working lives, and today's higher incomes are also encouraging people to work for longer. Fostering these trends can help the economic growth of those nations at the forefront of ageing impacts – as is especially true of Hong Kong, Taiwan, Singapore, Korea and China.

- **Incentivizing the participation of female workforce:** Asia has far fewer women than men in its paid workforce. Accessing that untapped people power is a direct lever with which ageing nations can boost their growth potential.
- **Welcoming migrants:** 2017 is a year in which the politics of migration remains contentious, but the economics of migration remain excellent. Those nations at risk of a demographic-driven growth slowdown should open further to immigration. Accepting young, high-skilled migrants can help ward off ageing impacts on growth, but the critical issue is whether policy—and property prices—will allow this immigration to happen at sufficient scale.
- **Increasing productivity and skill development:** Productivity is just as much a contributor to economic outcomes as demographics. Governments can focus on education and re-skilling the workforce as a way to bolster the growth opportunities offered by new technologies.

India, with its abundant human resources, increasing foreign investments and rising disposable incomes, is on its way to becoming a global economic power. However, India needs to take a proactive approach to prepare its workforce for changing needs of the market, thereby creating a new highly skilled workforce for the ageing world.

To access the full report please click [here](#)

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