Loneliness in open offices

Without proper design, loss of privacy can be stifling

HUMAN FACTOR

SHYAMAL MAJUMDAR

Offices all over the world frown upon cabins and cubicles these days as it's the age of open-plan offices. Some have gone beyond and come up with the idea of desk-less offices. Well, it's not exactly a vast open space with no desk at all, but a limited number of desks are on offer only on a first-come, first-served basis. Anyone who leaves a desk for more than two hours is expected to pack up and operate from the "huddle rooms" in office. So most employees behave like homeless people who carry their belongings around with them. But don't scoff at the plan, as tomorrow's workplace is most likely to be of the desk-less variety.

That's a headache for the future. Human resource practitioners are still grappling with the problems that open-plan offices are throwing up, even though almost all offices, designed with a wall-free plan, have one killer selling point — they help build team spirit and increase egalitarianism and opportunities for people to be constantly mingling, sparking fresh ideas. This is required as research has shown that the time employees spend on collaborative activities has ballooned by 50 per cent or more in the past two decades.

But recent studies have turned this conventional wisdom on its head. A Harvard research paper studied two Fortune 500 companies planning to make a switch to open-plan offices and compared how employees interacted both before and after the new office design. With the help of a sociometric badge, researchers Ethan Bernstein and Stephen Turban reviewed the behaviour of 150 employees and came up with some startling findings. They found that as walls came down, so did the number of face-to-face conversations at these companies — by as much as 70 per cent. Employees made up for the lost chatter by turning to online communications (email and instant messaging). Digital correspondence rose almost as much as chatting in person fell. The loss of privacy can create other problems, too. Executives at the company studied also noted reduced productivity after the office redesign.

Organisations should focus on providing workplaces that support the requirements for privacy and focus, as well as interaction and collaboration

Before taking up a new office, a large conglomerate did an internal survey and was surprised to find that almost 60 per cent of high-performance employees wanted more private spaces for problem solving, indicating that the benefits of easy communication that are intended to go along with open-plan offices don't outweigh the drawbacks. "I want my cubicle where there is some privacy and don't want my workplace to morph into something resembling a buffet at dinner time," wrote one employee. Open offices, it seems, make many feel like a never-ending meeting. Staff in open offices can also feel that they are under constant supervision This pressured environment can produce a feeling of guilt and anxiety, causing many to feel like they must always appear proactive and hard at work. It's like loneliness in a crowded room where everyone is all together, but all alone.

An HR professional says class barrier remains even in an open space. Many team leaders ensure that they have access to rooms for closed-door conversations on a moment's notice. In other words, they want exclusive meeting rooms only they can reserve, and sit there all day long. Besides, knowledge work requires employees to attend to specific tasks by gathering, analysing and making decisions using multiple sources of information. When any of these cognitive processes are interrupted, inefficiency and mistakes increase.

While open-seating offices are here to say, what is the way out? Organisations should focus on providing workplaces that support the requirements for privacy and focus, as well as interaction and collaboration. Much of course depends on the design of the workplace. For example, the most effective open offices use shared desks with high barriers — high enough that you must stand to see your deskmate. As the height of the barrier drops, so does workplace effectiveness.

Facebook, the flag bearer of the open-office success, has reinforced the need to balance collaboration and privacy. For example, the open office story at Facebook doesn't end with shared desks. There are conference rooms and plush private areas where people can go to focus on tasks demanding attention. Even if you don't have the budget of a Facebook and yet have no option but to put desks out in the open, make sure the office has enough small conference rooms and more private work spaces.

A new foreign commercial debt policy

It is a sincere effort to simplify the governing regulation. But an explanation about the economic rationale underlying the restrictions is overdue

RADHIKA PANDEY & BHARGAVI ZAVERI

On January 16, 2019, the Reserve Bank of India (RBI) issued a circular re-hauling the regulatory framework governing the raising of foreign credit by Indian firms. This is the 13th time in a span of three years that the framework has been revised. The revised framework simplifies the hitherto complex regulatory maze that governed the terms on which Indian firms could access credit from foreign lenders. It expands the range of lenders that may lend to Indian firms, the range of Indian firms that may borrow from offshore lenders and the purposes for which such borrowing may be made. To this extent, the new framework is a significant step in the right direction. However, by continuing its overtly prescriptive approach towards matters that are purely contractual, the framework falls short of going the whole way in providing an economically sound foundation for regulation of foreign lending to Indian firms.

At the outset, given the general sensitivity in the public discourse to foreign credit, it is imperative to reiterate the two advantages of the ability to raise credit from foreign markets -- firstly, it allows the Indian borrower to explore the options of cheaper borrowing costs that may not be available onshore. Secondly, it diversifies the risk of default by not restricting lending options to onshore lenders only. There are potential currency risks that a borrowing firm may face when borrowing in foreign currency. At a firm level, the management of such currency risk must be left to the private entity. However, at a macro-level, large unhedged currency exposures may lead to successive defaults by borrowing firms, which in turn, may have a cascading effect on domestic lenders. Apart from the systemic risk spill-overs that may emanate from unhedged borrowings denominated in foreign currency, the ability to raise foreign credit is a good thing for firms and the economy.

Difficulties with old regulatory framework

India's regulatory framework governing foreign currency borrowing by Indian firms has traditionally been complicated. The RBI imposed controls on each aspect of the transaction, namely, a cap on the aggregate amount that could be borrowed, eligible lenders, eligible borrowers, interest rate ceilings, uses to which the borrowed amount can be put, the kinds of collateral that a borrower may offer to a lender, and so on.

The complexity of the policy was exacerbated by sectoral dispensations. For example, while all borrowers could borrow upto $500, infrastructure sector entities could borrow upto $750 million and million, software sector firms could borrow upto $200 million. Similarly, while there was a general prohibition on utilising the loan proceeds for working capital purposes, the prohibition was relaxed for airline sector companies. Firms seeking relaxations from the rules could do so with the prior approval of the RBI. The framework ended up creating potential for rent-seeking and regulatory ad-hocism. Most importantly, the framework lacked a strong foundation for regulating foreign currency borrowing with an underlying economic rationale. Despite recommendations made by several expert committees constituted by the Ministry of Finance, no significant steps were taken to rationalise this framework.

ILLUSTRATION BY BINAY SINHA

Half-way mark on the road to simplicity

Finally, in 2015, a substantially revised framework for foreign currency borrowing was implemented. Under this framework, RBI adopted a more relaxed regulatory approach towards longer term borrowing. The framework allowed Indian firms to borrow offshore in domestic currency, through loans and Masala bonds. However, it continued to be instrument-specific resulting in different regulatory treatment for loans and bonds. Similarly, foreign portfolio investment in onshore rupee denominated bonds was not covered under this framework. Resultantly, different rules of the game applied to foreign investment in instruments that were fundamentally similar to each other.

Problems with the new foreign debt policy

The fresh set of changes introduced in January 2019 harmonised the foreign borrowing framework in three ways. The new policy laid down uniform criteria for borrowers, by allowing all entities eligible to receive Foreign Direct Investment (FDI) to borrow equally from the foreign debt market. It also expanded the list of eligible lenders to include all foreign entities that may wish to lend to Indian entities. Finally, it harmonised the treatment for foreign currency borrowing (notwithstanding the tenure of the borrowing) and merged the framework governing rupee denominated loans and bonds.

Despite the overall simplification of the regulatory approach, critical mistakes persist. First, the policy requires all external commercial borrowing to have a minimum maturity period of three years. A mandatory minimum maturity period shrinks the ability of small and medium sized firms to raise such debt. It is rational for foreign lenders to take short-term exposure to small and medium sized firms, and gradually increase the tenure of the borrowing once it begins trusting the borrower's credit-worthiness. Mandating a specified minimum period and capping interest rates on such borrowing, effectively enables only Indian firms known globally to access the offshore credit market.

Second, in a bid to harmonise the foreign currency denominated and rupee-denominated debt, the new framework caps the return on the latter. This is problematic. First, the currency risk in case of rupee-denominated borrowing being borne by the foreign lender, the case for a ceiling on rupee-denominated returns is weak. Second, the regulation restricts the return to a spread of 450 basis points over a "benchmark rate". While the benchmark rate for foreign currency borrowing is the six-month LIBOR rate, the benchmark rate for rupee-denominated borrowing is the yield on government securities of a corresponding maturity. A common ceiling on the spread over the benchmark rate does not automatically translate into uniform borrowing costs for foreign currency and local currency borrowing. This is because the trajectory of the two benchmarks are different.

For example, the benchmark 6 month USD libor rate is around 2.8 per cent. With a ceiling of 450 bps, it means that an Indian firm can borrow at the interest rate of not more than 7.3 per cent. This automatically restricts small and medium sized firms from raising such debt, even if their future earnings are in a position to service it. The prevailing bechmark rate for offshore local currency borrowing is around 6.5-7 per cent, this translates into an interest rate cap of 11.5 per cent. Additionally, the foreign lender will charge a premium for bearing the currency risk. Given that the earlier policy allowed the interest rate on rupee-dominated borrowing to be "commensurate with market conditions", hard-coding a ceiling in the new policy is regressive.

Finally, the new regulation continues to make sectoral dispensations for oil marketing companies, start-ups and the infrastructure sector. Thus, the approach towards centrally planning the allocation of foreign capital persists. Similarly, the ability to seek exemptions under an "approval route" still persists.

To summarise, while the new foreign commercial debt policy is a sincere endeavour at simplifying the regulations, the substantive restrictions continue to pervade the regulatory approach. An explanation on the economic rationale underlying these restrictions is long overdue.

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CHINESE WHISPERS

Kamal Nath is game

Looks like Madhya Pradesh Chief Minister Kamal Nath has decided he will not take the alleged overtures by the Bharatiya Janata Party to some Congress ministers lying down. While talking to the media on the sidelines of the World Economic Forum summit in Davos, Switzerland, Nath said, "This is not a one-sided game. If they play tennis with us, we will obviously not play table tennis. About five to six BJP MLAs are in touch with me. They don't see any future in that party and want to join the Congress." Earlier, at least two Congress MLAs had accused the BJP of offering them ₹100 crore to unsettle the government in the state.

Babulal's new threat

Senior Bharatiya Janata Party (BJP) leader and former chief minister (CM) of Madhya Pradesh Babulal Gaur is creating trouble for his party with unfailing regularity. On Thursday, he said senior Congress leader and former CM Digvijaya Singh had approached him to contest the coming Lok Sabha election from Bhopal on a Congress ticket. "I told him I will think about it," Gaur said. A few months ago, Gaur had threatened to jump ship when the BJP denied him the ticket for the Assembly election. He was pacified when party President Amit Shah met him and gave the ticket for his traditional seat of Govindpura to his daughter-in-law, Krishna Gaur. She won the seat by a comfortable margin.

What's brewing?

A late night meeting between Congress Member of Parliament Jyotiraditya Scindia (*pictured*) and former Madhya Pradesh Chief Minister Shivraj Singh Chouhan has set tongues wagging in the state's political circles. While the two leaders dubbed the 40-minute unscheduled meeting a courtesy call, Chouhan was seen stepping out of his house at the end of the meeting to see Scindia off till his car. The two had fought tooth and nail in the run-up to the election but appeared to have put all that behind. The two leaders did not reveal the details of the conversation; Scindia said the government and the Opposition should work together. "*Raat gayi, baat gayi* (let bygones be bygones)." Chouhan echoed the sentiment: "*Koi gila nahin, koi shikwa nahin*. (I have no complaint or grudge)."

DECODED

Urvi Malvania explains how the new tariff order by the Trai will put the choice of channel subscriptions in the hands of the consumers, when implemented.

A new TV viewing order

What is causing the delay in implementing Telecom Regulatory Authority of India's (Trai's) new tariff order by digital cable and DTH operators?

The roll-out of Trai's new tariff order by cable and DTH operators was delayed due to various litigations and consultations with the Trai on the one hand, the consumer inertia faced by distribution platform operators (DPO) on the other. Since this is a business to business initiative that requires consumer action, educating consumers and getting them to submit their choice is proving to be a time consuming process.

What does the new tariff order entail?

The new tariff order sets out rules for making channels available to consumers at the broadcaster and the DPO level. Under the new order, all channels must be made available to consumers on an à la carte basis. While both broadcasters and DPOs can bundle different channels, if a consumer wants one channel less, or more, it has to be made available accordingly. Broadcasters are also required to declare which channels from their networks are pay and which are free-to-air (FTA), the genre these channels belong to, and the maximum retail price (MRP), exclusive of taxes, of all their pay channels. Under the new regime, the pay channel bouquets cannot have an FTA channel. This means a lot of the niche channels can no longer piggyback on more popular pay channels to enlist consumer subscription.

Additionally, a channel has to be priced the same across distribution platforms in the particular geography, meaning there cannot be differential pricing for cable and DTH platforms. For example, if 'A' channel is available in a geography for 'X' amount, it will cost the same whether the consumer has a cable connection or a DTH connection. The tariff order also put a cap of 15 per cent when it came to discounting on bouquet pricing. This means that the price of a bouquet cannot be less then 85 per cent of the sum of the price of individual channels. However, this condition was later revoked after broadcasters moved the Madras High Court against the discount cap, and the court rule in favour of the broadcasters.

Why is there a need for this order?

The objective of implementing the new tariff order is to bring about transparency in the pricing of channels, reduce disparity in pricing on different distribution platforms, and to allow the consumer to select channels to subscribe, and pay only for those. It also aims to bring stability in pricing, as broadcasters and distributors cannot change the MRP of their channels/packs for six months after declaring the pricing.

How will this impact the monthly cable/DTH bill of consumers?

Under the new tariff order, the distribution platforms are to provide a base pack of up to 100 FTA channels, including all the Doordarshan channels, at not more than ₹130, exclusive of taxes. The fee will be considered capacity fee for the distribution of platform's services. Apart from the public broadcaster's channels, the base pack must have at least five FTA channels from the seven genres mentioned in the tariff order. In case there are less than five channels in a genre, the distributor may add FTA channels from other genres.

In this light, the basic cable bill for the consumers is expected to reduce. The additional cost will depend on the choices made by the consumers. For every 25 pay channels selected by a consumer, the DPO can charge up to ₹20, exclusive of taxes, as additional capacity fee, in addition to the MRP of the chosen channels. In case the consumer has chosen a pack of 26 channels, then he/she will be charged the pack price, plus additional capacity fee.

How does a consumer know what packs/bouquets are available?

The Indian Broadcasting Foundation (IBF) and individual broadcasters have been running awareness campaigns for the new tariff order implementation since December. The broadcaster campaigns also include a gist of the most popular channel packs, information on how the consumers can select them. Distribution platforms have been engaging their consumer base through notifications on the electronic programming guide (EPG) on their service, door to door communication, advertisements on the their platforms, and where they are available, through their mobile apps.

Trai has mandated that all the bouquets and à la carte channel pricing be declared on the websites of the DPOs and broadcasters and as such, the pricing and bouquets can be found there as well. Trai's website also has a list of all the pay channels and their pricing.

What happens if a consumer's choice is not registered?

DPOs have till January 31 to collect the choices from their consumers, and from February 1, they are to implement the new tariff order. If they have failed to do so, the broadcasters could be asked to disconnect signals to the defaulters, resulting in a blackout. This would mean discontinuation of services at the consumers' end as well. It is thus important for all customers to select their choice of channels so that the new selection of channels can be implemented from February.

What if a consumer has pre-paid beyond February? What happens to the money already paid?

In case of an advance payment, the DPOs are to adjust the balance remaining with them against the fees for the newly selected channels/packs.

LETTERS

No benefit for farmers

This refers to "Good on paper" (January 24). Direct credit of income support to farmers abolishing the present system of indirect subsidies may result in misutilisation of the assistance by the farmers since they are always in need of money. Again, if subsidies on fertiliser, electricity etc is abolished, there will be a hue and cry by farmers and political parties. It will be difficult to implement but if the economy can sustain it, direct credit can be given since farmers get less subsidy than other sectors in comparison to their contribution to the economy.

As far as Odisha's KALIA scheme is concerned, there is misinformation in the national media that share-croppers are also paid assistance at the rate of Rs 5 ,000 per season for five crop seasons; but this is not the fact. Share-croppers are not included since the Odisha Land Reforms Act does not allow anybody to lease out his/her land for share cropping. However, 35-40 per cent of the farmers are share-croppers. The government of Odisha has not undertaken any survey of share croppers. Despite repeated advice from the NITI Aayog, the state government is not enacting the Land Leasing Act on the model developed by the Aayog. Share-croppers are deprived of bank loan, crop insurance, input subsidy, selling food grains at minimum support price. They are excluded from KALIA scheme also. The hurriedly launched KALIA scheme can hardly increase the productivity and income of farmers; but, of course, it can give the party in power a huge benefit in the coming elections.

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Business Standard
Volume XXIII Number 117
MUMBAI | FRIDAY, 25 JANUARY 2019

Over the top demand

Mandating that OTT services carry all DD channels defies logic

Public TV broadcaster Doordarshan has been a unique recipient of the free-rider benefits from private broadcasters for over a decade. Since the advent of cable and direct-to-home (DTH) broadcasting, private broadcasters were made to mandatorily include all free-to-air DD channels on their networks. From 2007, private TV channels that pay crores of rupees for broadcasting rights of signature sports tournaments were asked to compulsorily transmit those events on DD channels as well via an Act of Parliament. Now, Prasar Bharati, DD's holding organisation, has suggested that over the top, or OTT, channels should compulsorily carry all DD channels. Prasar Bharati's logic, as explained in response to a consultation paper floated by the Telecom Regulatory Authority of India (Trai), the broadcast regulator, is to bring OTT services on a par with TV broadcasting. Part of Prasar Bharati's argument is valid: TV broadcasters are subject to various licensing and regulatory norms, OTT services that live stream news and current events via the internet are not. Since the argument stretches to "responsibility, liability and accountability", the argument that OTT services should be registered with the ministry of information and broadcasting has some validity. But to suggest parity with TV channels over mandatory transmission of DD channels on their networks is to stretch the already flawed logic.

The compulsory carriage provision for DTH and cable networks works primarily as a way for DD, which competes with them for advertising revenue, to piggyback on the private sector. By claiming a monopoly over events such as parliamentary proceedings (including the Budget), which it then offers to private channels, DD ensures it is able to leverage its position of official broadcaster in a way that even the British Broadcasting Corporation (or BBC) cannot. The proliferation of OTT channels, which offer a bouquet of private TV channels, suggests that there is no great demand for DD channels. On the other hand, a compulsory carriage mandate would give DD access, for free, to a customer base that OTT operators have invested crores to build. There is little logic in this.

The fiasco over sports broadcasting offers some index of the infirmity of the argument. Under the Sports Broadcasting Signals (Mandatory Sharing with Prasar Bharati) Act, 2007, private broadcasters were required to share live broadcasting signals of sporting events of national importance with Prasar Bharati. The idea was to offer poorer Indians, who could not afford the fees of cable and DTH, a chance to view sporting events. Over time, however, the definition of "sporting events of national importance" stretched from cricket to World Cup football and the later stages of Grand Slam tennis tournaments, among others. Also, with paid cable and satellite TV subscriptions accounting for close to 90 per cent of all TV households, the argument for inclusive broadcasting has weakened.

A 2017 Supreme Court ruling restored some justice while maintaining Prasar Bharati's equity principle. The apex court upheld a 2015 Delhi High Court order stipulating that the sports feeds could be re-broadcast only on DD's terrestrial channel and its DTH network Free Dish, not on the DD channels carried by private cable and DTH operators. OTT channels, however, do not have access to such an escape route and will therefore deliver DD a free and growing customer base. Trai would be unwise to accede to this asymmetry.

China's big slowdown

The engine of global growth for 30 years is slowing

The growth of gross domestic product (GDP) in the People's Republic of China (PRC) has slowed to 6.6 per cent in 2018 — which is a remarkable low for that country; in fact, it is the lowest that GDP growth has been since as long ago as 1990. Fourth-quarter growth (year-on-year) was 6.4 per cent, indicating that the economy was decelerating. The GDP growth figure was flattered by a decision to revise 2017 growth downwards, meaning there was a positive base effect. In any case, Chinese growth numbers have always been questioned. As such, this relatively low figure might conceal even greater weaknesses than the headline numbers suggest. Even though a $12 trillion economy growing at over 6 per cent is still a powerhouse, and by far the biggest contributor to global growth, the latest numbers are cause for concern.

The PRC's slowdown is less cyclical and more structural. Three decades of super-charged growth in mainland China was delivered by a very specific investment- and export-driven model. Financial savings and foreign investment were routed to large, capital-intensive projects and export-focused manufacturing. This allowed employment and incomes to grow; eventually, the PRC became the world's factory, running large trade surpluses with most countries. After the global financial crisis of 2008, the government made the choice to double down on this model, turning on the tap of cheap credit to various capital-intensive sectors. While growth remained robust, the productivity of capital declined severely. In the past year, three-fourths of growth has come from consumption, indicating that the consumption-focused sectors of the economy have now become the engines of progress.

Beijing is well aware of this structural problem, and has been for some time — there has long been talk of "rebalancing" China's economy away from exports and an investment fetish towards innovation and consumption. The logic is sound: To move from upper-middle income to high-income status — to avoid the "middle income trap" — the PRC would have to raise productivity, which will come from moving up the value chain and embedding greater innovation in all its processes. This rebalancing process would naturally lower growth during the transition. However, implementing the changes is harder than many hoped. For one, political concerns have interfered. It is important politically for the Communist Party of China to ensure that growth remains high and incomes keep on rising — or the implicit compact with the Chinese people that keeps the party in power would be broken. Thus, the credit tap to unproductive sectors of the economy cannot be turned off entirely. Further, empowering the private sector — a necessary next step in the rebalancing — is contradictory to the direction of recent CPC policy. And while Beijing has thrown resources into research, with some very positive results, integrating the product of this research into final output has been much harder.

Beijing's stated intention to reconstruct its economy will be severely tested. In some ways, trade tensions with the United States may actually help in its attempt to de-emphasise exports' importance. But for India, the question is how much this structural slowdown will affect this country's own growth trajectory. While it is true that an opportunity has opened up to insert India further into global supply chains, it is also true that without substantive domestic reform that will remain a hopeless dream.

ILLUSTRATION BY BINAY SINHA

China, Japan revive trade ties as India fades

India does not provide an opportunity comparable to China's 'Made in China 2025' initiative

SHYAM SARAN

Amidst the frenzy of the US-China trade war, an important development has escaped attention. There is a perceptible thaw in the hitherto strained political relations between Japan and China and a parallel revival in their trade and economic relations. The visit of Chinese Prime Minister Li Keqiang to Japan in May 2018 was a breakthrough and this was followed by Japanese Prime Minister's trip to China in October 2018, the first by a Japanese Prime Minister in 11 years. The two sides have begun to improve their strained relations in response to the unpredictability created by the US under Trump and his targeting of both countries on trade related issues. The Chinese are courting Japanese business and industry in earnest as their access to the US market and, more importantly, to advanced technologies and equipment is being increasingly restricted. Japan is an attractive alternative though within limits. The recent shutting out of Huawei from the Japanese telecom market is a pointer.

China-Japan relations became strained in the new millennium over territorial and security related issues. They reached a low point in 2012 over the disputed Senkaku islands. Japanese FDI into China reached a recent peak of $7.4 billion in 2012 but declined over the next several years to a level of $ 3.1 billion in 2016. In annual surveys, more Japanese companies were expressing their intention to exit China than those who wished to expand operations. The increasingly tense relations between the two countries had led Japanese business to adopt the "China Plus One" strategy, or diversifying investment away from China. This is how India came on the radar screen of Japan, both as a security partner as well as a destination for Japanese investment and trade. A rapidly growing Indian economy began to be seen as offering a scale and market comparable to China. While Japanese FDI into India has increased significantly from about $85 million in 2006-7 to $4.7 billion in 2016-17, the anticipated surge in Japanese FDI has not materialised. The accumulated stock of Japanese capital in China is over $100 billion. For India, the figure is only $25 billion. With China once again emerging as an attractive destination for Japanese investment, India may be pushed to the margins. Japanese FDI into China revived to a level of $ 3.2 billion in 2017 and is expected to maintain an upward trajectory. According to a JETRO official, "Our current conclusion is that Japanese business would act more positively towards investing in China from now on."

Japan-China trade has also resumed an upward trajectory, after declines registered post 2012, and was about $300 billion in 2017. India-Japan trade has been declining in recent years from $18.5 billion in 2012-3 to $13.5 billion in 2016-17. Indian exports halved from $6.1 billion to $3.8 billion in the same period.

Japanese business considers China's "Made in China 2025" initiative as a major opportunity. The initiative has identified 10 sectors, including Artificial Intelligence, Robotics, Electronic Vehicles and Quantum Computing, where China plans to emerge in the ranks of the most advanced countries by 2025. These are precisely the areas where Japan has significant capabilities. Recently, several important collaborations have been announced— for example, between Japan's robot maker, Yaskawa, and China's auto-maker Chery, to tap the electric vehicle market. National Panasonic's research and development hub in Shanghai is collaborating with China's Alibaba and Baidu to develop connected devices and also instrument panels for next generation vehicles. Unlike the US and western European countries, which see the Made in China initiative as a threat to their technological dominance, Japan appears to have taken a different tack. India does not present a comparable opportunity.

Japan had initially opposed China's Belt and Road Initiative (BRI) when it was announced in 2013. It responded with its Partnership for Quality Infrastructure (PQI) in 2015, offering a financially viable and transparent alternative to countries in Asia and Africa, seeking infrastructure development. In 2017, India and Japan together announced the Asia-Africa Economic Growth Corridor (AAEGC), to extend joint infrastructure funding to Asian and African countries. However, in June 2018, Japanese PM Abe reversed course to offer to work with China in third countries to develop infrastructure. Fifty such collaboration projects were announced during his visit to China in October 2018, including a rail project in Thailand. AAEGC has receded into the background. Japan is now on board the BRI.

Japanese business continues to have reservations about investment climate in India. In the latest Joint Report of the India-Japan Business Leaders' Forum, the Japanese side called upon the Indian government to "streamline and speed up the GST system and related procedures, promote tax system reorganisation and rationalisation, assure internal consistency of tax system including revisions to the Master File requirements; amend and consolidate labour laws, ensure the free flow of data by rescinding regulations on data localisation, promote infrastructure development and reform the project bidding system; improve transparency of and consistently enforce legal and institutional frameworks; develop and digitise general rules on administrative procedures and ensure transparency and fulfilment of administrative contracts."

China today does not offer a better set of terms for FDI but Japan continues to retain a higher comfort level doing business with China and South-East Asia than with India.

The writer is a former Foreign Secretary and currently Senior Fellow at CPR

How entrepreneurs learn

STRATEGIC INTENT

INDRAJIT GUPTA

"We'd like to inculcate start-up or entrepreneurial thinking inside our firm." One hears this refrain a lot these days from big established firms across industries. That's a shift from four years ago, when CEOs of large established firms would struggle to understand the mindset of young start-up founders. And at Nasscom events, it was equally common to see start-up founders being mobbed by young techies. And the same audience would promptly leave the hall if a CEO of a large, successful software company came in to present.

We've obviously travelled a fair bit from those days. And there are enough tell-tale signs of change. At leadership off-sites, it is now quite common to hear CEOs and CHROs (chief human resource officers) consciously seek out start-up founders to address teams, instead of dyed-in-the-wool corporate CEOs. That's not surprising, given that across sectors many large established firms are now seeking new ways to drive growth—and their biggest bugbear invariably turns out to be, and you've guessed it right: how to change rigid mindsets. A settler's mindset at a time of great change is a recipe for concern. And fostering learning agility is particularly difficult, if you're not open to new ways of working.

Listening to an entrepreneur narrate the highs and lows of his journey may be the easy part. Jointly reflecting on the key takeaways from the session, too, is par for the course. But the real issue is this: Do these conversations actually help hasten the change in mindsets that most CEOs crave for? It is certainly a good idea to fuel these conversations, but unless the lived experience starts to change every day, there's very little chance that leadership behaviour will undergo any perceptible change.

So what are some of the typical blockers that prevent leaders in large established firms from becoming more agile and nimble? It might seem somewhat odd in these times, but functional silos end up becoming the biggest barriers to change. And you'd be surprised just how rare cross-functional ways of working tend to be across Indian organisations. The trouble is that many of the more complex challenges in an organisation— say discovering a new market space—can't be addressed in any other way.

Even if you string together a cross-functional team in place, and find a way to isolate them from the mainstream organisation, much of the team's behaviour would still remain rooted in organisational memory. Having been successful for many years, it is far from easy to convince yourself that it is time to don a new hat.

Yet that's something that many start-up founders, especially the smart ones, are usually adept in: They simply wipe the slate clean and start afresh. Call it learning agility or nimbleness, but how do you help build new muscle memory among leaders that makes it easier for organisations to cut a clear path ahead?

Now, think about how the best entrepreneurs learn. They typically use their network to start explanatory conversations with a diverse set of stakeholders about new opportunities. They remain intellectually curious at all times, asking questions, listening carefully and building on each conversation to cull out a set of insights that can't be found in any textbook or YouTube video. In her seminal paper, *What Makes Entrepreneurs Entrepreneurial*, professor Saras Sarasvathy at the Darden School of Business Administration at the University of Virginia captures this approach, which she calls effectuation, very well.

Contrast that with causal or predictive reasoning that we were taught in business school. It is all about starting with a pre-determined goal and a given set of means to reach the most optimal—fastest, cheapest and most efficient—of alternatives to that goal.

On the other hand, professor Sarasvathy's research based on in-depth conversations with successful entrepreneurial founders busts this myth. They rely on effectual reasoning, she says, which does not start with a specific goal. Instead, it begins with a given set of means and allows goals to emerge contingently over time from the varied imagination and diverse aspirations of the founders and the networks they interact with.

Effectual thinkers are more like explorers on a voyage into uncharted waters, like Columbus who discovered the new world. And causal thinkers are like great generals seeking to conquer fertile land, like Genghis Khan, who annexed two-thirds of the known world. It is another matter that the best entrepreneurs are capable of both and use both modes well. They tend to prefer effectual reasoning over causal reasoning in the early stages of a new venture, and arguably, most entrepreneurs do not transition well into the latter stages, requiring more causal reasoning, says Sarasvathy.

The same logic would perhaps apply if you were a large firm on the look-out for new, white space growth opportunities. Abandoning the default mode of thinking—usually anchored in predictive reasoning—is always hard. Yet that's what separates the truly entrepreneurial firms from those that aspire to be entrepreneurial, but eventually flounder because they don't quite know how to unlearn old ways of thinking.

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Imperial frontiers and conquests

BOOK REVIEW

C P BHAMBHRI

This meticulously researched study by an Italian historian tells the story of the interface between the Mughals and the Portuguese empires, focusing on the borderlands that, according to the author, "seem to have predominantly been areas of tension and separation".

The Portuguese had established the Estado da'India, "the political and administrative framework of the Portuguese Empire in Asia," in 1505 and made Goa their capital in 1510. Babar laid the foundation of the Mughal empire in 1526, and up to the end of Aurangzeb's reign in 1707, the Mughals expanded their territorial domination over the country, so that "Mughal India and Portuguese India shared, negotiated, disputed and imagined both the space in between and space within borderland".

In six chapters, the author devotes his attention to Gujarat, littoral Bengal (Hugli), Western Deccan or the Sultanates of Ahmadnagar and Bijapur and the period of study is from circa 1570 to 1640.

Emperor Akbar was an "expansionist" and his first contact with the Portuguese took place when he attacked Gujarat where the Portuguese had established close contact with Ahmedabad and the port city of Surat. The importance of Gujarat for both empires was immense and the author has devoted two chapters to these campaigns. "The Mughals, it goes without saying, had the upper hand in the evolving relationship. But for the Portuguese, labelling these undesired neighbours as foreign (albeit white) and alien to India and its peoples seems to have translated into a form of political legitimacy and moral compensation for themselves," Mr Flores writes.

Akbar's "Mughalisation" of Gujarat after its conquest in 1572-73 disturbed the Portuguese because "the interests at play in the Mughal-Portuguese borderlands of Gujarat over time were multiple" so conflicts and convergence between the two competitors became a normal affair. During Akbar's reign, "the Portuguese who traded in the province ran the risk of being imprisoned and losing their merchandise". Expanding on the Mughal-Portuguese interaction in Gujarat, the author says, "It offers a rich mixture of politics and religion, trade and war, court and provinces, in individual agendas and geo-political strategies, dissimulation and realpolitik, orthodoxy and accommodation".

After Akbar, the two major conflicts of 1613-15 and 1630-32 between the two empires throw much light on the contests about borderlands. The author refers to a "shift" in interests and relations between Mughal ruler Jahangir and the Portuguese because "mercantile commerce was Jahangir's main interest in Gujarat and ... this led to conflicts between the two". The conflicts of 1613-15 and 1630 on maritime boundaries were triggered by the Portuguese assumption that the sea was theirs. The crux of the issue was that the Portuguese arrived in India as a major maritime power and the Mughals were late entrants to maritime trade.

Chapter 5 is devoted to the Deccan. The Portuguese had a close and extensive relationship with Ahmadnagar and it is interesting to note that it was not only conflict; negotiated settlements also took place between these two contending empires. "Once the Deccan wall crumbled the southern Mughal-Portuguese border settled at the gate of Goa, and the Mughals did not knock down the door," Mr Flores writes.

The final chapter is on Bengal, which "proved to be a harsh land for both the Mughal Empire and the Estado da' India. Bengal was ...considered a wild territory by both empires, a sort of eastern 'far West' as seen from Fatehpur Sikri and Goa alike". Since, Bengal was considered "unstable ground" for both, the Mughals took the difficult path of establishing a *subah* (province) in Bengal and the Estado made "recurrent endeavours to secure some sort of influence in the region". This led to clash between the two "over the control of ports, commodities and also land and rents".

The author's description of the Portuguese challenge to Akbar, Jahangir and Shahjahan in Bengal is particularly informative. He observes: "The event of 1625 thus represent just one link in a long chain of skirmishes...as a rehearsal for the major crisis of 1632, a final warning tremor before a full blown earthquake was to burst". When Shahjahan attacked Hugli, a vital port for the Portuguese in the Bay of Bengal, he launched an offensive from July to September 1632 and used the victory to enhance his image both abroad and at home. It has also been suggested that "...the fall of Hugli often became associated with the decadence of Estado da' India". It deserves to be noted that Shahjahan directly intervened in the war in Bengal as Akbar had done in Gujarat.

The main contribution of this study is to bring into sharp focus the fact that the expansion of empires in India was gradual and shifted from region to region. The author has used a wide variety of sources to construct his narrative and when his sources suggest diverse interpretations, he chooses to be ultra-cautious in drawing definitive conclusions. If there is a message for those who are busy making history a playground for politics, it is that facts are important and interpretation should be based on solid facts, not myths.

UNWANTED NEIGHBOURS
The Mughals, The Portuguese and their Frontier Zones
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Oxford University Press
₹895, 328 pages