ASIAN MANAGEMENT INSIGHTS

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AI GETS REAL

At Singapore's Changi Airport

Corporate Sustainability
An interview with Lise Kingo, CEO of the UN Global Compact

Asian Luxury Retail
Stepping up the talent strategy

Family Togetherness
Sustaining business across generations

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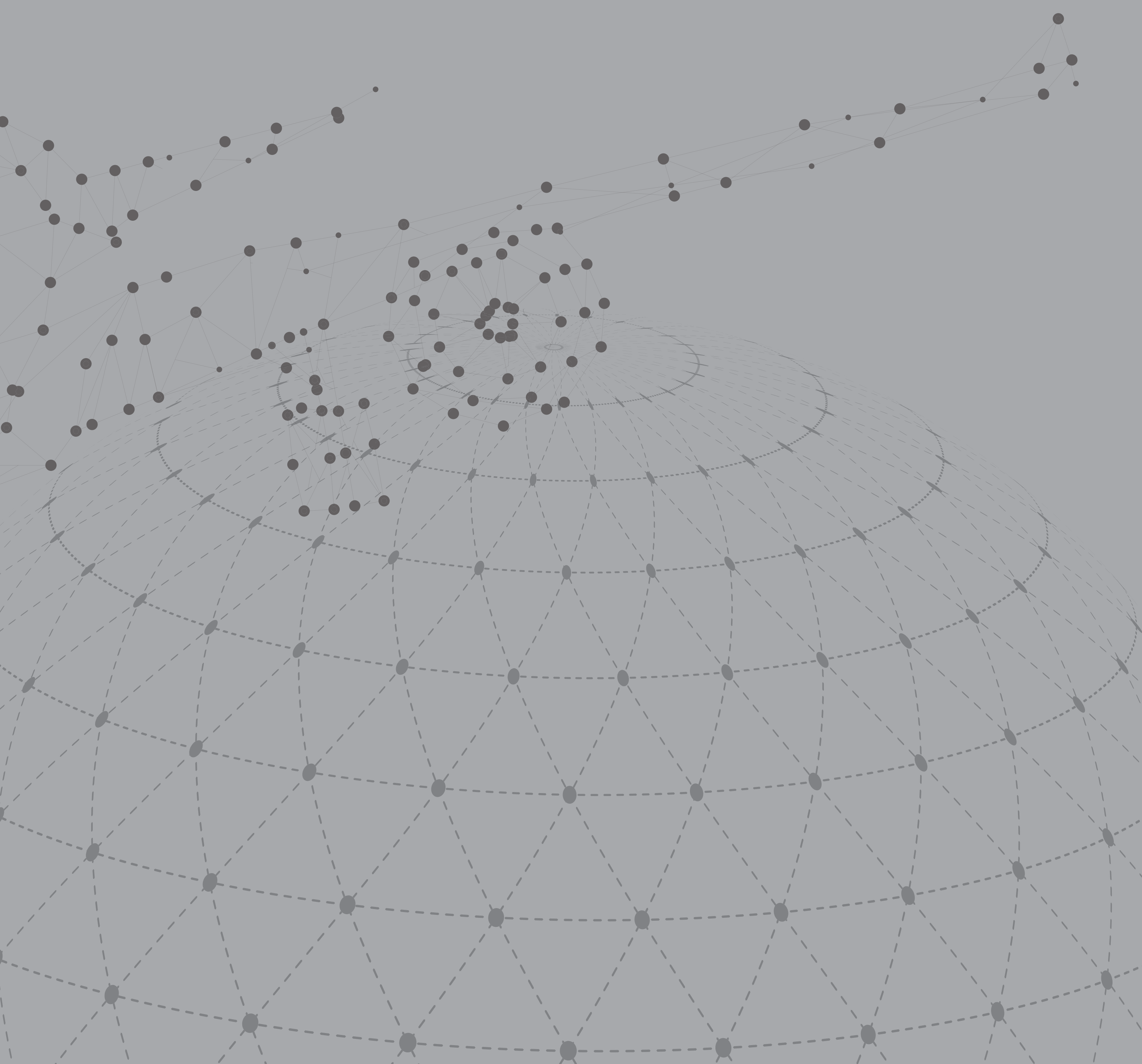

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ASIAN MANAGEMENT INSIGHTS

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FROM THE EDITOR

Profit, people and planet

On behalf of the Editorial Board of *Asian Management Insights*, its authors and readers, I would like to thank our outgoing Editor-in-Chief, Dr Philip Zerrillo, who founded the magazine and invested significant efforts to advance its profile these past five years.

This year marks the 25th anniversary of the 'triple bottom line', a term coined by John Elkington to describe a sustainability framework which proposes that business goals are inseparable from the societies and environments within which they operate. The UN Global Compact was founded 19 years ago by former UN Secretary General, Kofi Annan to give corporate sustainability a face. Lise Kingo, CEO and Executive Director of the UN Global Compact, told us how the organisation is inspiring companies to set their sustainability strategy. She goes on to talk about building awareness for corporate sustainability in Asia. Ryal Wun continues with this theme, and takes us on a journey beyond the 'CSR' buzzword to show us global trends in corporate sustainability.

Authors Steve Lee and Steve Miller share their experiences and learnings on how Singapore's Changi Airport Group has leveraged connective technologies to pursue its SMART Airport Vision. A growing portfolio of AI-enabled pilot projects has enabled the award-winning airport to retain its customer-oriented business focus and culture of service excellence.

The acceleration of environmental and social challenges exerts pressure on corporate leaders to be not just reactive, but proactive. A new breed of leaders are attempting to catalyse a better way of doing business, keeping in mind the triple bottom line of profits, people and the planet. Flocy Joseph shows us how to be a responsible leader when navigating the increasingly complex canvas of competing goals. Asian representation at the top rungs of global firms remains at a worrisome low, and Rick Smith and Tan Suee Chieh discuss key traits of Asian leadership versus global leadership, sharing potential roadblocks for local leaders moving to regional leadership roles.

Our Case in Point is SureCash, a mobile financial services company in Bangladesh, which is trumping its competitors by leveraging a niche market strategy. Aurobindo Ghosh and Lipika Bhattacharya explain how the company differentiated itself by creating a novel educational fee collection platform, opening accounts for 10 million women in Bangladesh.

As many Asian economies battle with large or growing populations that are outpacing income growth, Rajendra K. Srivastava and Philip Zerrillo posit that we need to bridge the gap between the lab and the market and focus on need-based, solution-oriented innovation. Proof of concept means little if it can't be transformed into frugal innovation. Elaborating on an excellent tool to create such solutions, Lawrence Chong shows us how Design Thinking contributes to human-centred economic solutions and shapes common action.

Our entrepreneur in this issue is William Heinecke, the founder and Chairman of Minor International, a Bangkok-based multinational company operating in hospitality, restaurants and lifestyle brands distribution. He shares how his love for American fastfood got him into the ice cream business, Mister Donut, and Pizza Hut. Heinecke didn't stop at opening new stores; he developed an innovative fastfood delivery system and executed backward integration by building his own cheese and ice cream factories.

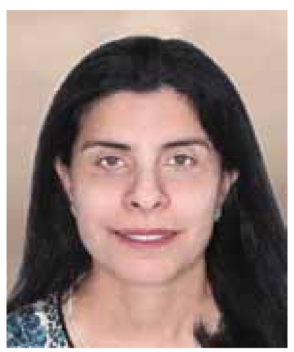
Koh Kek Sin warns from his experience in managing franchises in Asia that we must be careful not to treat the region in a homogeneous way. He shares key insights and provides a recipe to establish and grow a brand in Asia, and potentially beyond.

Family togetherness forms the core from which family businesses draw their competitive advantage. Navneet Bhatnagar reveals the threats to family togetherness, and offers specific measures that can be taken to effectively strengthen it.

Even as online commerce sales are rising five times faster than the overall market, forecasters agree on one thing: online sales for luxury goods will flatten at around 25 percent of the total market by 2025. Luxury companies cannot be complacent, says Stéphane J.G. Girod, and these brands need to evolve and adapt to the new digital reality. Girod suggests steps to reinvent the physical store.

How do you prepare the future of school systems in the developing world to meet the challenges of life in the twenty-first century? Claudia Costin avers that change should come through a systemic approach that includes good policymaking and resource management in each country, and proposes a schematic approach to ensuring quality education for all in the developing world.

To conclude, I am honoured to assume the responsibilities of Editor-in-Chief of AMI, and hope to maintain the momentum while keeping pace with the constantly changing nature of business management in Asia. I am committed to improving the quality of the publication, and increasing its impact in academia and among practitioners. I truly appreciate the indispensable submissions of our contributors to deliver these objectives, and look forward to working with you in the coming issues.



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SECURING THE CORPORATE SUSTAINABILITY ADVANTAGE

Lise Kingo, CEO and Executive Director of the United Nations Global Compact, talks about building awareness for corporate sustainability in Asia, in this interview with Havovi Joshi.

How does the UN Global Compact look at corporate sustainability?

The UN Global Compact is the largest sustainable business initiative in the world, with more than 70 local chapters that work with close to 10,000 companies, large and small, across the world. With 3,000 stakeholders, we are a true multi-stakeholder initiative. We were founded 19 years back by former UN Secretary-General, Kofi Annan, with a view to giving the organisation a human face. So Mr. Annan put forward Ten Principles relating to UN conventions–spanning human rights, labour, environment and anti-corruption. These principles constitute the foundation of what we think of as corporate sustainability, and all companies that join the UN Global Compact must sign up to these principles and report on them once a year. We then make this reporting available to everyone.

In terms of defining corporate sustainability, three and a half years ago, the 2030 Sustainable Development Goals (SDGs) were adopted by all Member States of the UN. So we aim to inspire companies to combine the Ten Principles with the 17 SDGs in order to set their sustainability strategy. In essence, it's basically anchoring the Ten Principles in all business operations, and taking inspiration from the 17 Global Goals in setting the future strategy for the company.

Is corporate sustainability being adopted at a different rate across the globe? How are Asian countries doing in terms of their sustainability measures?

I have been working in this space for almost 30 years, and I have never seen the sustainable business movement increase as fast as it has in the last few years, since the SDGs were launched. So, for example, when we ask across all our participating companies how many of them have adopted the SDGs on a global basis, it's a high 80 percent. And in Asia Pacific, that number is 90 percent. So there is a great awareness around the goals and the importance of showing that business is a force for good. I think the downside is that there are still very few companies involved. We want responsible business to become mainstream, especially in Asia Pacific.

Are there some practical levers that you use to drive this change?

Yes, absolutely. We support companies, wherever they are on their sustainability journey, in running their business in a more responsible way. We have a number of tools that companies can use to get started, as well as tools for the more advanced companies. For example, the Blueprint for Business Leadership on the SDGs can be used by companies to select the Global Goals that they want to work on, and also to get a better understanding of where they have a positive impact and a negative impact on those goals. We also have the UN Global Compact Academy, where we offer training sessions and inspiration across various areas, including financing, supply chain, and human rights. So we work with companies to support them in any way to really impact both the Ten Principles and the Global Goals.

What is really interesting about the UN Global Compact is that we can take the best from the UN system and from the private sector, as we are funded 85 percent from businesses and 15 percent from a group of donor governments. So we run this organisation more like a business to ensure that we service all our corporate members in the best possible way.

What is the role of technology in corporate sustainability?

Technology plays a really important role. This is because achieving the 17 SDGs relies very much on breakthrough innovation. We will not be able to meet the Global Goals by doing small, incremental improvements in businesses across the world; we need to completely reinvent products or business models. And here, information technology is absolutely crucial.

> We want responsible business to become mainstream, especially in Asia Pacific.

We just issued the latest Global Opportunity Explorer, which is part of a leading open platform for sustainable solutions. In it, we illustrate 100 concrete business solutions from across the world on how to address climate change. They all rely on different kinds of new technology. I believe that breakthrough innovation is critical to rethink the existing situation, and technology is critical for innovation today.

As an International Gender Champion, what have you seen in terms of measures taken by Asian stakeholders and leaders on gender equality? What are the gaps that need to be addressed on bridging gender inequality in Asia?

The most popular SDG in the Asian region is clearly goal number eight, which deals with decent work and economic growth. Almost equally popular is goal number five, which is gender equality. I think it's interesting that Asian companies put gender equality very high on their agenda. However, I think that we still have a huge challenge in this area. The World Economic Forum annually estimates how many years it will take to create full gender empowerment in the world, and for the moment, it is more than 200 years. So I think that's a little bit depressing. But we do know that if we could empower women in the workplace across the world, there would be an economic upside of US$28 trillion in added global economic growth—so there are some amazing opportunities in really working to empower women.

It is also fair to say that if we want these 17 Global Goals to become a reality by 2030, we really need to work on empowering women and engaging women in achieving the goals. At the UN Global Compact, what we suggest companies do in a very concrete way is to sign up to the Women's Empowerment Principles that we coined together with UN Women some years ago. There are seven principles that are aimed specifically at corporations, which they can use in setting their strategy for gender empowerment. So far, we have 2,100 companies that have adopted these principles. We have also created a gap analysis tool that the companies can use to find out how they are actually faring on each of the principles. And that gap tool has been used by more than 1,000 companies.

There is a core group of companies worldwide that is very serious about their work on empowering women. These companies have seen the results—that ensuring equal opportunities for female talent is also a way to ensure a better financial bottom line—which is what the consultancy firm McKinsey is showing in its annual survey year after year.

Adopting these principles and goals will require a huge cultural change for many of these companies. What do you find really incentivises them to start doing so?

I think what motivates companies to adopt a more responsible way of running their business is definitely the pressure they are feeling from their customers and stakeholders. It is hard to think about one industry today that is not under transformation, and is not being pushed by its stakeholders to become more socially responsible or more environmentally responsible. For instance, with concerns about climate change, the oil and gas industry is investing more and more in sustainable energy sources.

There is also a major transformation going on in the fashion industry, which is the second most polluting industry in the world. It's also an industry that sells a lot of products to the younger generation, who are clearly sending a signal that they want to buy from companies they can identify with, and they want to work for responsible companies that they can feel proud of.

The food industry is also under transformation. In all parts of the world today, we find that people want to eat healthier and consume food that has less fat and sugar, with less additives. More and more people are becoming vegetarians and are changing the perception of what good food is. So I think a really good argument for companies to adopt the kind of thinking we are representing here at the UN Global Compact is that they simply *have* to transform. Industries that don't transform when the world and their stakeholders transform are looking at quite a gloomy future. And industries understand that.

There's also the value that you can optimise your company financially in many ways by saving energy, by saving water, and through other processes. And then I think that there's a huge benefit around motivating employees, which can be hard to calculate. But having employees who feel proud to work for the company is really important. It also helps attract young people to work for the firm.

The company's reputation is another really good reason for adopting a more responsible approach. Most companies today rely on having a good standing and they don't want to get dragged through the media and public due to issues like corruption or human rights abuse. So here again, being a responsible company is a good way of managing risk.

And finally, the financial sector today is evaluating companies very much on their ability to document environmental, social, and governance activities; they see it as a way of managing risks in the companies. So I think the financial sector is also becoming a key driver for corporates to become more responsible, and we do see clear trends of investors choosing not to invest in tobacco, oil and weapons.

Do you feel that the governments in Asia are taking corporate responsibility more seriously now? Is it on their agenda?

When I visited Singapore and our Global Compact Network Singapore a couple of months ago, I was so impressed with the way the country has organised activities to bring down CO_2 emissions. The island state is a role model for many other countries across the world. With the government representatives that I met in Singapore, I got the feeling that they all knew the 17 Global Goals really well. The government has a plan for all the goals—it has defined its priorities and is really dedicated to the whole agenda. This was similar to many of the companies and civil society organisations that I visited. I do recognise the advantage of being a relatively small country, which makes it a little bit easier to set priorities and implement at a very high ambition level. And I definitely think Singapore is doing that.

I also went to Indonesia, where the UN Global Compact has had a network for many years. I met with many companies there, and think that they are very innovative in the way they are picking up the goals. So the corporate responsibility movement is definitely taking shape in Asia—I think the challenge we have is that it needs to go to scale now and we should have even more companies adopting the Global Goals and the Ten Principles of the UN Global Compact.

If you were to choose one thing that is lacking, or that we need, to make corporate sustainability a reality, what would it be?

We will need far more corporate leadership. Climate change is the highest-priority environmental, social and governance issue facing investors today. Governments looking to speed progress on climate and the SDGs will need to find champions among companies with shared interest in policies to tackle these social issues. To this end, we will need far more corporate leadership to help assess the implications of climate change, integrate climate commitments into policy positions and provide constructive, responsible input to government.

We will need far more corporate leadership to help assess the implications of climate change, integrate climate commitments into policy positions and provide constructive, responsible input to government.

In this spirit, the UN Global Compact will help to mobilise businesses everywhere to support the call of the United Nations for raised ambition and leadership, and to create the 'tipping points' that are needed to make corporate sustainability business as usual.

Lise Kingo
is the CEO and Executive Director of the United Nations Global Compact

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is the editor-in-chief of Asian Management Insights and the Director of the Centre for Management Practice, Singapore Management University

AI GETS REAL

AT SINGAPORE'S CHANGI AIRPORT

A learning journey.

By Steve Lee and Steven Miller

Ranked as the best airport for seven consecutive years, Singapore's Changi Airport is lauded the world over for the efficient, safe, pleasurable and seamless service it offers the millions of passengers that pass through its facilities annually.[1] Much of Changi Airport's success can be attributed to the organisation's customer-oriented business focus and deeply embedded culture of service excellence, combined with a host of advanced technologies operating invisibly in the background. The framework for this technology enablement is Changi Airport Group's (CAG's) SMART Airport Vision—an enterprise-wide approach to connective technologies that leverages sensors, data fusion, data analytics, and artificial intelligence (AI), orchestrating these systems and capabilities into feedback loops, and deploying them with user-centric design to enhancing customer experience and operating efficiency.

Over the past decade, the number of passengers and aircraft moving through Changi Airport has increased substantially. Passenger movements through the airport have gone up from 37 million in 2009, to 56 million in 2015, and 66 million in 2018. The airport handles about 7,400 flights every week, or about one flight every 80 seconds.

These large increases in passenger volume, and corresponding increases in aircraft movements (Figure 1), created an imperative for it to continue excelling in spite of increasing business and operational complexity.

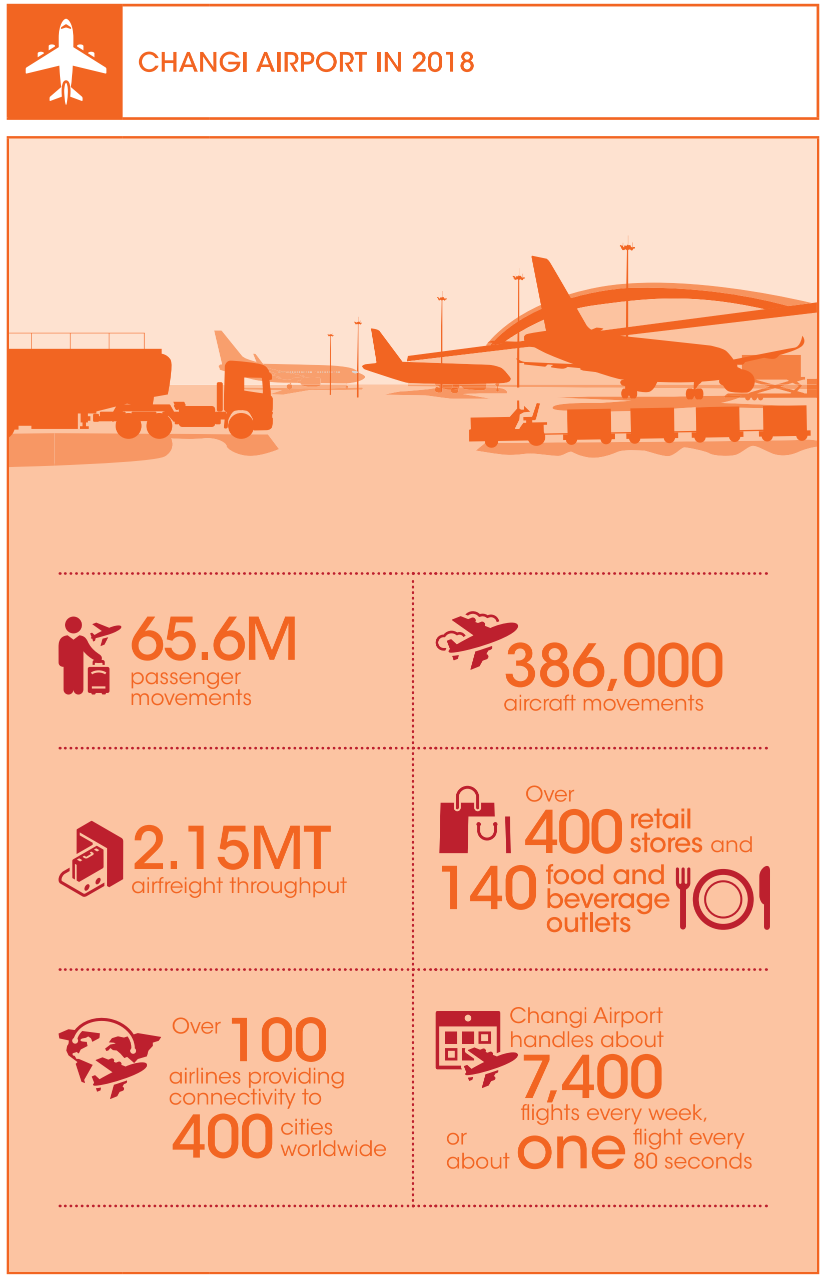

FIGURE 1

Changi Airport's use of connective technologies to move towards its SMART Airport Vision has been developing since 2017 (Figure 2). At CAG, we initiated a growing portfolio of pilot projects and follow-on production deployments to validate how best to implement the sensing and network infrastructure, data management infrastructure, data analytics, and AI and Machine Learning (ML) capacity. These efforts help us in continuously building out and improving our enterprise-wide intelligence pipeline at scale (Figure 3), and have resulted in a first wave of deployment of AI and ML-enabled applications across various functions that can sense better, analyse better, predict better, and also interact with people better.[2]

Predicting flight arrival times more accurately

A large-scale data fusion effort has been a key enabler for our efforts to substantially improve our ability to predict flight arrival times.[3] The heavy inflow of arriving aircraft into Changi Airport not only affects runway traffic, but impacts the entire airport arrival flow process—from the landing gate, to immigration, baggage claim, right up to the taxi queue. Combined, this creates the full passenger arrival experience.

In a joint collaboration with SITA Lab, a technology provider specialising in aviation and airport technology services, we built a prototype system for predicting flight arrival times for long-haul flights (over four hours' flight time) with greater accuracy than was previously obtainable. Historical data and real-time data on flight arrivals were used as inputs into a suite of ML models to accurately predict the arrival time from the time the aircraft was airborne. It took us six months to come up with the first implementation of a workable model that was good enough to validate the approach. The project team then focused on progressively making refinements and enhancements to the prediction model as well as to the data sources. As a result, prediction accuracy has steadily improved—we are currently able to predict arrival times for long-haul flights with nearly 95 percent accuracy.

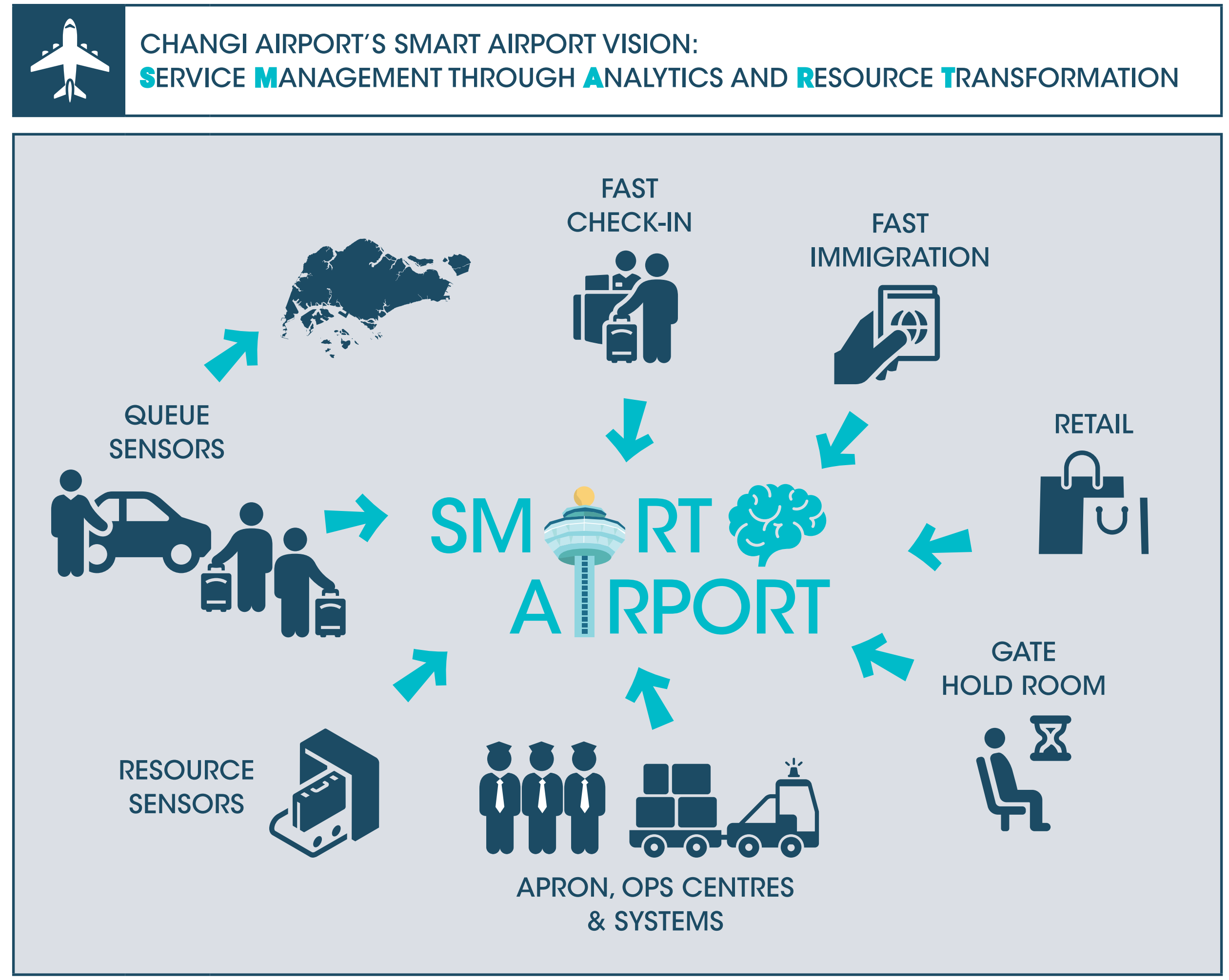

FIGURE 2

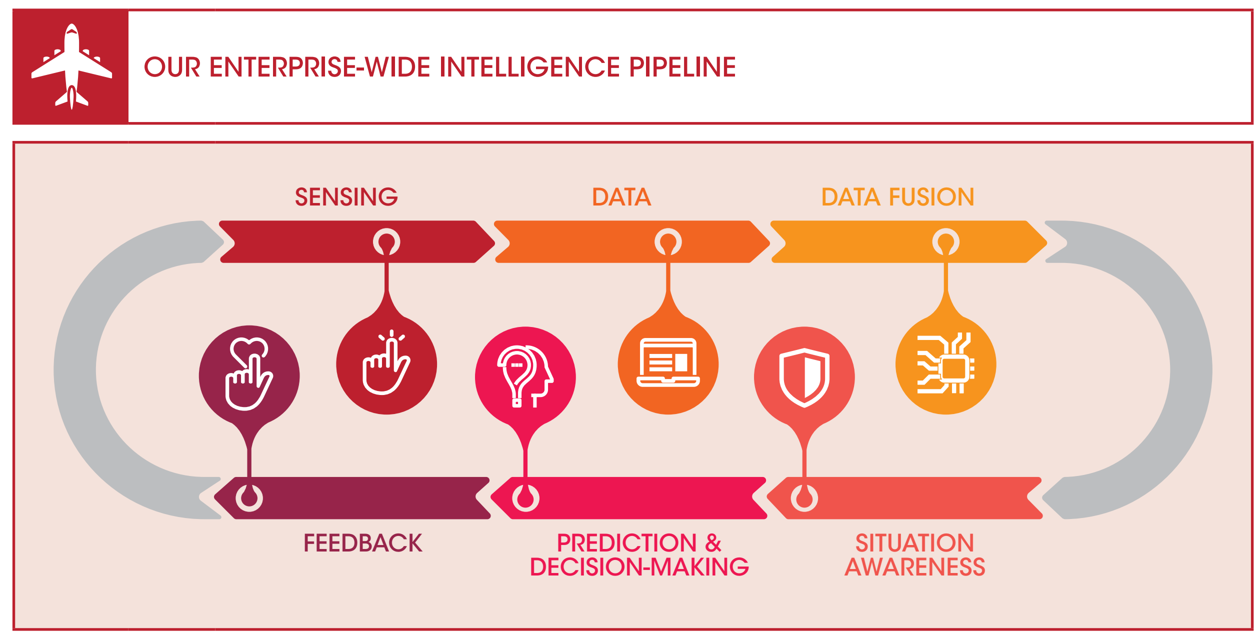

FIGURE 3

This more accurate prediction of flight arrival time is extremely valuable for operations supervisors who have to plan and deploy ground staff at the gate, as well as at various downstream processing points. It improves the airport's ability to support operations at the arrival gate, such as wheelchair assistance and other types of special needs. It also helps to improve service delivery planning and execution for immigration, baggage handling, and ground transport services. Overall, the mismatch between resource supply and demand throughout the various processing points of the passenger arrival journey is better managed. This helps to reduce the occurrence and severity of long passenger queues and to improve service staff utilisation and productivity as a result of less idle time.

Video analytics to improve airport safety and operational efficiency

Computer vision, video content analysis and video analytics are closely related terms used to describe technologies and applications that have been deployed for decades in a wide variety of commercial settings. Computer vision has been one of the main application areas for AI research, as well as for AI industry applications. Despite the availability of commercial solutions, our experience with video analytics illustrates that, while there are many general-purpose AI techniques and solutions in the market, these off-the-shelf solutions need to be contextualised and customised in substantial ways to meet the requirements of our particular application setting and business needs.

DANGEROUS LEFT LUGGAGE

At CAG, we are developing video analytics capability to enable us to identify whether a piece of luggage left on the ground represents a dangerous situation. General-purpose automated tools for still-image analysis, as well as for video-image analysis, have improved dramatically in recent years, notably since the 2012 ImageNet competition that demonstrated the superiority of Deep Learning neural networks for tasks where very large data sets can be used to train the neural networks.[4] The spectacular success of Deep Learning neural networks at the 2012 ImageNet competition, as well as in the ImageNet competitions that followed (2013-2017), are what launched the current 'Deep Learning revolution' across a wide-range of application settings that we are currently experiencing. Using Google's open source machine learning software, TensorFlow, and open source object libraries, we could easily train our software application to recognise luggage. Relatively easily and quickly, we could identify if there was a suitcase or other types of baggage left behind or left alone. What we really wanted to know, however,

While there are many general-purpose AI techniques and solutions in the market, these off-the-shelf solutions need to be contextualised and customised in substantial ways to meet our requirements.

was whether the left baggage represented a dangerous situation or not. It could be that a passenger sets aside a bag for a few moments, or even longer, to attend to something; or forgets to take with them one of the items they are carrying. The point is that, in most cases, bags left alone are not dangerous situations.

But trying to determine those very special cases, where a bag left alone has a high probability of being a dangerous situation, turned out to be very difficult to do, as there is hardly any training data available, and the many circumstances and scenarios involved made it nearly impossible to specify this type of detection using predefined rules. This example shows why one has to work with the technology, the vendors, and with internal staff to customise the context for specific circumstances.

FOREIGN OBJECT DEBRIS

We have also used visual analytics to inspect runways for 'foreign objects' in what the aviation industry refers to as Foreign Object Debris (FOD) detection. FOD are usually small items like keys, pens, batteries, coins, and even a workman's glove that inadvertently fall out of pockets. These seemingly trivial items can cause major damage to the aircraft and can even result in major accidents. Keeping runways free of FOD requires constant inspection and monitoring, as well as debris clearing, to ensure that the runway is perfectly safe for take-off or landing. Changi currently has two runways, each 4 km long, which require 24/7 inspection for FOD.

Prior to implementing our first visual analytics system for FOD detection in 2009, we asked ourselves if there is a way to use video analytics to support the staff involved in this extremely tedious and error-prone inspection work that is obviously not well-suited to humans. We went ahead and implemented a commercially available system specialised for this purpose, and it proved to be helpful. At the same time, it had a relatively high false alarm rate, as small puddles of water, pieces of paper, and other visual irregularities due to unusual lighting or shading, would trigger a FOD alert. False alarms are costly. For debris removal operations to start, the runway needs to be cleared of all flights and the staff have to go on the runway and confirm whether or not there is FOD. This causes departure delays and disruptions, as flights taking off have to wait at the gate and arriving flights are put in a holding position.

Over time, we have been able to develop a good dataset that has helped us move to the next generation of video analytics capability for FOD detection. We collected large numbers of FOD image examples which showed true positives and true negatives, as well as false positives and false negatives. We then worked with a vendor who had strong general purpose capability with image and video analytics based on recent developments in ML (Deep Learning neural networks) for image recognition and classification. This newer approach, in combination with the training data set, reduced the false positive rate by 35 percent and even reduced the false negative rate by a small but practically useful amount.

These technological improvements substantially reduced the burden on operations personnel (who had to monitor the video analytics system) and unnecessary runway closures and their related disruptions. The key to realising this improvement was our historical data set. Without that, it would not have been possible to harness the new generation of higher performing neural network-based models for this application of video analytics. This is the power of data!

QUEUES AT SECURITY SCREENING

In three of the four terminals at Changi Airport, security screening is done at the boarding gate rather than at one central location. The passengers are delighted that they do not have to endure the arduous queues that are almost always associated with a centralised security screening area in most large, crowded airports. However, the decentralised approach to security screening, where screening machines and staff are located at each gate, poses a major operational challenge. This approach requires more security screening equipment to be purchased. It also creates a real-time need to know how many operations staff are required at each gate in order to minimise the build-up of queues of boarding passengers at that gate. This situation has to be managed over three terminals, each with approximately 60 gates.

We know the schedules of flight departures at each gate, which gates are going to be in use at which time, and if there are departure delays. But until recently, there has not been a practical, economical and reliable way to know the real-time situation of the queues of departing passengers at each gate. The arrival pattern of passengers at the gates is probabilistic, and so is the amount of carry-on luggage per person. And while we may know the historical patterns of these variables, one never quite knows what will happen in real-time at any particular moment. We used to depend on our security operators to let us know when the queue starts forming. We also had operators manually looking at the CCTV screens to inform us about long queues. But there had to be a better way to monitor, and even predict, queue build-up at boarding gates using intelligent video analytics (IVA).

We created a large dataset using historical video image data from our existing cameras, and used this as a means of benchmarking the extent to which commercial vendors could meet our requirements. A competition was organised, where we screened the international vendor community, as well as local solution providers. Based on this, CAG invited 15 companies to participate in a competitive benchmarking exercise. This included international/multinational technology giants with video analytics products, highly specialised firms with deep expertise in this area, start-ups that were specialising in this area, and applied, translation-focused research institutes with these capabilities. To our surprise, none of the existing solutions from this very capable, pre-selected sample of 15 vendors could perform our test task to our required levels of performance. Their general-purpose capabilities were insufficient even with the training data we had given them, because the methods had not been tuned and customised to the context of our specific usage setting and needs. And that gap was large enough to make the off-the-shelf solution impractical to use in our everyday production setting.

Why was it so difficult to count people (as video analytics systems are usually very good at automatically counting people) and form an estimate of the crowd at the gates? Changi's departure gates have glass walls designed to create a spacious feeling for passengers. However, this created havoc for automated video analytics systems that count people, as there was no way of determining from the image if a person was inside or outside of the glass wall! The queues could also form in less distinct ways and sometimes mix with regular passenger traffic walking past that particular gate. Was the automated video analytics system counting the actual number of people waiting in the queue to go through security screening? Or was it also counting people that have already passed screening and are inside the boarding gate? Or people just walking by? This is just one vivid example of why something that seems easy to do with today's AI technology could turn out to be not so easy in a specific setting.

We eventually proceeded with one video analytics vendor, and worked with them to contextualise and customise their solution for our required level of performance. In addition, we pursued a data fusion strategy to provide more context and hence more intelligence to our overall analysis. For example, we identified the type of aircraft that would be departing, as the capacity of the aircraft gives us an upper limit on the number of people who would be arriving at the gate. We found ways to use video analytics to create profiles of flights, to provide statistical information on the patterns of passenger arrivals at the gate by flight and by time of day/month/year. All of this combined enabled us to improve our ability to estimate, in real time, how many passengers have boarded, how many more will need to board, what the projection for the queue will be, as well as the manpower requirements at the gate to handle the predicted number of boarding passengers. This AI-enabled video analytics effort is enabling us to reduce queues at those gates with decentralised security screening, and to increase the productivity and deployment efficiency of the operations personnel who operate the screening checkpoints.

Customer service chatbots

Passenger volume levels at Changi are expected to keep increasing, and when our new Terminal 5 opens in 2030, passenger volume for all five terminals is expected to cross 130 million people annually. Unsurprisingly, the airport receives huge volumes of customer service calls each year, mostly about basic information like flight times, gates, transit times between terminals, baggage allowances, immigration procedures, lost-and-found requests, and restaurants and shopping. While peak times for asking these types of questions occur during the day and up until the evening, there are still quite a few who contact the call centre between midnight and 5 am. People like to ask questions, even though much of this information is available on the company website, and they want the assurance of a well-informed response.

Given that so many of these questions are repeats of the same inquiries, and given the heavy volumes, the employee turnover rates at Changi's call centres indicate that this is not a desirable job–at least not in its current form. Chatbots are the obvious strategy for improving this situation, but we all know the frustrations of using chatbots that don't really understand the intent or specifics of what is being asked, and don't know when and how to transfer the call to a human if the interaction is not working out well.

CAG started live deployment of customer-facing chatbots at the beginning of this year. Prior to launching our own, we studied how other airports, airlines, and a variety of other industries used chatbots. We studied the types of questions that come through the airport call centre. We also studied the various sequence and bundling of questions, to see if there were ways to anticipate the customer's next question and provide them with what they might want even before they ask. We went through numerous 'design thinking' sessions and considered many alternatives for how to create easy-to-use interfaces and navigation sequences, and how we might combine text responses with other types of structured information support. We did experiments to see if people preferred to receive streamlined responses (with carefully curated and minimal amounts of content to answer their question) or more content-rich responses (with more supporting information). We worked with language technology specialists to choose which language technology platform to use given the types of questions our customers ask, the types of dialogues they engage in, and other technical needs such as requirements for enterprise security and data protection.

In other words, the chatbot project involves a whole lot more than just chatbots. It is an entire user experience design effort, where the chatbot aspect of answering text questions is just one part of an AI-enabled, increasingly more context-aware (and intelligent) approach to understanding the customer's intent, and providing them with the support information they need.

Chatbots will enable us to reduce the pressures of volume and tedious repetition on our human call centre operators. Also, they will allow us to digitise more easily what people are asking, even with very large quantities of questions. This helps us to learn on a continuous basis, and adapt our services accordingly, e.g. when a specific inquiry or comment comes up frequently, we recognise that as a problem and fix it accordingly. Similarly, customer questions also give us insights into market demand for new service offerings.

We have learnt that the development of chatbots is an iterative process. It continuously improves through ongoing usage in testing and production, through ongoing monitoring of responses for adequacy, errors and failures, ongoing refinement of the language technology models, and parallel refinements to the related models for guiding navigation, presenting supporting information, and user experience. We also put a lot of attention on how to achieve a smooth handover from the chatbot to the human operator when the chatbot is unable to handle a query. Over time, we hope to rely as much as we can on the chatbot while keeping service standards high. We will also continue to refine the way that the chatbots and their human supervisors work together to provide a better experience than could otherwise be provided with only chatbots or only people.

Lessons learned and managerial insights

Technology in itself is an enabler. Even with today's more advanced and rapidly improving AI capabilities, it is still true that technology is necessary but not wholly sufficient for delivering world-class levels of service excellence across all aspects of our customer interactions and operations. And we do not see this situation changing any time soon.

The highly iterative nature of all of our AI projects is a consistent theme–with each of these project iterations, our project teams learn and grow. They develop and redevelop the analytics and prediction engines, and refine and expand the data sets, and learn and grow again. We keep cycling through the OODA loop: observe, orient, decide, and act. In the process, we are not just growing the technology, we are growing our operating practices and processes, as well as growing the learning capacity of our entire organisation.[5]

Our conceptual roadmap for realising the SMART Airport Vision provides a clear, simple visual representation to convey the big picture and strategic purpose for growing our portfolio of AI projects (Figure 4). The roadmap makes it easier for our cross-functional teams to communicate about which type of key outcome they are targeting for capability enhancement, and which level of key enabler they are contributing to and/or making use of. It also helps our cross-functional teams clarify where and how the project fits into the overall management cycle.

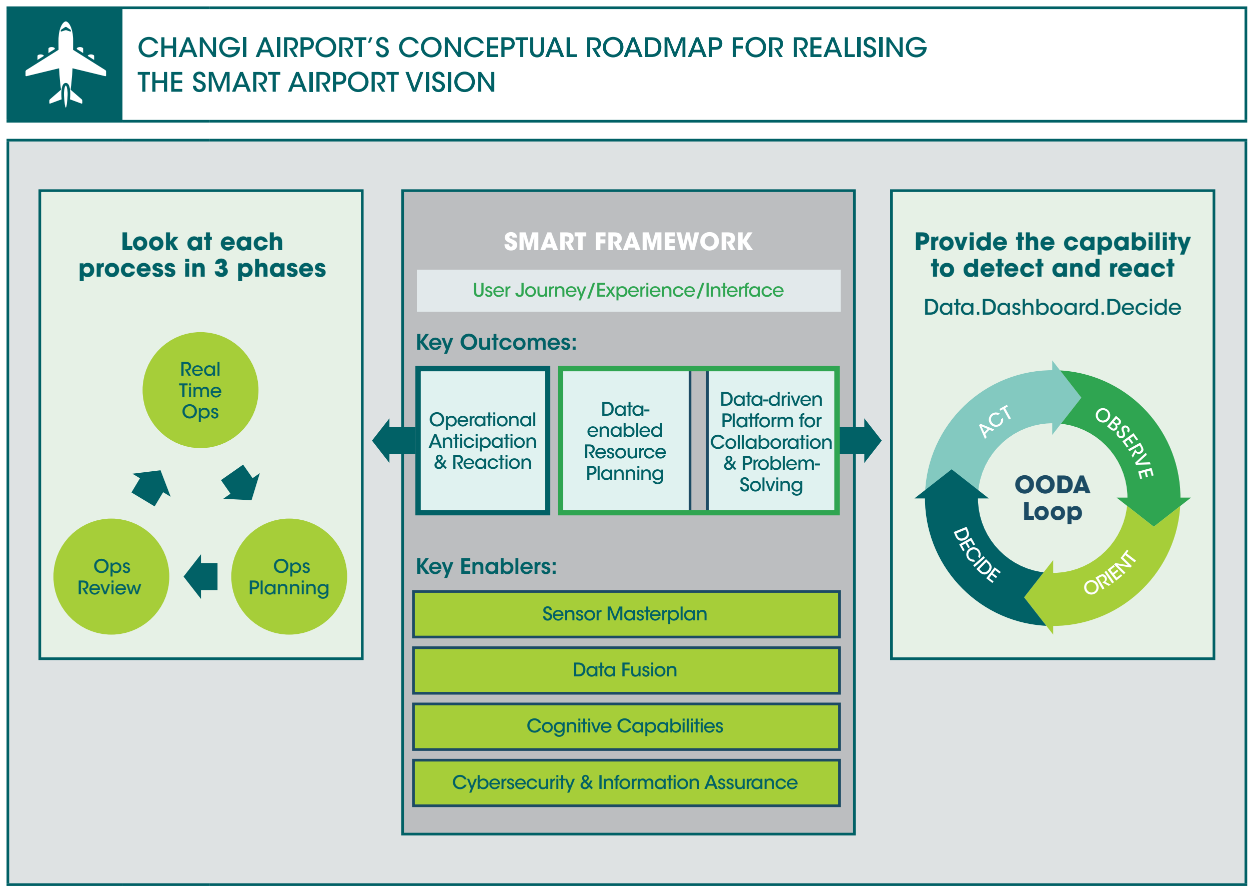

FIGURE 4

From what we see on the horizon, we believe a lot of the AI technologies and vendor solutions that are in use today will be commodified and simplified. Organisations that understand this will learn how to move through successive iteration cycles faster, and be in a better position to leverage the OODA loop. For Changi Airport, the bulk of our AI-related investments in the near- and mid-term will go into contextualising the vendor-provided (or open sourced) AI models such that the analytics, prediction, optimisation and decision-making methods derived from the data work for our specific context and needs.

Based on our project experiences thus far, we summarise six managerial insights emerging from our journey with learnings on how to make AI real at Changi Airport. We believe these observations are applicable to a wide range of medium- and large-sized organisations that deliver services or products in the physical world–as in, those not 'born' as fully digital companies–and currently in the midst of various digital transformation efforts.[6]

1. The importance of a conceptual roadmap for guiding our growing portfolio of AI projects.
2. Rethinking our strategies for outsourcing, insourcing and co-sourcing our technology product and service providers to move with greater agility and speed.
3. The criticality and value of our internal knowledge of our specific business domain and business needs.
4. The criticality and value of iteration for addressing key management issues as well as for improving system and process performance.
5. The availability of new data sources, including open data sources, is a game changer.
6. The power of data fusion, through understanding what data is needed, what is available, and how to put the available data together for meaningful use.

At Changi Airport Group, connective and intelligent technologies are here to stay. But the question for us is: How can these new capabilities change the way we think, the way we work, and the way we serve our customers? Once we understand how to get on the pathway of making these changes in mindset, practices, and engagement, we humans can do remarkable things working symbiotically with AI-enabled technologies and machines.[7]

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Asian Luxury Retail is Human

Stepping up the talent strategy.

By Stéphane J.G. Girod

Digital giants such as Alibaba and Amazon, and online luxury specialists like Farfetch, Yoox and Net-a-Porter are thriving in Southeast Asia. Yet, even as online commerce sales is rising five times faster than the overall market, forecasters agree on one thing: online sales for luxury will flatten at around 25 percent of the total market by 2025.[1] Farfetch was bracing itself for this plateau when it clinched a partnership with Chanel in 2018. Their goal is to become the leading luxury retail operating system.

What's more exciting is that the fast growth rate of luxury in regions like Asia implies that digital is not necessarily cannibalising physical retail in dollar terms. For example, offline remains the dominant channel in China with just seven percent of luxury sales occurring in official online channels.[2]

Despite the good news for physical retail, luxury companies cannot be complacent. These brands need to evolve and adapt to the new digital reality. The process of adaptation entails two major steps for luxury retailers in Asia: reinventing the role of the physical store and addressing the talent management challenge.

Physical retail must become experiential

The paradox is that adjusting to digital commerce does not entail just digital transformation. I had the chance to interview 15 CEOs and senior executives at the 2018 LVMH-SMU Luxury Research Conference in Singapore and the Arab Luxury World Conference in Dubai. These conversations identified a key insight into the future of the luxury brick-and-mortar space–to thrive in a digital world, physical retail needs to stop being transactional and become relational, emotional and experiential.

Some Asian companies are showing how this can be done. Australian skincare brand Aesop has a localised design strategy for its stores. When designing a boutique, it places a great emphasis on aesthetic elements, the style of adjacent shops, as well as the local culture. Its knowledgeable staff has a discreet presence and know how to invite customers into the store to smell and feel its cosmetics. In the words of its CIO, "We want our physical stores to not just be a place for product distribution, but hopefully a haven from the busy world outside, so customers can experience something they love and enjoy."[3]

Meanwhile, the Mercedes 'me Store' in Hong Kong has a special design, which includes an entrance, a living room, lounge areas, a garage (showcasing the latest models), an in-store boutique, and all-day dining options for guests, from breakfasts to late-night dinners. Mercedes frequently introduces different kinds of themes and lifestyle activities. The store encourages its visitors to join the company's Facebook and Instagram communities. The result? The Mercedes 'me Store' becomes not just a store, but a lifestyle venue where customers *experience* the brand while, "navigating through a comfortable and familiar space that feels like home."[4]

In a similar vein, Seoul-based eyewear label, Gentle Monster, is pushing the boundaries of physical retail. It designed its flagship stores (eight in China, five in Korea and two each in Singapore, the U.S. and the U.K.), to be unique creative environments. Each one carries an artistic and multisensory installation, which allows visitors to immerse themselves in alternative realities. Examples include Nietzsche's 'Thus Spoke Zarathustra' quote—confronting men's desire to break free from the inescapable wheel of life, the laws of entropy, and the creation of a post-apocalyptic world. At the same time, its products are exhibited like museum pieces. According to its CEO, "Consumers are not paying for our products, but rather the feeling of experiencing something new and fresh."[5]

The talent management challenge of Asian luxury retailers

Experiential retail is in large part about forging differentiating experiences through personal relationships between in-store sales assistants and customers.[6] In this environment, the competitive advantage comes from well-educated, extremely knowledgeable and passionate talent with good storytelling skills—not from technology. Technology will only be a means to help talented sales employees. For luxury retailers, talent acquisition and retention at the store level is more critical than ever.

Consider two examples to understand how much of the experience will come from selected talent. At the Nespresso flagship store in Singapore, the baristas at the Tasting Bar educate customers on the company's wide range of coffee products. In another section of the store, they also invite them to test Nespresso's new machines and learn how to, "select various foam textures, temperatures and quantities to create beautiful milk foam designs for every cup."[7] At Apple Inc., 40 percent of retail staff is dedicated to service and support, not sales. The company has recently started to change its store layout to emphasise communal gathering and encourage interactivity. The stores organise 'Today at Apple' sessions, a series of educational sessions designed to inspire customers to learn new skills, pursue a passion and join a community.

Nevertheless, throughout Eastern Asia, luxury brands struggle to recruit and retain top talent to work in their stores. While Asian consumers love luxury goods, top talent does not find working in a luxury store aspirational enough. This is partly cultural—serving in a store when one has a university degree is not considered a prestigious career. In self-image conscious societies, parents put pressure on their children to work instead in financial services, professional industries and technology companies. There is also a generational issue. All over the world, a growing number of young talent prefer to work for start-ups, which are perceived to be trendy and more educative.

Finally, the lack of talent also stems from an industry shortcoming as companies have never been good at showcasing retail as a career. Today, most luxury brands fail to align themselves with the aspirations of the younger workforce. For example, luxury brands are alarmingly absent from employer rankings. If you look at major rankings, there are no luxury brands in the top 20![8] Luxury brands need to change and legitimise the luxury retail career path for all staff, particularly for the younger generation. Getting the retail talent strategy right in Asia is not trivial. Asia-Pacific markets make up more than half the sales of brands like Prada and Burberry. Chinese consumers alone represent a third of the global luxury market.

How to legitimise the luxury retail career path

There is a clear disconnect between demand and supply in luxury retail talent in Asia. Luxury retailers are increasingly looking for a more educated, more entrepreneurial type of store employee, while the new generation in Asia appears reluctant to embark on a luxury retail career. Reinventing the consumer experience will start, first, by reinventing the employee experience within each luxury firm. To capture the hearts and minds of top talent in Asia, luxury senior executives will need to follow at least three paths.

> While Asian consumers love luxury goods, top talent does not find working in a luxury store aspirational enough.

PATH 1—CREATE A VALUE PROPOSITION FOR TALENT

Today, sales advisors are rewarded based on the number of transactions they make, not on the relationships they build. So, it is just the sales dimension of their role that is rewarded. In a more relational retail model, store advisors would keep a focus on sales while also being recognised for assuming other roles. For example, they could develop storytelling skills or coach customers. They might also focus on public relations and organising events in their territory. Thus, if the breadth of roles and assignments expands considerably, opportunities for development and variety in the job will also increase. This, in turn, can make store positions more attractive for smart people. One of the coaches in the Fendi stores in Dubai developed such a close relationship with the Emir's daughter that she asked the coach to plan her wedding! In Singapore, Céline recently launched a 'Talk Series,' where the brand invites its customers–all highly successful professionals–to network and attend the presentation by one customer who shared her experience on a topic. As some of these events take place in the store, the staff could be involved in organising these events.

Creating an attractive income proposition is imperative. If luxury brands want to feel authentic, they will do better if they can attract talent who have an experience of luxury in their lives, rather than tell a story in the stores that they themselves do not live and breathe. Economising on salaries will not help.

PATH 2—CLARIFY THE SENSE OF PURPOSE OF LUXURY

Younger generations are increasingly interested in the 'why' of things. They want meaning and purpose. Luxury brands need to connect with this demographic by embracing technology (millennials demand seamless transition between online and offline), and by 'walking the talk' on issues that matter to the millennials, such as sustainability, transparency, good citizenship and ethics. Companies like Gucci, Tag Heuer, Estée Lauder, Sephora and others have launched initiatives to understand the millennial psyche. These include the creation of boards and shadow committees made up of millennials and working with individuals and networks of people who come from the new generation.

To be more credible and therefore position themselves as attractive employers, luxury brands should clarify and communicate what their values and societal benefits are, which could entail contributing to civilisation through artistic creation and empowerment of the individual. Also, by creating opportunities for development that go beyond training, luxury retailers might provide a greater sense of purpose for talent.

PATH 3—IMPROVE COMMUNICATION AND WIDEN RECRUITMENT APPROACHES

Luxury brands have traditionally preferred to promote internally, giving priority to their staff. For instance, the CEO of Louis Vuitton for Asia Pacific started his career on the shop floor. However, this is not always well communicated to young recruits. Luxury brands can offer a rewarding career trajectory beyond the store–one that includes international assignments and managerial positions.

Luxury brands also prefer to recruit for specific profiles from a narrow group of hospitality management and business schools. They should consider attracting people with different backgrounds, such as those from art and technology schools, given that creativity as well as technology will be important ingredients for future talent in luxury retail. Luxury firms in Asia should also participate in employer rankings and embrace some of the best human resource practices found in other industries and companies.

In sum, luxury brands in Asia need to prepare for the future of retail distribution. In doing so, they must revisit the role of the physical store and take concrete steps to attract and promote talent.

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Family Togetherness

The key to family business sustenance.

By Navneet Bhatnagar

Family-controlled businesses are the dominant form of business organisation across the world, and particularly so in many Asian countries. A major challenge that family businesses face is the lack of togetherness or cohesion among the members of the owner family, especially across generations. This often leads to confusion, differences and conflicts within the family and poses a serious threat to the sustained growth and long-term survival of the business. Lack of family togetherness also puts the founder's legacy at risk. Breakups and splits in large business families have the potential to create macro-level disturbances, especially given their massive scale and influence on their national economies. Therefore, in order to thrive for long periods, family businesses need to profoundly understand and effectively address the family togetherness challenge.

Why is togetherness vital to family businesses?

Family businesses are known for their distinct competitive advantage because of unique family resources and passionate involvement of family members. Strong ties in the owner family enable members to pool all their material, emotional and intellectual resources to achieve a common goal. Thus, family togetherness forms the core from which family businesses draw their competitive advantage. Unity enables members to develop shared beliefs and a vision for the future. It helps build trust, loyalty and mutual respect among family members.

Business families that are more cohesive are known to adopt clear strategic direction and effective decision-making mechanisms. They are also more effective in collaborative handling of disagreements among the members, and better able to deal with challenges posed by the external environment. All of these outcomes of family togetherness have a positive effect on the family and greatly benefit the business, by providing it goal congruence, stability and continuity.

What threatens family togetherness?

The biggest challenge to family togetherness comes from ongoing changes in the macroenvironment. Societies across the world, and more specifically in Asia, are undergoing socioeconomic shifts. For instance, individualism is gaining preference over collectivism. The perspectives and preferences across Generations X and Y, Millennials and post-Millennials vary greatly. Economic growth in the developing countries of Asia has resulted in rapid expansion of the middle class, leading to rising aspirations of individuals. These macro-level differences are also reflected in the microcosm of the family. Hence, arriving at a shared vision and strategic consensus is increasingly becoming a major challenge in Asian business families.

At the family level, a major challenge is that each family member has his/her own understanding of family togetherness. It has been observed that even when the family members claim that they are together, the extent of this togetherness varies a great deal.[1] While some believe that sharing of festivities and celebrating together construe family togetherness, others opine that its scope goes much beyond that. This larger context of family togetherness covers not only the operational and financial issues of business but also long-term issues like succession, wealth distribution, retirement and estate planning, which require consensus among family members across multiple generations. These varying notions of togetherness often lead to fissures in the family over time.

Yet another threat to family togetherness is the ad-hoc, personality-driven decision-making process in both the family and business subsystems. This happens primarily due to lack of policies, systems and processes, which allows ambiguities to creep in that lead to decision dilemmas, deviations and conflict. Lack of role clarity, undefined boundaries of the family and business subsystems, and unclear ways of sharing responsibilities and rewards, present a ripe ground for differences to erupt among family members.

Togetherness may also be threatened by abrupt or unforeseen changes in the family. For instance, marriage involves the inclusion of a new member. This member may not necessarily subscribe to the family's vision and values. This incompatibility may lead to discontent and discord, which may result in breakups. In some other instances, the family may make extraordinary efforts or sacrifices to support a sub-unit, like an ailing member or a member who suffered losses in a business he/she was managing. Such efforts call on others to give up their rights over certain resources, which may be deeply disliked and cause a fissure in the family.

Finally, family togetherness comes under threat in the absence of clear and effective communication. Lack of communication among family members is the root cause of differences that gives rise to contentious issues in the family. When lines of comunication are absent among family members belonging to different generations, these differences may become even wider. Without effective communication among family members, minor issues and misunderstandings remain unresolved. Over time, these problems may keep growing and become a serious threat to family togetherness.

Individualism is gaining preference over collectivism. The perspectives and preferences across Generations X and Y, Millennials and post-Millennials vary greatly.

What can family businesses do to strengthen togetherness?

Family businesses need to take several measures within the family, as well as the business sub-systems, to strengthen family togetherness effectively.

SET UP MULTIPLE FORUMS FOR COMMUNICATION

Business families must set up platforms or forums for open communication where members have free exchange of thoughts and opinions. These forums provide opportunities for family members to voice their concerns and openly discuss their differences. Forums also help bring clarity to the decision-making process. Frequent exchanges of ideas enables paradigm shifts. This creates space for diverse viewpoints to coexist in harmony. Care must be taken to ensure that these forums continue to be effective and are supported by follow-up and feedback mechanisms. Open channels of communication will help family members build trust and serve as mechanisms to address contentious issues, thereby reducing internal differences and strengthening family togetherness.

INCREASE INTERACTION OPPORTUNITIES

Frequent family meetings provide opportunities for family members to interact with each other. These meets are even more important if the family has different branches involved in the business. Frequent interactions will renew and strengthen emotional bonds. The next generation and those distant from the family's core will get to know and understand one another better through these events. Frequent informal interactions tend to build mutual trust and harmony, and fortify togetherness in the family. Emami, the Kolkata-based Indian conglomerate group, exemplifies how family businesses can achieve this: members from the co-owner families of Emami regularly interact in both formal and informal settings, keeping their communication channels active and strengthening their mutual bonding.[2]

ESTABLISH STRUCTURE AND MECHANISMS FOR FAMILY GOVERNANCE

Business families must formulate their family governance norms, structures and mechanisms in consultation with all their members. These norms or codes of conduct must evolve through discussions and consensus building. Drafting the family constitution helps in clearly defining the family's vision and strategic direction. The constitution also lays out norms and policies for significant issues such as entry of family members into the business. Clearly defining the roles, rights, responsibilities, rewards and remuneration of family members involved in the business (and also for those who are not involved in business) clarifies the privileges and duties of family members and helps manage expectations.

Clarity on wealth sharing, retirement and succession norms further helps minimise the potential for conflict in the family. A shift from an *ad hoc* process to a policy-driven system removes ambiguity in family decision-making. In such a scenario, all family members have a clear idea of their collective strategic direction. They are better aligned with the family's values, vision and objectives. Policy-based governance and decision-making bring a sense of certainty, enhance mutual trust and strengthen the bond among family members.

Prioritising the need for family governance mechanisms, several renowned Indian family businesses have developed (or are in the process of developing) their family constitution. Prominent among them are the Burman family (owners of the Dabur group), the infrastructure major GMR group, the pharmaceutical major Dr. Reddy's Laboratories, and the Chennai-based conglomerate, the Murugappa group.[3]

BUILD CAPABLE NEXT-GENERATION FAMILY LEADERSHIP

Building capable leadership in the next generation is crucial to improving transgenerational togetherness. When the next generation has a better understanding of the family and business, they are able to develop strong capabilities and leadership qualities and make better decisions. Capable next-generation members are also able to dispassionately and convincingly put forward their perspectives/viewpoints in the family. Such open and goal-oriented interactions among family members across different generations strengthens family togetherness. Several Indian family business groups are developing their next-generation family members to become capable business leaders. These include the Mittals of the Bharti Airtel group, the Premji family of IT major Wipro, the Ambanis of the Reliance group, the Godrejs' and the Piramal family. Most of them have equipped their next-generation members with world-class business/technical education and work experience outside the safety net of their family business.[4]

SENIORS NEED TO KNOW WHEN TO 'LET GO'

Senior generation members must increasingly take on strategic leadership and guidance roles while delegating operational roles to other members. They may continue to play an active role in family governance forums like the family council, and provide guidance and help family members iron out their differences—but they should also provide space to the next-generation family members. When senior members let go of their desire to control everything and are able to accept a reduced span of direct influence, the potential for intergenerational conflicts is greatly reduced. This further reinforces family togetherness. The Chennai-based TVS Group has worked on this strategy, and adopted a federated governance structure where individual businesses enjoy considerable freedom and the next-generation members are driving several of those businesses.[5] However, in the overall Indian context, letting go is a serious challenge as the seniors' need for control has rendered business families ill-prepared for succession.[6,7,8] This frustrates the aspiring younger generation and poses a serious threat to the long-term sustenance of family togetherness.[9]

> A shift from an *ad hoc* process to a policy-driven system removes ambiguity in family decision-making.

Measures to adopt in the business sub-system

ADOPT POLICY-DRIVEN BUSINESS DECISION-MAKING

Family businesses must evolve from *ad hoc* decision-making to policy-driven mechanisms. Whether it is about a family member's entry into business, allocation of roles and responsibilities, reward and remuneration, or retirement and wealth distribution, decisions based on well-defined policies and procedures are likely to get acceptance and create an atmosphere of fairness and justice. Two exemplary cases of adopting policy-driven decision-making mechanisms among Indian family businesses are the Hyderabad-based pharmaceutical company Aurobindo Pharma[10] and the dyes and pigments major, Sudarshan Chemicals.

ROTATE JOBS AND FIND THE RIGHT PERSONALITY-JOB FIT

Rotating family members across jobs will equip them with multiple skills. Job rotation will also help the management match family members' personalities to their job roles. This will improve job satisfaction and enhance productivity. It will help family members understand the pressures and requirements of different job roles, and they gain a comprehensive understanding of the business and its decision drivers. They will also understand and appreciate the contribution other family members make to the business, which will reduce work conflict and improve empathy and family togetherness. Sometimes when a poor job fit becomes a problem to the growth and progress of the family business, it is essential to convince the concerned family member to take an alternative role. This was observed in the case of the Murugappa group when the group CEO, M.V. Subbiah, was asked to make way for another family member to lead the group and Subbiah stepped down in the interest of the business and to keep the family united.[11]

> When senior members let go of their desire to control everything and are able to accept a reduced span of direct influence, the potential for intergenerational conflict is greatly reduced.

ESTABLISH A FAMILY BUSINESS BOARD

Family businesses must set up a family business board (FBB) as the family's apex business decision-making body. The FBB should have clear guidelines to ensure alignment between family and business decision-making, and help define the operational domains of family members as well as minimise role conflicts. It will also help in evolving an objective strategic direction for the business after taking into account the perspectives of all family members. This will improve family cohesion and bring goal congruence. Currently such boards are more prevalent in developed nations like Germany and Switzerland, and family businesses in emerging markets like India have yet to come up to the standards of their western peers on this front.

EMPOWER THE BOARD AND PROFESSIONALISE BUSINESS GOVERNANCE

Family businesses need to improve governance capabilities at the board level. This requires an induction of outside professionals and experts as independent directors, who must be empowered to hold management accountable for their decisions. Enhanced corporate governance will bring a system of checks and balances, objectivity and a culture of meritocracy, which will improve mutual trust and fortify family togetherness. This was exemplified in the above-mentioned case of the Murugappa group, where the board was truly empowered and the three independent directors exercised their power to ask Subbiah to step aside for the long-term interest of the business.[12]

In conclusion, family togetherness is not a monolithic concept, but a mix of several layers and dimensions. On the surface, togetherness might appear to be pervasive and uniformly shared by family members but, when probed deeper, some fissures may be found. If left untreated, these misunderstandings may grow over time and threaten the survival of the family business. Hence, business families must periodically examine their state of togetherness and adopt the suggested measures within the family and business sub-systems, which will keep both sub-systems healthy and ensure their sustenance across generations.

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MANAGING ACROSS BORDERS IN ASIA

Recognising and developing leadership in Asia.

By Richard R. Smith and Tan Suee Chieh

Across many countries in Asia, we are witnessing local leaders rise to the level of country leader or managing director in their home country. However, when it comes to taking on regional roles in global firms, many of these leaders are unable to work effectively across borders. In other words, there were some skills or factors that allowed them to be successful in one country, but were not transferable to others.

It is a well-recognised fact that the global economy is shifting eastwards, given the favourable developments in this region that include rising GDP and young populations. However, we find that global firms still largely rely on expatriates for regional roles in Asia. The Center for Creative Leadership reports that despite the immense potential this region offers, "Asian representation in the top rungs of global firms remains in single-digit percentage terms–a worrying statistic when compared to their Western counterparts."[1]

The question thus arises: How do we help recognise and develop regional leadership in Asia? What are some of the potential roadblocks for local leaders moving into regional leadership roles? In other words, are there things getting in the way of competent Asian leaders moving up the ladder in global firms?

Asian leadership versus global leadership

Are all the leadership traits of an individual transferable across the globe? Clearly not. Yet, many global organisations are using their standards of leadership–the Western view of leadership–and trying to apply them in Asia. The head of HR for one of the large global energy companies explained her frustration, "We have been operating in Asia for more than 60 years and have never been successful in developing someone from Asia to a senior level in our organisation. Finally, we asked ourselves what we were doing wrong, and realised that we are looking for Western leadership styles and approaches from Asians...and this was just not going to happen!"

But while there are differences, research tells us that there are also key similarities between the Asian and Western approaches to leadership. The GLOBE studies on culture and leadership show a set of six characteristics to be common across borders, generally referred to as culturally-endorsed implicit leadership.[2] These, in turn, have been simplified into six key global leadership traits that have emerged in the research over the last decade.[3] Through our research in Asia, we contrast the Asian differences in each of these six traits given below.

Charisma or humility

Many Western cultures expect an outgoing style characterised by decisiveness, high standards and innovation. While both Asian and Western leaders would be expected to inspire subordinates with a vision and create in them a passion to perform better, the means might be quite different. In the context of our Asian cultures, some level of charisma is okay but humility plays a far more important role than it does in Western firms.

Task or team orientation

While most organisations say that people are their most important asset, the collective nature of Asian leaders creates more sensitivity to relationships within teams. Of course, Western leaders also stress collaboration amongst members of the organisation, but this is often as a means to accomplishing the task results. This contrast can be found even within the Asian context as we look at how business relationships are managed in China as compared to, say, Indonesia.

Risk or self-protective

Many Asian 'face-saving' leaders would focus on sticking to procedures and demonstrate a status-conscious attitude while leading. Asian cultures also tend to be more risk averse than their Western counterparts. While both views would genuinely have concern for the safety and the security of the individual and the group, the Asian inclination would be to play it safe and within the rules.

Participative or power interaction

It is common in the Western context for leaders to ask for input from subordinates and hold meetings where everyone has an equal voice in decisions and direction. In such cases, a leader seeks input from subordinates in decision-making and encourages subordinate involvement. Such a leader strongly emphasises a sense of delegation and equality, but this can be rather disorienting in the Asian context and create a risk-oriented situation for employees due to the perceived power of the boss and hierarchy. Thus while an Asian leader may ask for input, he/she would generally do so through indirect means to avoid the discomfort of the power-distance.

Diversity or humane outlook

The strong push for diversity in the West opens up new mixes of teams with members from various backgrounds and modes of thinking. While diversity can create conflict and more challenges in management, it can also improve decision-making and innovation. The diversity orientation is not as strong in the Asian context, but treating people with respect is still consistent with a generally humane orientation. Of course, in the developing economies of Asia there remains a hierarchy of rights and equality, but this too is evolving. Universally it is agreed that people respect compassionate and generous leaders, who are known for their patience, support and sense of concern for subordinates.

While most organisations say that people are their most important asset, the collective nature of Asian leaders creates more sensitivity to relationships within teams.

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Autonomous or community orientation

In the Western context, it is expected that leaders are not afraid to take bold steps to lead from the front and chart a new trail. They are often characterised by their independent, self-centric and individualistic approach to leadership. In the Asian context, it is more important to bring the team along and back the team in taking the suggested actions. Asian leaders would more likely be seen behind, providing support and taking a more harmonious approach in their leadership actions.

While these contrasts are overgeneralisations of Western and Asian approaches to leadership, we can begin to see clear differences in these common characteristics.

At the same time, research has shown that there are some non-transferable or location-bound leadership behaviours that are set deep in the cultural, social and environmental context of a specific location or country. Contextual factors thus play a significant role in evaluating leadership effectiveness. So perhaps looking at leadership in the context of Asia is only one story. With so many successful Asians now living in the U.S., we decided to explore this context for leadership progression.

The Asian career ceiling

'Bamboo Ceiling', a term coined by executive coach, Jane Hyun, in her book, *Breaking the Bamboo Ceiling: Career Strategies for Asians*, refers to the challenges that the ethnic minority of Asian-Americans face in their career progression in Western (primarily U.S.) corporates, largely on account of perceptions of Asian stereotypes. Hyun illustrates some common deeply-ingrained cultural values, such as being humble, self-effacing and putting the community ahead of one's own interests, as factors that could possibly impede their success in the American corporate world. However, Hyun also explains that the biases can often be self-imposed, and says, "As with many challenges, Asian-Americans should acknowledge that barriers could also stem from self-limiting cultural influences on their behaviour, attitude, and performance in various social and professional settings."[4]

To explore this for ourselves, we recently completed a review of the Fortune 100 companies to better understand and look for evidence of Asians in leadership roles. Since most of these firms are global in nature and generally well-established, we looked for Asian leaders in top management positions. Not surprisingly, the numbers were quite small—but there could be a variety of reasons for this. We then looked at the leaders for the Asia region within each of these 100 firms. What we found is that again, only 39 percent of the people filling the role of Asia regional leaders were, in fact, Asian. This was quite telling.

Why do we not see more Asian leaders in regional roles in multinational firms? After all, leaders from the region would better understand its cultures, context, languages, and challenges. Perhaps there are some fundamental differences in how we view leadership in Asia? To explore this further, we had conversations with 80 successful Asian leaders around the region. While there are many models of success, we find that a few key factors emerge as unique to our region:

Balance between self-interest and group interest (individual versus collective orientation): While it may be obvious that the egalitarian ways of many of the Western cultures is inappropriate in the Asian context, there is a dilemma about maintaining the right balance between self and group interest.

Integrity (congruence of action): Many organisations and leaders talk about the importance of integrity, yet the emphasis on this is heightened in the Asian context. Trust in a relationship is very important and oftentimes the trust and commitment in a relationship far outweighs the written contract. When trust is violated or when someone is perceived to act without integrity, it creates significant reputational damage for the individual.

Assertive versus compliant (domineering versus supportive): The collective nature of most Asian cultures suggests a more compliant approach; however, it is expected that leaders are more assertive in stating their opinions and views. While leaders in the Asian context are expected to be assertive, the traditional domineering boss does not win the hearts and commitment of people.

Polychronism (time orientation): In a relationship-oriented society, people may have a higher orientation towards emphasising the contributions of others than one's own place in history. This may lead to a greater focus on the people relationships and the value of 'being' versus 'doing.' Another way that this may manifest in both business and national agendas is by considering the longer-term view. In many societies in Asia, people may think about planning over many years (e.g. China's five-year plan), while others may be concerned with the plan for the day.

Self-control and regulation: Keeping one's self in control is quite important in most Asian contexts. Emotional outbursts can be perceived as weak or immature leadership. Self-regulation allows a leader to better understand the situation, complete a more thorough analysis, and respond appropriately. In a relationship-based society, a high degree of self-control is expected of leaders.

The Indian CEO

Continuing with our research and conversation with the Asian leaders, we also noted that there were many more Indian leaders emerging in companies around the world. Perhaps this is just the outcome of the law of large numbers with a population of more than one billion. Or does English language proficiency make a difference?

Even within Asia, we find that Indians tend to be far more successful in taking global roles—in fact, in a tongue in cheek comment, *Time Magazine* referred to Indian CEOs as, "the country's largest export."[5] Research conducted by the Hay Group pinpoints some key leadership competencies most associated with Indians in comparison with Chinese CEOs. These include direct communication, adaptive business thinking, and consensus building.[6] Indian leaders have been conditioned to be direct in asking people for information and being rewarded for boldness. Perhaps this is due to India's bureaucratic systems where strong verbal confidence is required or expected. However, Chinese leaders will likely be more reflective and quietly seek information through indirect means while taking a low-key and humble approach to achieving objectives.

Also, when it comes to business planning, Indian leaders tend to be quick to come up with immediate actions and responses to changes in the business. At the same time, the Chinese approach is to think ahead in hopes of predicting the future developments of an industry or situation. It is commonly known that seeking harmony in Chinese business relations is the norm, as long-term relationships are valued and respected. This seemingly complex relationship-based orientation, known as *guanxi*, can take time and is important for managing stakeholders.

In the Indian context, while relationships are also valued and required in business—failures, mistakes and changes are more accepted with the idea that, as a team, they will find solutions. The common Indian phrase of *jugaad* is often used when describing a way out of a situation through an innovative solution (or by bending of the rules).

We believe that these factors explain the higher success rate of Indian CEOs around the world.

Achieving cross-border leadership

So what can be done to help create more Asian leaders working across borders or in global roles? After reviewing the data and hosting several round-table discussions on this topic, we concluded on the significance of the following factors:

Celebrating diversity: While there seems to be a heightened sense of diversity around the world, too often we find homogeneous leadership teams from the same country, same gender, and same background. This can be a challenge not only for global leadership teams, but may be especially important for regional and even local teams.

Creating a net of psychological safety: To allow people to step out from their comfort zone, we must create a safe environment for them to do so. This has been highlighted in our recent research as a critical factor for teamwork and innovation.[7]

Ensuring early career mobility: It is common to see high potential leaders from the company headquarters coming to Asia for a development assignment, but what about the other way around? Some progressive global firms, such as Rolls-Royce, have been actively developing their Asian talent this way and achieving great results.

Fostering cross-border collaboration: Successful regional firms in Asia have a means of creating more direct communication across borders. In contrast, the common hub-and-spoke organisational structure in Asia requires local leaders to report to a regional leader in a way that each local country leader has limited exposure to the other countries in the same region.

Redefining global leadership: It is hard to put context aside when we think about leadership characteristics. The organisational culture may unconsciously favour the nationality of the headquarters for leaders. In other words, leaders of a Germany-based firm may more likely be German and likewise for other nationalities. For global firms to operate successfully in all regions, they may need to rethink and redefine 'global leadership'.

As we look at the growth and the prosperity of Asia, it is no wonder that the world is paying close attention to what some might call, 'The Asian Century'. The success of Asian businesses and their rise to global power has been dramatic. But while we see these developments and the great achievements of leaders in Asia, we continue to see an East-West barrier when it comes to Asians working within a Western context. While we continue to witness rising globalisation of many processes and the interconnectedness of the world today, there seems to be a lack of globalisation when it comes to Asian leadership. But perhaps we are taking the wrong perspective—after all, how many Western leaders do we see at the leadership tables of Asian firms?

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Responsible Leadership

A behavioural perspective.

By Flocy Joseph

> We cannot wait for great leaders to emerge for they are in short supply. We must light our own fires in the darkness.
> - Charles Handy, author/philosopher [1]

An array of scandals has rocked the world in recent times, such as financial malpractices (Arthur Andersen, Lehman Brothers, the LIBOR scam), unethical practices (FIFA mismanagement), and environmental damages (Gulf of Mexico oil spill, Volkswagen emission controls). All of which the critics of capitalism are not unhappy to report and embellish in great detail. The competing goals of a quest for power, meeting ethical standards, maintaining profitability, securing dwindling resources, and adapting to global environmental change have created an increasingly complex business canvas for leaders to navigate. The acceleration of environmental and social challenges exert pressure on corporate leaders to be not just reactive but proactive. Richard Branson, Founder of the Virgin Group, and Paul Polman, former CEO of Unilever, are among the new breed of leaders who are attempting to catalyse a better way of doing business, keeping in mind the triple bottom-line of profits, people and the planet.

A review of the existing theories on various leadership styles highlights that there is currently a lack of two critical factors–responsibility and accountability–in their characterisation. It is imperative in this era to focus on that class of leaders who can respond collectively with credible actions for their businesses while accepting full responsibility for their actions. What is it that drives certain leaders to consolidate the strengths of multiple stakeholders and create larger synergies while accepting full responsibility for their actions? With the existing leadership theories missing the 'responsibility' and 'accountability' element in their characterisations, what aspects of their behaviour sets these leaders apart from those who act based on a common good? These questions have given rise to Responsible Leadership (RL), a new leadership construct for leaders in the 21st century.

Still in its infant stages of discussion, literature on RL lacks a clear definition on the kind of behaviours that are manifested in responsible leaders. While certain characteristics like authenticity, virtuousness and charisma are quite clearly highlighted as a must for effective leaders, there remain large gaps in understanding some behaviours, such as the role of 'authority' and 'responsibility'. For example, a leader who outsources the organisational activities to a third party is clearly delegating some of the responsibility to that third party—however, if these leaders do not assume accountability for the actions of that third party, then there is a serious problem that needs to be rectified. Nike's sweatshop practices that made headlines in the late 1990s are a case in point of delegating responsibility with a lack of accountability.

In 2016-17, I conducted a study to understand the key behaviours demonstrated by responsible leaders. The results showed that responsible leaders exhibit three types of behaviours:

(i) Consulting with all stakeholders and **including** them in decisions that impact the business.

(ii) **Engaging** with employees at a personal level and being concerned about their progress.

(iii) **Advancing** the cause of business and society by fostering inclusion and engagement.

Inclusive approach

The study revealed that an inclusive approach is possible when leaders are aware of diverse stakeholder claims and can engage in a dialogue with multiple stakeholders who perceive the leader to be one who is open and approachable, available to hear their diverse views, address their concerns, and alleviate their fears. Thus, a comprehensive and collaborative approach has to be adopted by a responsible leader for generating the best results during stakeholder engagements. It is necessary that the leader himself is present in critical meetings and has the capacity and willingness to engage in a dialogue. A responsible leader should not be seen as one who is solely dependent on a close coterie of people for advice when implementing and executing business decisions. When a leader takes a decision that favours multiple stakeholders and implements the same for the benefit of all, such actions can produce an optimal solution.

> Nike's sweatshop practices that made headlines in the late 1990s are a case in point of delegating responsibility with a lack of accountability.

One CEO who was interviewed for this study shared an example of the time when his organisation went through an integration process after being acquired by a larger company. He recalled the emotions from different stakeholders—the Board, employees, shareholders, vendors, and clients—of both the organisations when the integration was announced. The immediate stakeholders of the two organisations seemed to be in conflict with one another, and their views were not aligned to the new direction that the joint entity proposed to adopt post-integration. He had to proactively work with the different stakeholders to identify and address all the issues, and also sought the help of advisors and domain experts to effectively resolve some of the more contentious ones. The leader concluded that the success of the integration was largely due to the fact that his stakeholders recognised his commitment as he embarked on an engagement and inclusion strategy, and elaborated, "As I reflect on that period, had I not invested my time to understand the concerns and views put forward by the various stakeholders, my model of a unified business would have failed. It was my willingness to listen to some of their suggestions and clarify their concerns that helped in a smooth integration."

Responsible leaders are required to demonstrate awareness of various stakeholder claims. It is this awareness that helps a leader draw conclusions or present arguments that favour business interests without denting relationships. It also helps the leader to step into the shoes of others and see how they view the situation. When leaders demonstrate the above behaviours, they balance the immediate and extended stakeholder interests to achieve an optimal business outcome by adopting an inclusive approach.

> An inclusive approach is possible when leaders are aware of diverse stakeholder claims and can engage in a dialogue to hear diverse views, address concerns, and alleviate fears.

Engagement approach

Digging deeper into what constitutes an engagement approach, the study revealed that responsible leaders centre their attention and efforts on their employees first, take pride in their people, are generous in crediting the team, and are extremely concerned when they have to break bad news to their employees. Thus a critical aspect of responsible leaders is their focus on their employees or internal stakeholders. This was evident from the interviews conducted, where leaders mentioned how their first priority was always towards the employees of their organisation and then towards other stakeholders.

Responsible leaders adopt a social and relational approach as they interact with the employees in their organisation, both in a professional and a personal context. By modelling themselves as an example, they are able to inspire others. They recognise the individual accomplishments of their team members and assign due credit to the individual and deserving teams. These leaders have a high focus on the holistic aspects of their relationship with their employees. One CEO remarked, "I look at each employee as someone with a family and someone who has a life outside work. There is a strong nexus between the two worlds and you need to ensure that the employee's world view is really balanced." Leaders can sometimes fail to recognise this critical aspect as they focus strictly on the professional side of their employees.

Responsible leaders are extremely concerned while breaking bad news to their employees. During the interviews, the leaders candidly shared about the pain of dealing with their people when there was a right-sizing of the company, or in cases where the leader had to reprimand an employee for poor performance or violating ethics. A responsible leader recognises that sometimes they have to do things that may seem irrational, but make sense for emotional reasons. One leader recalled, "I roped in the service of a headhunter to ensure that some of the key people in the organisation who were losing their jobs were given adequate time to explore other opportunities. I ensured that the organisation paid for the service of the headhunter. It may sound irrational for a leader to actively do something like this for her employees but these are instances where the heart rules the head and not the other way round." A responsible leader thus makes decisions in an 'emotionally rational' manner.

Finally, it is often during a crisis, when there are rarely any manuals to dictate how a leader has to behave, that we can distinguish a responsible leader from other leaders. One such example is Ratan Tata, then Chairman Emeritus of Tata Sons, who shifted into the driver's seat during the Mumbai terrorist attack in 2006 when his group's Taj Hotel was under siege. As a responsible leader, he took charge of the situation and led from the front, taking full responsibility and accountability for his actions. In another example, a CEO explained during the interview, "During stormy weather, I take charge of my ship. My people know that under my captaincy, I will steer the ship to a safe anchorage. So when conditions are tough, I lead from the front and not step back and delegate responsibility."

A responsible leader thus makes decisions in an 'emotionally rational' manner.

Advancement approach

As a third behavioural pattern, the study revealed that responsible leaders work towards integrating inclusive and engaging behaviours for the advancement of the external community. This is done by keeping a focus on advancing quality of life in the context of the organisation's location, as well as collectively exploring how the business can partner on social actions that can enhance the community.

Responsible leaders thus demonstrate a strong focus on the external community and embark on actions to develop the community around the business. These two items establish the existing views of scholars that such leaders move away from a narrow economic view to a more extended stakeholder view. Responsible leaders explore the benefits they can render to the community while keeping in mind how these actions can enhance the reputation of their business, and hence earn the licence from the extended stakeholders to operate as true corporate citizens.

A CEO of a multinational healthcare organisation explained, "We have manufacturing facilities in developing countries. We operate in close partnerships with various stakeholders. Medical professionals from the hospitals, youth from the tertiary educational institutions and volunteers from the local NGO come together to set up free health screening facilities for the people below the poverty line. The community looks up to us as an organisation that genuinely cares for the people in the country and is assured that we would only act in the benefit of the community."

TRANSITIONING FROM AN ECONOMIC VIEW TO AN EXTENDED STAKEHOLDER VIEW

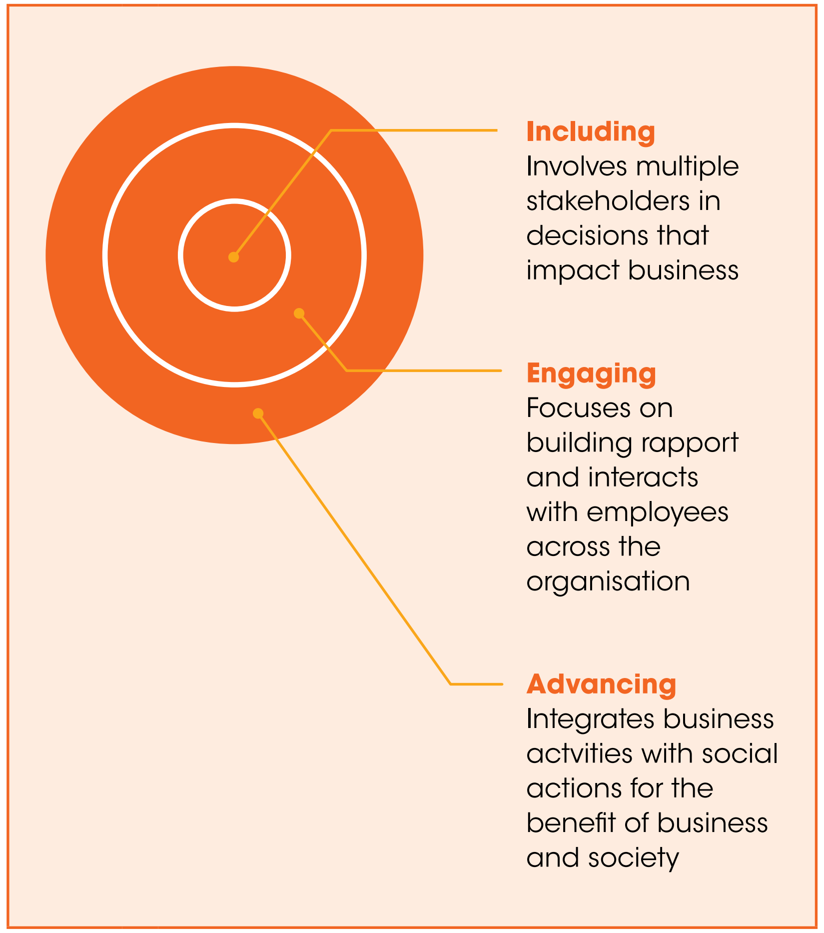

FIGURE 1

Responsible leaders are tasked with societal progress by aligning organisational activities for the benefit of both the business and the community. However, for that, protecting the business interest and safeguarding the bottom line is a key priority. Leaders should strive to reach that goal first and subsequently see how they can play an active role in the community they operate in. As one interviewee remarked, the priority is, "to get the house in order and then build the reputation externally". It should be noted here that responsible leaders do not prioritise the community over their business–they simply aim to ensure that their business first achieves its economic objectives, and then explore how they can pass on the benefits to the extended community for productive outcomes. Responsible leaders thus move from a reactive nature to a proactive nature, demonstrating a track record of advancing the interests of the business and the community.

Responsible leaders are tasked with societal progress by aligning organisational activities for the benefit of both the business and the community.

Conclusion

Douglas MacArthur, a retired U.S. Army General and Field Marshal who played a prominent role during World War II, famously said, "A true leader has the confidence to stand alone, the courage to make tough decisions, and the compassion to listen to the needs of others. He does not set out to be a leader, but becomes one by the equality of his actions and the integrity of his intent." A century later, lessons from the war room and the boardroom seem to have some commonalities. The demands on corporate leadership are getting disrupted rapidly due to globalisation and technology. Leaders are expected to have a clear understanding of the dynamics in the operating environment, the social aspects of engaging multiple stakeholders with emotional intelligence, and also leaving a legacy for businesses to sustain themselves by executing strategy well.

Leadership failures arise when leaders focus on short-term wins over long-term gains, or a win-lose outcome over a win-win outcome. At a time when leadership behaviours and actions are under increased public scrutiny, there is a dire need for leaders to make decisions and implement actions that are just and fair for everyone. So, at a strategic level, it becomes relevant for Board members, when identifying a CEO to head their business, to choose somebody who embodies the RL behaviours of inclusivity, engagement and advancement.

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Against all Odds

An interview with William Heinecke.

William Heinecke, the founder and Chairman of Minor International, a Bangkok-based multinational company operating in hospitality, restaurants and lifestyle brands distribution, shares his journey as an American-born Thai businessman and serial entrepreneur.

There's no such thing as a five-year plan when you are starting out–you take up opportunities as they come.

What sparked your decision to become an entrepreneur?

I had a fairly sheltered but independent upbringing growing up in Thailand. My father travelled a lot and my mother was always busy, so I learned to be independent in the familiarity of a family unit. When I got admission into Georgetown University's undergraduate programme, it didn't excite me. I decided not to go as I didn't want to give up the comfort and security of living in Thailand. In any event, I didn't depend on my parents for allowances. I worked with a local newspaper where I sold advertising spaces, and had earned enough to buy a car. So I thought, I just want to keep doing this, and figure it out as I go along.

I wanted a job in advertising, but the employers I approached said I was too young for it–I had just completed high school. So I said, "Fine, I'll just do my own thing." I started working. I had a little apartment that was also my office, a secretary and a messenger. We started with different concepts–a cleaning company and then an advertising agency. I took my first loan for US$1,200 to register the company, which I paid back in three months. In those days it was 25,000 Ticals (Baht), or 'a nickel a tical', as they used to say. I hired a lawyer and an accountant. By the age of 18, I owned my own little business.

How did you get into franchising?

One thing I learned very quickly is that there's no such thing as a five-year plan when you are starting out–you take up opportunities as they come. You're not really planning except to make sure that you have enough money to pay those few people you've got.

During my youth, I spent a month in the U.S. every year and I would binge on television and fast food, which I thoroughly enjoyed. I returned to Thailand and thought, "My God, there's no fast food here." So pretty soon, I got into the ice cream business with Foremost, followed by a franchise for Mister Donut. In 1980, I got the opportunity to take on the Pizza Hut franchise, for a royal sum of US$5,000. Pizza Hut needed my focused attention so I sold my interest in Mister Donut. Things just kept evolving out of opportunities. You just have to be open to it and be ready to take a chance, you have to believe in it, and then you have to put your heart and soul in it.

We were one of the first companies to get into the fast food business in Thailand, and it was a sharp learning curve. It wasn't easy in the early days. As an American, I loved pizza, but how would I get the Thais to appreciate it and discover the tastes they were missing? I then realised that there was a growing group of young Thais who were returning from western universities, and that was where I started. But the uptake was slow. We had to import the cheese for the pizza, an ingredient almost alien to the Thais. By the time we got up to five restaurants—we were opening about a restaurant a year—we decided to build our own cheese factory, which is still in operation. Soon after, we launched Swensen's ice cream. By 1993, we had a cheese and ice cream factory. Then we got into Dairy Queen's soft-serve ice cream. In our own little way, we discovered backward integration as we produced our main food items.

I was a great believer that some of these businesses just couldn't fail. But what's really important are the people operating them. If you don't have the right people, even though you may have a good idea and a good brand, it is not necessarily going to work. You quickly learn that people are more important than the brand because even big brands can fail in a market. That is when you start developing your HR skills. Suddenly, we're paying a lot more attention to recruiting people, who we partner with, and who we do business with, because it really makes a huge difference. Look at us today, we currently have more than 1,000 franchised restaurants in over 20 countries across the region.

Tell us about your innovation in delivery.

In the 1980s, Pizza Hut was a sit-down restaurant and one didn't think of delivery. People came in for takeaway and that was something that caught my attention. Food delivery was big in the U.S. and I thought, "Why not try it in Thailand?" In Bangkok, nobody had cars but everybody had a motorcycle. Keeping in mind the city's traffic, we chose to deliver within a seven-minute drive time. It took 10 minutes to bake the pizza in the oven and it took another three minutes to sauce it. So we aimed to deliver within 30 minutes! Overnight we created an easy-to-remember phone number to take orders and started delivering shortly after.

In those days, traffic was so bad in Bangkok that even an ambulance couldn't get to your house in half an hour. So the fact that we could deliver food in 30 minutes caught the attention of consumers. Our first 'call centre' was in the back office of our restaurant, but business grew rapidly and soon we had a call centre with 150 operators housed in a room. That's how the first call centre came to Thailand.

What happened in China?

In 1989, we signed the contract to buy the rights to a pizza franchise in China, for which I paid US$50,000. But just before the opening, the Tiananmen Square uprising took place. So we decided to wait a year, and then when things calmed down, we went into partnership with the Beijing municipal government to open the first Pizza Hut in China.

We opened the second one and then a third one—but it was just a year after Tiananmen and it was slow going. We were spending a lot of time and money in China, and by that time, in Thailand, we had around 50 outlets. We had private equity investors and they asked, "Why are you spending all this time in China? You've got three outlets that are earning pittance, and in Thailand you have 50 stores and you're opening a store every month. You should be concentrating your time and efforts in Thailand." So I gave up and sold my business in China.

It was not a brilliant move because five or six years later, Pizza Hut in China was bigger than my entire operation. I listened to those people that said, "don't spread yourself too thin." So that was a major learning that you better look longer term rather than just focusing on the current enterprise. If I hadn't heard all that advice, maybe I would have been stubborn enough to have kept it going, flying between China and Thailand, and recruiting more people—things could have been very different today, but that's life.

However, I was still a big believer in China's long-term growth potential. We brought a couple of our successful brands in Thailand to China again in 2005. Our small operation in China was still making losses but we believed we had to be in the market to understand what was going on for the sake of long-term success. Eventually, our small footprint in China allowed us to spot an opportunity that led to a turnaround in our China operation. In 2012, we acquired a distinctive local concept, Beijing Riverside & Courtyard, catering to local tastes with a well-connected management team.

Our operation in China has turned profitable since then and we finally have a successful restaurant platform in the largest dining market in the world. China continues to grow and we have plans to expand the number of outlets in China from 84 currently to more than 400 outlets over the next five years.

Who are, or what has been, the greatest influence in your life?

Many people have been an influence in my life. It starts with your parents because they teach the basic values of what's right and what's wrong. And then as time goes on, you admire people that are generous with either time or money, and you admire people that have been successful or have given you good solid advice—and they don't necessarily have to be entrepreneurs. They could be teachers or someone else. My English teacher defined my future. She had said, "I'll help get you to Georgetown. I'll write a letter for you. But I have got to tell you that I don't think that's what you should be doing. You should go do your own thing. You've got energy, go start your own business."

> If you don't have the right people, even though you may have a good idea and a good brand, it is not necessarily going to work.

It's not any one person, it's many people that help you grow in different aspects. And you learn from other fields. I was always fond of racing car drivers and from them, you learn about competition, winning and losing.

A serial entrepreneur is bound to have a few failures. How did you face failures?

You have to learn how to face failure because no one wants to admit failure. There was no plan B, so you have to succeed with plan A. The 1997 Asian crisis was a sobering time for us because we had to dramatically cut costs and let go of people, even someone who may have been with the company for 10 or 15 years. The more people you lead, the greater the responsibility. At that time, we were just trying to survive; we never thought about management refocus. That's when we realised that we had to figure out how to keep growing, and we can only grow if we retain great people. We reviewed our options for the bottom 20 percent of the company—the people who weren't performing—because then we could hopefully reward those who were good. But if we didn't cut that 20 percent, then for sure we couldn't afford to pay the remaining staff more money. Everybody would then be making a little bit less. And then soon the good people would leave because they want to do better for themselves. That's how you lose your best people.

In times of financial distress, you're caught between your people and the banks, trying to keep everyone happy. And I never knew what 'haircuts' on loans were, and couldn't fathom trying to ask banks to take only half their money back. A lot of the big companies had restructured their debt in such a manner. But I didn't know how to ask people—it was almost like asking me to give you free pizza. I can sell you a pizza but I'm not going to do it for free and I'm not even going to sell it to you at half price! So the pressure to perform was great. And as a young entrepreneur, it is even more personal.

After recovering from the crisis, we continued to retain existing, and attract new talent to our organisation. Since then, our financial performance has become stronger and stronger and our year-end results continuously reflect this.

The 2004 tsunami in Phuket was also a big setback for our business. We had made a lot of big investments in Phuket, invested in timeshare, and even developed our first Anantara Vacation Club there which was wiped out. What was one of the most popular tourist destinations in Thailand became barren overnight. Over 8,000 people died in an hour. Who would want to come back there? We owned a JW Marriott, one of the biggest and best hotels in Phuket, which survived, but our share price tanked by 75 percent. That year was our lowest point, but having survived it, we began to rebuild people's confidence in Thailand and Phuket.

Today, our portfolio in Phuket comprises three hotels, the Anantara Vacation Club timeshare inventory and two high-end luxury residential projects. The portfolio represents one of the most prominent hospitality offerings in one of the world's most-visited destinations.

After the tsunami, we began to grow abroad in a big way because we realised the need for diversification in terms of business and also geography. Spread yourself out so you're not going to be hit by one thing that can be as devastating as a tsunami or a 1997 Asian financial crisis. So we moved into the Maldives, one of our first international operations, and started making investments in Sri Lanka, Tanzania and Kenya. We invested more in Vietnam, Australia and Singapore, and those markets began to really grow. Today we have very diversified businesses across a broad geography. We run the gamut of real estate investments from three-star hotels all the way up to six-star properties. We also started developing shopping centres, residential developments and office complexes alongside our hotels.

What was it like running multiple businesses as a foreigner?

I took up Thai citizenship in 1991. I didn't do it for taxes; I did it because I wanted to explore opportunities in Vietnam. In 1991, doing business as an American was impossible as it was illegal to trade with Vietnam. So I became a Thai. Also, as a foreigner working in Thailand, people were polite but often distrustful of you. They believed foreigners were here just for a temporary period—the minute they made money, they'd go back to their home country and settle down. So the Thai passport was a way of telling people that I'm here to stay, I don't have another passport, and I don't have another country to go to.

I was also making a commitment to Thailand, and, I think, in its own way, Thailand welcomed me. I don't know what would have happened if we hadn't survived that Asian financial crisis of 1997. Where would I have gone as a Thai citizen with no money? I may not have been welcomed in Thailand if I was bankrupt and I may not be welcomed anywhere else with a Thai passport. So there were all those pressures too.

> I see ASEAN as a major player and I think it's going to get even more so in the future.

Where do you see growth in the next 5-10 years?

I'm very, very bullish overall and especially about ASEAN. You can't get away from the European Union, America, China, Brexit and other trade complexities. Africa is the only region where I still feel we are pioneering. But if you talk to the South Africans, they've written off Africa. They basically have no confidence. I think if you want to see a new China, then you have to look at Africa. They've got the mineral wealth, human capital, and good education. And it is undeveloped and untapped. Russia also has potential, and while it has had its ups and downs, it is still another major superpower.

I see ASEAN as a major player and I think it's going to get even more so in the future. When you look around, I think Thailand is by far the strongest member of ASEAN and it's going to play a pivotal role in the development of this region. We see a lot of people coming in to build factories here. And this could again be because nobody colonised Thailand and the Thais are always adjusting to American or Chinese influence. So it's a great place to put an automobile factory–then you'd be able to keep on the good side of America and export to them without restriction, and you'd also be able to export to China because China is going to be a valuable trading partner. I am as optimistic today about Thailand as I was in the 1960s because the country continues to maintain strong global relationships. It's going to be able to repeat that going into the next generation. That said, I do not underestimate the growth potential of other ASEAN countries, especially the CLMV (Cambodia/Laos/Myanmar/Vietnam). They have large populations, strong demographics and huge foreign direct investment, particularly in factories. These countries are also witnessing emerging middle-class consumers with an appetite to spend and try new things, which is great for hotels and restaurants.

Any advice for young entrepreneurs?

Entrepreneurship teaches you resilience, so learn from it. It isn't over till you say it's over. But know when to call it quits. One of the mistakes we often make is that we think we can make things right. And in the old days, we prided ourselves on that. I remember, when we were losing Pizza Hut we tried to fill that hole by going into chicken, which is one of the things that Pizza Hut was always afraid of because they own KFC too and did not want the brand challenged.

Around the year 2000, just before we ended the Pizza Hut franchise, we took on a roast chicken franchise in Australia, as we thought roast chicken was healthier than fried chicken. So we embarked on it, and we opened 20 stores in one year. But it failed. We closed 20 stores that same year! The roast chicken business just didn't work. But, because we were focused on it, we recognised it quickly enough to not cause a lot of pain or added expense.

I think now that we are bigger, we have less focus and therefore we often keep throwing money at things that aren't going to work. An example would be The Pizza Company. It took us probably 10 years to realise that we weren't going to win in China with Pizza Hut, which was well entrenched, and we finally closed The Pizza Company there. Just because The Pizza Company did well against Pizza Hut in Thailand does not mean it will see the same successes in China.

So sometimes you have to recognise what made you–and one of the things that made us successful was this willingness to shut something down quickly when it wasn't working. And when you get big, there's an attitude that we will make it work. "We'll give it another year. We've got a new look and a new formula and some new people. We put a new manager in there, and he wants another six months to figure it out." But learn to recognise a loser quickly and cut your losses.

> There have been times that I have thought that I picked the wrong road, but in the end, no, I think all roads have been learning opportunities.

Are today's entrepreneurs different in their expectations?

It used to be that entrepreneurs were entrepreneurs and they became serial entrepreneurs. They started a business and then they started another business and another business. What I'm seeing now is that more of the young people sell the business and then they become investors, they don't want to go through the start-up process again. They don't want to go back into starting a business, running a business, operating a business. They become more passive investors. One of my partners said, "There're only two ways to get rich. Either work damn hard, sacrifice your family life and personal life, kids, free time–or you find someone who'll do that for you."

But I belong to the older generation. Minor is my entrepreneurial vehicle and we continue to go into new fields, new geographies, and we make new acquisitions. In fact, we are already at the beginning of a new adventure. In 2018, we made our biggest investment yet through the acquisition of one of the most prominent hotel chains in Europe, NH Hotel Group, for €2.3 billion, tripling the size of our hotel group. NH, based in Spain, is much larger than us, so there are exciting times ahead. These next couple of years are going to be transformational for us, as we become a global player competing on the world stage. And so, as much as I would like to be an investor today, I can't get out of being in the driver's seat and wanting to be a part of the action, not leaving it to someone else or being dependent on someone else to create the success.

The years go by so quickly. You blink your eyes and suddenly find that you've been in business for 50 years. You've survived 50 years of challenges. Any regrets? No, none whatsoever. There have been times that I have thought that I picked the wrong road, but in the end, no, I think all roads have been learning opportunities.

Promoting financial inclusion in Bangladesh.

By Aurobindo Ghosh and Lipika Bhattacharya

The street scene of honking cycle rickshaws, jaywalking pedestrians and precariously tilting buses in crowded Dhaka was an easy distraction. It was December 2017 when Matteo Chiampo, an advisor to the Consultative Group to Assist the Poor (CGAP),[1] was writing an advisory report on the future growth strategy for SureCash, a mobile financial services (MFS) company in Bangladesh. Brainstorming for questions, and not answers, was something he had not tried before. Nevertheless, Chiampo tried to focus on the questions he had on his mind–questions that he believed would give novel and transformative insights on the way forward.

SureCash was founded in 2014 with the objective of providing a range of mobile financial products to the unbanked population in Bangladesh, and a long-term vision to become the premier 'digital financial services' provider in the country. The company tied up with local retail convenience or 'mudi dokan' stores and mobile phone shops to deliver financial services to its customers. The initial approach, focused more on mobile services, was based on an agent banking structure. This meant providing limited scale banking and financial services through engaged agents under an agency agreement, rather than a teller/cashier system. SureCash was thus the owner of an outlet which conducted banking transactions on behalf of a bank, and to this end, it had co-branded with five banks, along with establishing collaboration agreements with mobile network operators and other partners.

In early 2017, SureCash created history by transporting the nation's Primary Education Stipend Project (PESP) onto its digital platform. In the process, it successfully opened accounts for 10 million women in Bangladesh, and transferred the stipend funds to their accounts. However, despite this large deal, CEO Shahadat Khan was on the lookout for new growth opportunities that could be created for his relatively small company.

The MFS sector in Bangladesh was essentially an oligopoly dominated by two large players: bKash, which held more than half of the market share, followed by the Dutch Bangla Bank Limited (DBBL), which owned about one-sixth of the subscribers' market share, at a distant second. With advice from CGAP, Khan was considering the kind of growth strategy a player like SureCash could implement in such a market.

Homegrown technology

The SureCash software platform had been developed internally, leveraging web-based technologies. As the backend platform was built and controlled by the company, customised development and modification took less time as compared to commercial platforms. The full software development lifecycle, including testing and production maintenance of service solutions, were all done in-house. Being able to control its entire technology stack was a definite advantage for SureCash. Other MFS providers in the country had typically acquired platforms built by third-party foreign companies, who were unlikely to understand the unique needs of the local customer. The SureCash platform was designed to be fast, real-time and reliable, and used the mobile phone as the primary transaction interface.

OPENING AN ACCOUNT

Opening a SureCash account through one of its partners was a simple process offered free to the customer. Customers

> As the backend platform was built and controlled by the company, customised development and modification took less time as compared to commercial platforms.

THE IMPORTANCE OF FINANCIAL INCLUSION

Financial inclusion enables the poor to step out of poverty and thus alleviates inequality in society. Access to financial services not only helps individuals and families, but also collectively empowers entire communities to drive economic growth. Providing people with the tools to manage and save their money, and helping them build the skills and knowledge to make the right financial decisions, can bring multiple benefits;

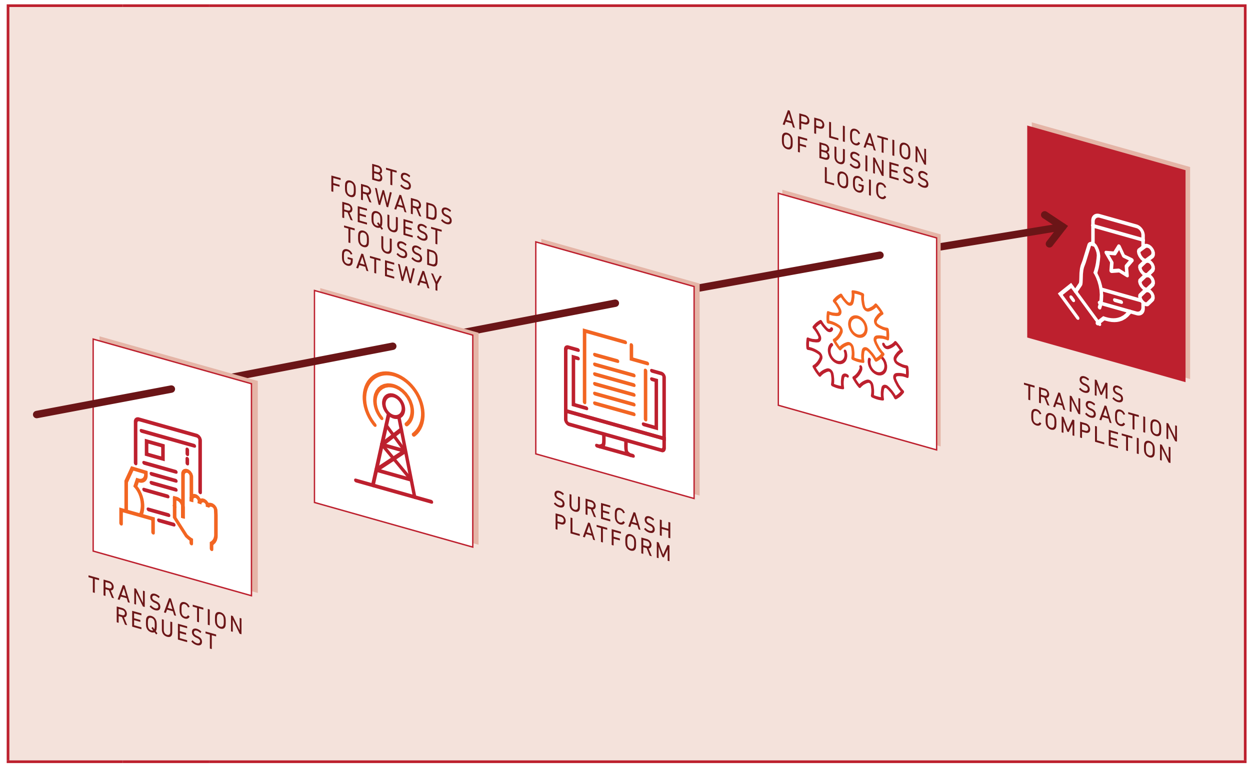
- First, it can encourage individuals to build savings habits. This, in turn, can motivate them to start and grow businesses, creating self-employment opportunities at the base of the pyramid.
- Second, financial inclusion can motivate the poor to educate their children, which would help build a new generation of educated and informed individuals.
- Third, it improves the ability of the poor to handle uncertainties that require ad hoc and unexpected payments, or financial shocks arising from sudden mishaps.
- Fourth, almost like a domino effect, financial inclusion in rural societies creates more empowered communities by providing access to accounts, savings and payments systems; it promotes investment within the community, providing jobs and boosting income levels.

Mobile financial services play an important role in promoting financial inclusion, reducing poverty and achieving inclusive growth. The primary benefit that MFS providers have in increasing financial inclusion is the scalability aspect. Since MFS require vast distribution networks, these services can also provide employment and entrepreneurship opportunities to tens of thousands of low-income people in urban and rural areas. In 2014, it was reported that bKash in Bangladesh, for example, had 30,000 agents at a time when M-PESA had more than 40,000 in Kenya alone.[2] The rate of replication of this model across continents is what makes the involvement

of MFS providers so critical in financial inclusion campaigns.[3]

Some of the major ways in which MFS providers promote financial inclusion include providing a safe means to park income during good times, supplementing of incomes through remittances, and access to insurance. MFS services can also help increase financial security by reducing customers' over-reliance on cash. Storing wealth in an MFS account helps reduce the risks that arise from cash handling, like accidental loss, theft, or fraud. Mobile money also makes it easier for people to transact goods and services, thus facilitating trade. In Tanzania for example, 20 percent of mobile money users are using MFS services for business, primarily for transactions between the supplier and the retailer.[4]

MFS TRANSACTION



could go to any agent outlet in the country with their mobile phone (the mobile operator needed to be a partner of the company), proof of identity, and a photograph, and complete a form. Once the forms were completed and verified, the customer would receive a confirmation SMS that the account had been opened. Thereafter, they could avail of a range of services including cash-in, cash-out, cash transfers between individuals (P2P), cash transfers from business/organisations to individuals (B2P), bill payments, merchant payments, mobile top-ups, and collections.

MFS TRANSACTION

A typical MFS transaction request from a SureCash customer is placed over Unstructured Supplementary Service Data (USSD) through a menu-driven user interface on the customer's mobile phone. Once the customer initiates the transaction request, the base transceiver station (BTS) of the mobile network operator (MNO) would forward the request message to the USSD gateway. The USSD browser at the MNO would then send this message to the SureCash platform, which would parse the transaction and apply the appropriate business logic for the product, complete the required entries, and send an appropriate response to the transaction initiator over the USSD channel and a transaction completion message over an SMS channel to both parties involved in the transaction.

OVER-THE-COUNTER TRANSACTION

For over-the-counter (OTC) wallet-to-wallet remittance, customers had to visit an agent outlet to execute the transaction. They handed over the amount to transfer in cash to the agent, and indicated the recipient's account number. The agent then performed the transaction on his/her mobile or electronic device. The platform would require a PIN confirmation to ensure security, thereafter, the agent's wallet was debited, and the recipient's wallet was credited, after deducting the transaction fee. This transaction flow for wallet-to-wallet remittance was the most frequent transaction performed by MFS customers.

The MFS market in Bangladesh

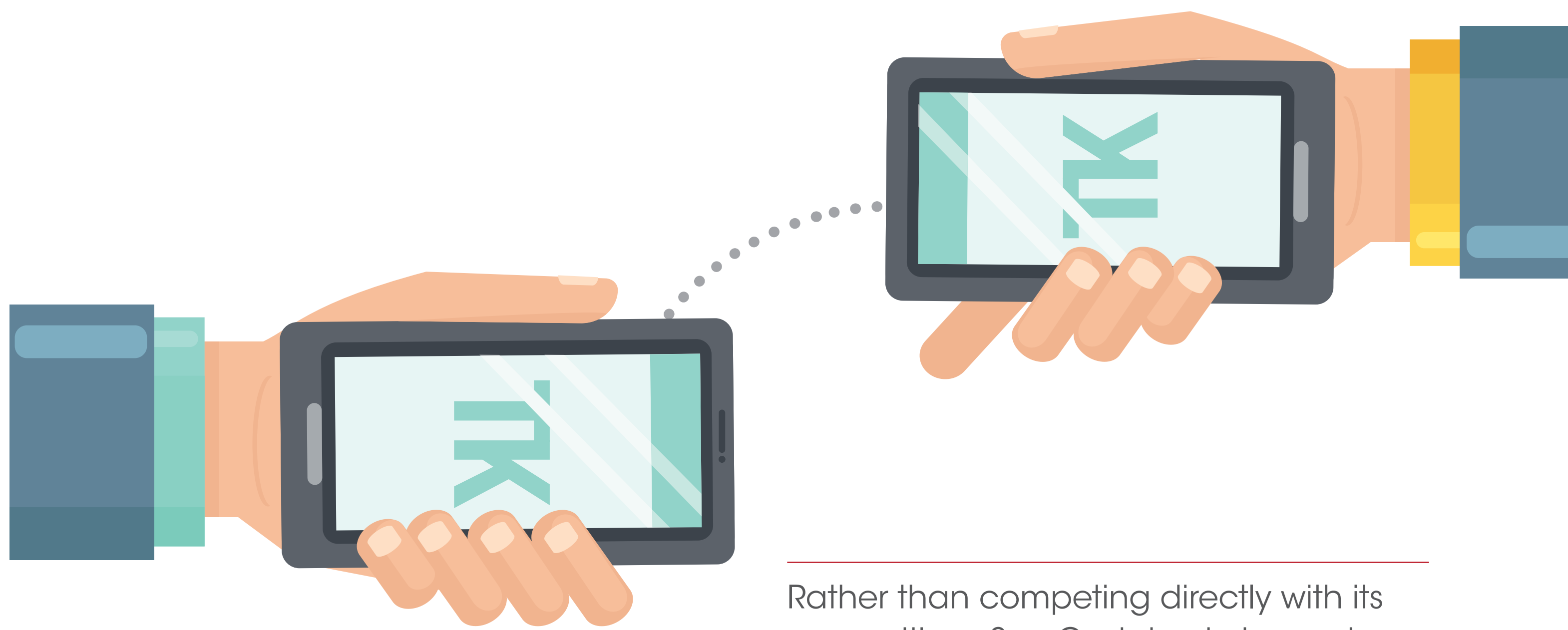
MFS in Bangladesh had been established as part of the government's regulatory reforms, which allowed financial service providers to operate in the country in partnership with a locally-registered bank. These reforms were introduced in early 2011, following which DBBL and bKash entered the market almost immediately.

The market conditions at the time had worked to the advantage of the two first movers. Margins on reselling airtime had fallen dramatically in 2012. So when these MFS players entered the market, the mobile airtime reseller outlets jumped at the opportunity of becoming MFS agents, as it provided them some extra revenue from agency fees and also increased customer traffic to their outlets. As a result, the agent network for bKash, which had been launched in partnership with BRAC bank (a private commercial bank in Bangladesh that focused on small and medium enterprises) surged. Within the first two years of operation, bKash was able to gain a significant market share, and by 2015, it had become the clear market leader, with 58 percent share of Bangladesh's MFS market. By October 2016, it strengthened its position to account for 89 percent of the total MFS transactions in Bangladesh, with DBBL accounting for another 10 percent, and the balance one percent transactions executed by other MFS operators. In terms of transaction value too, bKash was the clear frontrunner, accounting for more than 75 percent of the amount transacted.

Having one or two large dominant players in the market had several drawbacks for smaller MFS players, including bleaker possibilities for building large agent networks, less control on transaction fees, and a challenge for brand management. This was in addition to the risks faced by all MFS operators, which included local agents allowing registration of fake accounts without ensuring proper verification, or then daily operational challenges related to interoperability, where interoperability is defined as 'the possibility to transfer money between customer accounts at different mobile money schemes, and between accounts at mobile money schemes and accounts at banks'[5].

Tackling an oligopolistic market

Rather than competing directly with its competitors, SureCash had chosen to adopt the path of differentiation to make its mark on Bangladesh's MFS market. In 2014, the company had started working with educational institutions to facilitate the collection of tuition fees, and decided to pursue this path. Most educational institutions in the country were at the time still maintaining piles of physical ledger books to keep track of student fees and payments—which was proving to be increasingly inconvenient.



Rather than competing directly with its competitors, SureCash had chosen to adopt the path of differentiation to make its mark on Bangladesh's MFS market.

With the adoption of the SureCash digital mobile payment system, the student fee collection process became simpler and more efficient with convenient report generation, tracking and reminders. Some institutions had further customised the automated platform and added solution features to roll out vaccination service initiatives, fingerprint technology for hostel students, and library automation. By 2016, more than 200 educational institutions collected semester and monthly tuition fees using the SureCash educational fee collection platform.

At the same time, SureCash also began promoting its platform to organisations for salary disbursements. Organisations like Grameen Bank (a microfinance organisation and community development bank founded in Bangladesh), Grameen Trust, Integrated Development Foundation, and FoodPanda started disbursing salaries, transport allowances and vendor payments using SureCash's platform. Some rural banks also began venturing into disbursing loans and collecting payments using SureCash. In 2016, Grameen Bank signed a memorandum of understanding to use the company's mobile payment platform for its operations. Through this partnership, Grameen Bank members were able to use SureCash mobile banking to receive loans and make instalment payments using their mobile phones. This proved to be a great opportunity to introduce the benefits of MFS to around 8.8 million Grameen Bank members covering 97 percent of villages in Bangladesh. Later that year, some other government agencies, such as the Water Supply and Sewage Authorities and Bangladesh West Zone Power Distribution Boards, began partnering with SureCash to collect utility bill payments from their consumers.

IMPLEMENTATION OF THE PRIMARY STIPEND EDUCATION PROJECT

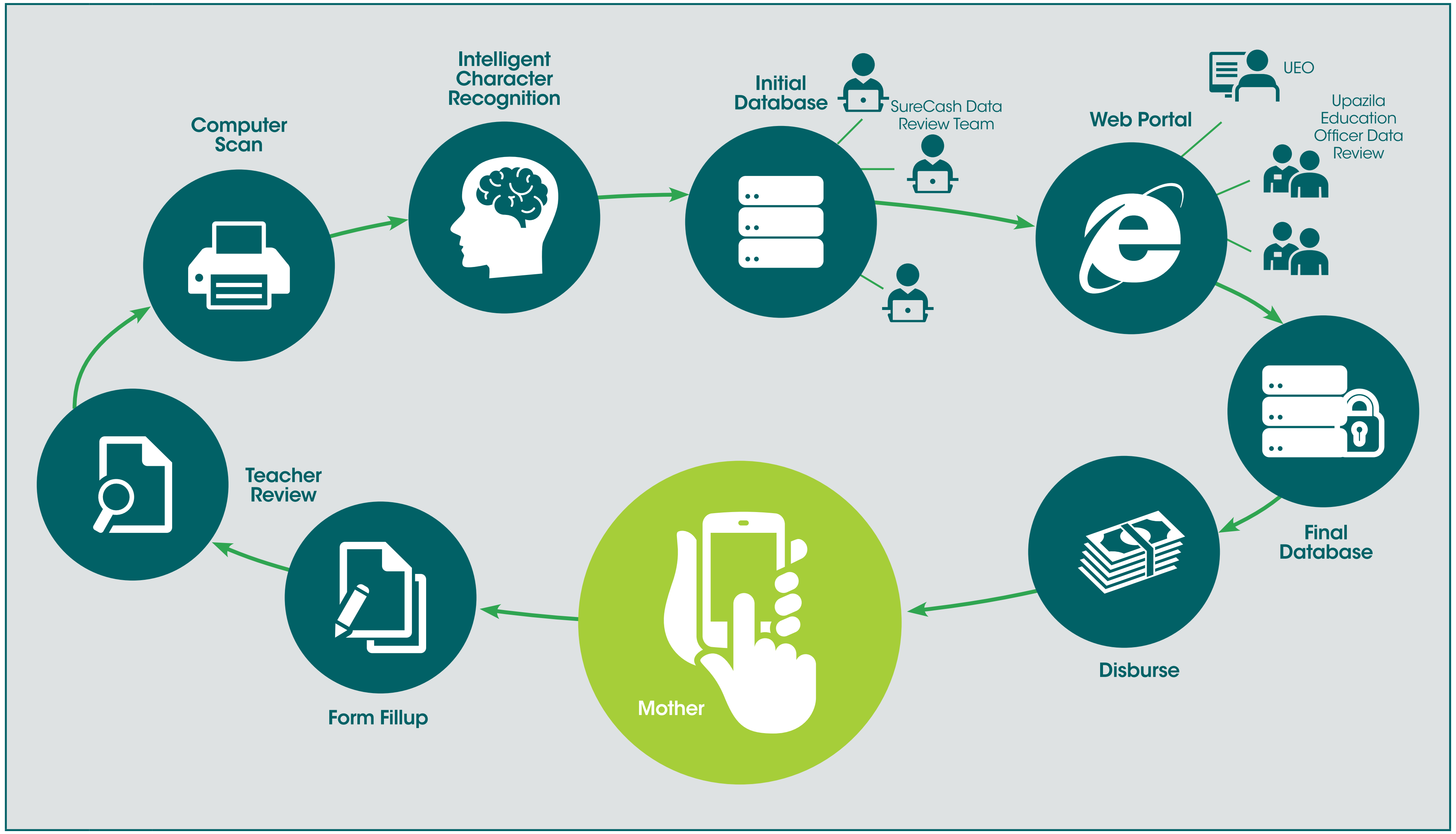


FIGURE 1

Source: SureCash

As both bKash and DBBL were largely focused on P2P transfers, provision of other mobile financial services for disadvantaged women constituted a niche market with a low degree of competition.

In 2017, the company collaborated with Rupali Bank to take over the massive task of digitisation of the government-led PESP. SureCash took on the responsibility of disbursing education stipends to mothers of 13 million students, and opened one mobile banking account for each mother so that they could receive the stipends directly into their accounts/mobile wallets. Once received, they could withdraw the stipend money from any Rupali Bank SureCash agent outlet, use it to make payments, or save it for the future.

As each mother listed in the programme had a bank account opened in their name, this also helped expedite financial inclusion of women and build women empowerment. Additionally, SureCash collaborated with Teletalk, whereby the state-owned telecom provider distributed a free SIM card to the stipend recipients.

NICHE MARKET STRATEGY

SureCash was thus able to leverage a niche market strategy to its business advantage. A successful niche market strategy should ideally encompass all three of the following factors: the existence of sufficient market demand in the niche today, a low degree of competition in the niche, and a high income potential in the niche.[6]

In Bangladesh, women had far less access to financial services as compared to men. In 2017, 36 percent of women and 65 percent of men had mobile financial accounts, and mobile phone penetration was 47 percent for women compared to 76 percent for men.[7] Hence, there was substantial market potential for innovative services for this niche segment. Second, as both bKash and DBBL were largely focused on P2P transfers, provision of other mobile financial services for disadvantaged women constituted a niche market with a low degree of competition. Third, given the population density of Bangladesh (among the highest in the world), there was a huge pent-up demand that SureCash was able tap into.

The road ahead

SureCash was able to target women and effectively implement a strategy to operate in an oligopolistic market, and its launch of the Rupali Bank SureCash PESP disbursement service has helped it find a niche in a large market. But digital disruption has begun to change the scope of markets across geographies. For instance, while smartphone penetration within rural Bangladesh was still low, in neighbouring India, smartphones had quickly gained popularity over basic mobile phones even within the poorer sections of society. The entry of smartphones into the MFS market meant a host of new service possibilities for mobile banking users. What remained to be seen was whether SureCash could continue to drive growth by partnering with other government initiatives such as PESP. And as and when the rural population of Bangladesh begins to adopt the smartphone, could the company tap on this opportunity to establish itself as the front-runner of emerging technology solutions in the MFS market?

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A Recipe for Success

Navigating to win in the Asian food and beverage franchise space.

By Koh Kek Sin

Asian food and beverage (F&B) brands are exploding in popularity all over the world. Since 1999, Asian fast food restaurants have grown by 500 percent globally, making it the single fastest-growing food category, outstripping the growth of the next four, i.e. Middle Eastern, Chicken, Pizza, and Latin.[1] At the same time, there is a huge opportunity for F&B franchising in Asia Pacific—over the past decade, the sector has flourished with the entry and expansion of both international and Asian brands, and in 2016, the restaurant industry in this region was estimated to be worth some US$1.5 trillion.[2] Going forward, there is more space for growth with the continuing rise of the middle class in Asia. However, one must be careful not to treat Asia in a homogeneous way, as consumer expectations and preferences, and a brand's business model, could vary significantly between developed nations, such as Japan, Korea and Singapore, and the developing countries in the region.

Franchising has been a preferred route for entry and expansion in the F&B sector, and an increasing number of Asian brands have evolved into franchised chains across the region and beyond. This includes many Singaporean brands, such as BreadTalk, Old Chang Kee, Ya Kun Kaya Toast and Mr Bean, as well as brands originating from other parts of Asia, like Ippudo (Japan), Paris Baguette (Korea), Jollibee (Philippines), and The Pizza Company (Thailand). Many international brands too have entered and expanded their footprint in Asia through a franchise network.

> One must be careful not to treat Asia in a homogeneous way, as consumer expectations and preferences, and a brand's business model, could vary significantly.

The benefits of franchising are many. The franchisee has the advantage and confidence in buying into a proven business model, with established systems and processes, compelling consumer proposition and potential for attractive investment returns. The franchisee also benefits from the franchisor's brand equity and ongoing development, and has the opportunity to learn core business competencies and knowhow associated with the brand and the franchise. Long-term business relationships and success may be developed through franchise agreements, which normally span a decade or more. On the other hand, the franchisor benefits from the local knowledge and network of its franchisees and the ability to expand its brand while staying light on capital. Franchising can thus be an ideal model to reduce risks when entering new, unfamiliar markets.

Asia offers many opportunities for F&B brands, but not all franchises have been able to establish a viable and sustainable business in the region. There are a number of aspects of F&B franchising that have to be considered when navigating the landscape in Asia.

Innovation and localisation

Successful brands have been sensitive to the need to innovate—and in particular, innovate by adapting to local trends and taste preferences. A case in point is a global QSR (quick service restaurant) brand that has enjoyed exceptional growth over the years from its localisation strategy, which has enabled it to establish an unrivalled presence across Asia. It first arrived in Asia with a single core product offering and subsequently developed and launched a spicier and crispier extension. This was followed by more creative flavours, which were developed based on local and regional taste profiles. These new flavours resonated with consumers, attracting a new group of customers while increasing the visit frequency of existing ones, resulting in a new and significant revenue growth layer for the brand.

While a brand's core product has to be executed consistently across its network of outlets to maintain brand equity, supplementing it with innovative local variants can increase the brand's relevance and top-of-mind recall to its target consumer groups. Another example is the Singaporean multinational F&B corporation, BreadTalk. In line with its motto of staying 'fresh and relevant', BreadTalk launches new localised and customised products, often coinciding with the change in seasons, festivals, and events. In China, BreadTalk offered panda-shaped products to raise funds for the victims of the Sichuan earthquake, and rocket-shaped products to celebrate the country's first astronaut in space.[3]

And innovation goes beyond just food, encompassing the entire customer journey. Service and other experiential innovation—such as signature branded service, ambience and packaging design—can help generate more 'talkability' and increase brand recall, leading to greater brand usage and growing revenues. Additionally, as we know, the digital space is becoming more critical in attracting and engaging consumers. Hence, tech innovation in brand communication, consumer engagement and guest experience are critical in building brand relevance and vibrancy that translate into greater brand loyalty and higher revenues.

Holistic brand experience

Established global brands have a brand story to tell and a personality to project which consumers can relate to when they use the brand. For instance, Starbucks' culture and values can be felt through its consumer touch points, and it comes through in its clear and focused brand communications. This has enabled the brand to establish its identity and what it stands for, and build a strong relationship with its customers over a period of almost five decades. It would come as no surprise that by clearly defining what the brand stands for and bringing it to life with a holistic brand experience, the brand is able to establish an emotional connection with its customers, enhancing competitive advantage and building strong brand loyalty.

An example of an Asian experiential brand that is often quoted is HaiDiLao, the Sichuan hotpot chain, which is well known for its standout customer service. One can expect to be pampered and well looked after from the time one joins the queue to get in! From complimentary manicures, chair massages and shoe shines to car washes, HaiDiLao goes the extra mile to provide an unparalleled and memorable experience that people spread by word-of-mouth.[4] While these add-on services may appear unrelated to enjoying a meal *per se*, they certainly make an impact on a customer's willingness to return, as the overall visit experience is a highly enjoyable and memorable one.

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Many brands in Asia have the opportunity and capacity to offer a more holistic brand experience to consumers and, in return, such brands will benefit from a growing and more loyal customer base.

Relationship, relationship, relationship

In Asia, relationship and trust matter a lot. The key is to establish a strong bond between the franchisor and the franchisee based on a common understanding and vision for the brand that leads to success for both parties. The franchisee must have the interests of the brand at heart, to nurture and develop the brand; while the franchisor must have the interests of the franchisee at heart, to support and build the brand together.

As a franchisor, it is helpful to view your relationship with the franchisee as a partnership—your franchisee's success is your success. In fact, it may be likened to a marriage: choose your partner wisely, and once the knot is tied (agreements signed), it is about understanding each other better, meeting each other's needs in a give-and-take relationship (mutual support) for a stronger marriage (franchise) that will bear fruit (profits) and multiply (more outlets)!

Not investing in building strong relationships can lead to break-ups, which are costly for both partners. For instance, a few years back, there was one such incident that involved a global brand and its Asian franchisee. Due to a lack of cultural sensitivity and mutual understanding, the relationship, which started off well, ultimately broke down. It was an acrimonious parting of ways that led to the Asian franchisee establishing its own highly successful local brand.

Aligning expectations and building deeper mutual understanding and trust over time will help secure long-term success in a franchisor-franchisee relationship.

In family businesses, the family matters

Many large businesses and diversified conglomerates in Asia are managed and controlled by prominent families. While both family-run and corporate entity franchisees can be equally entrepreneurial and successful, business philosophies may differ and there is a definite personal dimension in Asian family businesses that is absent from a typical corporate environment. With family-run groups, it is especially important to have a strong relationship with the head of the family and her/his trusted family members. It is these relationships, often fostered at a more personal level, which will keep the partnership going during challenging times of volatility and uncertainty. Strong relationships and franchises have survived through the Asian economic crisis, SARS, avian flu, global financial crisis and the like!

There is hierarchy in any organisation but the concentration of authority is perhaps more pronounced in family-run businesses. When there are differences in views, the ability to resolve issues and re-establish business alignment will depend on the level of relationship that has been established with key members of the family, and in particular, the head of the family.

Another point worth noting is that multigenerational family businesses are intimately connected with, and often play a prominent and high profile role in, their local and wider business communities. Hence, family-run franchisees generally take great pride in having the privilege of managing well-known brands and are highly motivated to portray the brand in a good light, to make it successful and beneficial for their local communities.

Recipe for success

Based on a number of proven F&B franchise models, there appears to be six key ingredients that make a recipe (not a guarantee) for success. Although these ingredients are listed in no particular order of importance (they are all important), the first four mentioned form the foundation for success.

Consumer value proposition

The brand offering must be a compelling one that is focused, differentiated and relevant to the market and target consumers. Avoid offering a 'me-too' proposition. Take the emotion out of the equation and answer these questions objectively: "Why would consumers want to use (experience) this brand?" and "Why would they want to keep coming back?"

Profitability

The economic model must generate returns for the franchisee. If it is unattractive, it will be an uphill task to establish a sustainable and scalable business. It is about sharing the wealth to generate more wealth, and an optimal balance has to be struck for both partners to prosper.

Franchisor-franchisee relationship

The franchise is a partnership, built upon a shared vision for the brand and shared values for a long-term, win-win relationship. Establish trust and a joint commitment to develop the brand and make it successful. Non-renewal of contracts and break-ups can be very costly.

Culture and values

Establish the values and behavioural expectations that will unify the organisation and bring the brand personality to life across the franchise system. Make an emotional connection with team members and customers.

CONSUMER VALUE PROPOSITION: A QUESTION THAT IS OFTEN ASKED, "WILL MEXICAN CUISINE BECOME MAINSTREAM IN ASIA?"

Before bringing an F&B brand into a market, franchisors and franchisees first and foremost need to assess the strengths of the brand's consumer value proposition. When a fast food chain serving Mexican food first entered Singapore some 19 years ago, the company was faced with the challenge of developing a relevant and compelling proposition.

One of the questions that could be used as a test is, "Why would someone want to use (experience) this brand?" Another way to assess the relevance of a brand is to ask people, "When you go out for a meal, what types of food or places do you think of, as your options?" Most Singaporeans responded with Chinese, Japanese and Korean food, or curry, noodles, and rice, or chicken, burgers and pizza. Mexican cuisine did not appear to be top of mind.

When the brand was launched, it had a very high level of trial but did not generate significant repeat visits. This pointed to a concept with high novelty factor, but perhaps insufficient 'craveability' and relevance to generate adequate revenues for a sustainable business model in the local market. It appeared to have only generated a niche following.

In evaluating F&B business opportunities, novelty alone is not enough. Look for strong and broad consumer appeal—concepts that consumers keep at the top of their mind and food which they love to eat and crave for repeatedly.

Since then, the Singapore F&B scene has evolved significantly, with consumers having greater exposure to more international brands, and higher levels of taste sophistication and expectations. Today we can ask the same (right) questions, and re-evaluate whether Mexican food has a strong potential to resonate with consumers in Singapore. With changing taste preferences and more familiarity with Mexican cuisine, perhaps a Mexican fast food chain may have a higher probability of establishing a successful and sustainable business model than it did 19 years ago.

Consistency in brand experience
Consistent execution across all customer touch points reinforces the brand experience, builds loyalty and generates more business. Apply a mindset and approach that "every visit is a unique and independent opportunity to delight your guest". Execute the brand experience holistically.

Innovation
Make innovation a differentiator and competitive advantage that enhances the value proposition being offered to consumers. Innovate to generate 'talkability' and to stay top-of-mind. Innovation that cuts across the entire customer journey, not just of the food itself, will make the brand exciting and keep it relevant. Leverage on technology.

A bright future

As the world gets smaller with more people travelling and experiencing different cultures, more opportunities will open up for Asian brands to expand beyond the region. In fact, there are Asian concepts already serving up ramen, sushi, dumplings, bubble tea and other tasty Asian fare across the globe. Japanese, Korean, Chinese, Indian and Thai cuisines, in particular, could potentially have a stronger resonance with consumers globally. There appears to be an accelerating trend towards offering authentic Asian cuisine and any remaining 'poor imitations' that exist today will no longer do for the future. The future is bright and the potential is huge for Asian F&B concepts that are innovative and able to offer a strong and compelling consumer value proposition. Perhaps it is no longer just about navigating to win in Asia, but across the globe.

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Beyond the buzzword

The journey to corporate sustainability.

By Ryal Wun

According to Jen Boynton, vice president of member engagement at 3BL Media, "Corporate responsibility is simply a way for companies to take responsibility for the social and environmental impacts of their business operations."[1] Looked at this way, corporate social responsibility (CSR) can, in effect, include a whole gamut of business practices and policies that make a business socially accountable—to itself, its stakeholders, and the public. These activities can range from philanthropy and environmental consciousness to ethical labour practices.

While socially responsible business practices have been around since the very inception of private enterprise, only in recent times has the concept been formalised into business practices, and businesses are being held accountable for it by their stakeholders. In Singapore, the first formal push towards CSR dates back to 2005, with the establishment of Singapore Compact, a national society that provided a multi-stakeholder platform for co-ordinating CSR policies and practices.[2] This is not to say that individual companies were not already implementing CSR policies—corporate giving and volunteering had already been part of general corporate activities, though largely confined to the likes of tree-planting and charitable donations.

Today, corporate giving remains relevant as businesses move beyond *ad hoc* and transactional giving to more strategic and impactful giving. Such corporate philanthropy has emerged as going beyond a business practice to forming an integral part of a corporate strategy to engage stakeholders and inspire employees. Organisations like the National Volunteer and Philanthropy Centre continue to promote the national narrative of giving by facilitating partnerships among companies, public sector bodies and individuals, and conducting research on motivations and behaviours.

CSR or corporate sustainability?

Over time, the concept and form of CSR have evolved. Terms like corporate citizenship, corporate ethics and corporate sustainability have emerged as companies sought to adopt social and environmental policies that suited them. The latter term, corporate sustainability, has emerged as gaining favour as it also includes economics and business longevity, based on the premise that businesses operate to meet today's needs while ensuring sufficient resources to meet the needs of future generations.

The twin concepts of CSR and corporate sustainability are sometimes erroneously used interchangeably. The CSR approach focuses on satisfying a present community need, without necessarily addressing the root cause of the issue or consequences. Examples include one-off beach cleaning exercises by staff or the building of healthcare centres without taking into consideration the resources needed for the long-term viability of the asset. CSR initiatives also do not need to align with corporate business strategy, increasing the risk of perceptions of greenwashing. Finally, CSR efforts are usually targeted at external stakeholders and certain demographics. In sum, CSR efforts, while responsible, may not necessarily be sustainable.

This differs from corporate sustainability, which relates to a company's ability to keep the doors open for business into the future by focusing on forward and long-term thinking plans. Sustainability efforts align with the company's business model, and take into account internal stakeholders. Examples include flexible working hours for staff or utilising technology for staff development in order to reduce travelling and carbon footprints.

In the end, though, it is arguably all semantics, and both concepts are beneficial to a company. Perhaps what matters is the positive impact of the action.

In 2015, the Singapore Compact became the local chapter of the United Nations Global Compact, and was rebranded as the Global Compact Network Singapore. This shift from built-on philanthropy and volunteering practices to built-in responsible corporate behaviour reflected societal expectations of modern companies. According to the 2015 Nielsen Report on consumer expectations, brands that commit to sustainability outperform and grow faster than those that do not, and 66 percent of consumers are willing to pay more for sustainable brands.[3] Hence it is not surprising that Singaporean companies leading in corporate sustainability, like City Developments Limited (CDL), Singtel, DBS Bank and Olam International, have mirrored the growing demand from consumers towards increased transparency on climate-related business risks, human rights, labour practices and governance issues in their business models.

Elsewhere in Asia, as well, sustainability is increasingly being embedded into business models. According to the 2016 Channel NewsAsia Sustainability Ranking, South Asian companies like Wipro and Infosys (both from India) lead the way in sustainable development. In East Asia, leading companies in sustainability include Taiwan's Lite-On Technology Corp, Qisda Corporation and United Microelectronics Corporation; South Korea's Hankook Tire Company, Coway Company and S-Oil Corporation; and Japan's Calsonic Kansei Corporation, NEC Corporation and Inpex Corporation. Outside of Singapore, Southeast Asia's leading sustainability companies include Thailand's Siam Cement Public Company and PTT Global Chemical Public Company.[4]

Corporate sustainability includes economics and business longevity, based on the premise that businesses operate to meet the needs of today while ensuring sufficient resources to meet the needs of future generations.

A public-private sector partnership

In the public sector, regulation has emerged as a means to create a more sustainable business landscape. In June 2016, the Singapore Exchange introduced mandatory sustainability reporting for all listed companies on a 'comply or explain' basis.[5] In January 2019, a carbon tax, together with a requirement for an emissions report, was introduced for companies emitting 25,000 tonnes per year (t/y) of greenhouse gases. Taxable facilities across all sectors are required to pay a carbon tax set at S$5/t (US$3.89/t) between 2019 and 2023, after which the rate will be reviewed and progressively increased.[6]

By the end of 2020, firms that use packaging materials will be required to submit an annual report to the National Environment Agency with information on the type and amount of packaging in their products. They will also be required to reveal their waste reduction plans. Such measures collectively give some indication of the nature and pace of the national sustainability agenda of the Singapore government. The Singapore Packaging Agreement, a joint initiative by the government, industry and NGOs to reduce packaging waste, has made progress in effecting behavioural change. In 2018, 229 voluntary signatories to the Agreement had cumulatively reduced almost 46,000 tonnes of packaging waste, saving over SGD$100 million (US$73.6 million) in the process.[7]

In the private sector, socially-conscious investors and other stakeholders favour a focus on environmental, social and governance (ESG) criteria within company operations. Environmental consciousness examines how a company serves as a steward for nature, while social consciousness pertains to a company's relationship management with its employees, customers, and the community at large. Governance includes a whole host of factors such as a company's leadership in internal controls, auditing and supply chain management. In China, Beijing Enterprises Water Group provides sustainable wastewater treatment services, and has won contracts worth US$7 billion, while BYD, a Chinese automobile manufacturer, built on its expertise in mobile phone battery manufacturing to become one of the world's largest manufacturers of electric vehicles. In Southeast Asia, Bank Rakyat Indonesia leverages on its strong microfinance and mentoring model to deliver a robust return on capital of 25 percent.[8]

Large pension funds and asset owners are requiring more accountability and emphasis on ESG factors. The World Bank Group and Japan's Government Pension Investment Fund have found that incorporating ESG factors into fixed income investment strategies strengthens risk management and contributes to more stable financial returns.[9] South Korea's National Pension Service has signed up to the Principles of Responsible Investment and Taiwan's Bureau of Labour Funds has set aside US$2.4 billion for the Global ESG Quality Fix Equity Indexation mandate. And according to the World Bank, investors are already going beyond ESG factors in their risk analysis, and including impact considerations against factors like the UN's Sustainable Development Goals. For instance, RS Group in Hong Kong adopts a total portfolio approach to asset allocation across a wide range of activities in the financial spectrum, while Singapore-based Garden Impact Investments provides expansion capital to businesses in Southeast Asia that create jobs for the marginalised.[10]

Investing in sustainability has also seen the emergence of green bonds, instruments used to fund projects that benefit the environment. In 2018, the Association of Southeast Asian Nations (ASEAN) adopted region-wide guidelines promoting transparency to investors.[11] Thailand's Kasikornbank issued a sustainability bond in 2018 benefitting the environment and social welfare, the first ASEAN bank to do so. Similarly, CDL and DBS Bank issued green bonds in 2017, the latter being the first such financial institution in Singapore to do so. Besides green bonds, social bonds have also taken root. In 2018, Singapore's Impact Investment Exchange, in partnership with DBS, set up a social bond programme with the purpose to empower Asian women. Such ESG-related instruments are likely to gain traction in Southeast Asia, where natural disasters connected to climate change and other issues like poverty and gender inequality are not uncommon.

Global trends in corporate sustainability

As sustainability gains traction globally, we see the emergence of some corporate sustainability trends.[12] First, there is perceptible growth of companies setting science-based targets or taking science-based climate action. Science-based targets

Investing in sustainability has seen the emergence of green bonds, instruments used to fund projects that benefit the environment.

have emerged as a corporate standard as they support the goals of the Paris Agreement without coming across as mere marketing claims. Such targets include aligning with the ISO 14064 standards for reducing greenhouse gases (GHG) emissions.[13] In the transition to a low-carbon economy and to future-proof growth, over 500 companies have set science-based climate action and about 170 have approved science-based targets. Of these, 128 companies are from Asia, three of which are headquartered in Singapore.[14] For instance, Williams-Sonoma developed an analysis of the benefits of setting targets for Scope 1, 2 and 3 emissions,[15] and Colgate-Palmolive plans to set water-usage targets.[16] The benefits of such targets include catalysing innovation, increasing resilience to growing regulations, strengthening investor confidence, and gaining a competitive edge in the market.[17]

Second, there is growing interest in addressing supply chain emissions. Companies have begun to take an active interest in scrutinising upstream and downstream activities. The desire to reduce indirect GHG emissions across the whole value chain, while aspirational, is not without its challenges, including the ability to capture and measure such data before being able to implement reduction strategies. Pharmaceutical company, Novartis, has devised a dashboard for capturing upstream and downstream activities, enabling the tracking of total carbon emissions potential hotspots and identifying areas to engage suppliers to reduce environmental impact.[18]

A third trend is that technology companies are taking an interest in sustainability. The information and communications technology industry, while generally increasing efficiency, concurrently contributes to an increase in GHGs through product usage and the product itself. Conscious of this, technology companies are increasingly taking steps to reduce the carbon footprint of their products and platforms by integrating sustainability into their business model from the outset. This includes the development of low-impact manufacturing, shipping and tools and sustainable product life cycles, and educating employees and consumers on sustainable practices. For instance, Kickstarter, the largest funding platform for innovative projects, created an online environmental resource centre for early-stage entrepreneurs, providing tools to reduce the environmental impact associated with manufacturing and logistics.[19] This has the added benefit of instilling a sustainability mindset in young business people at the start of their careers.

Finally, sustainability is precipitating innovation. Since there is no universal formula to sustainable solutions across industry sectors—or among companies of different sizes within sectors—a range of technologies have emerged to enable companies to be more efficient and productive, and to scale while providing the means to measure their business impact. Ulta Beauty, the largest specialty beauty retailer in the U.S., created an analytics tool to quantify the impact of air infiltration due to guest traffic on total energy consumption. [20]

Science-based targets have emerged as a corporate standard as they support the goals of the Paris Agreement without coming across as mere marketing claims.

Integrating corporate sustainability into future business models

The policies and practices of public and private actors, together with emerging global trends, provide some indication as to the rate of change of sustainability as an increasingly acceptable part of business strategy. Investors' interest in ESG factors appears to be growing, as they prioritise impact measurement of such elements in their decision-making. This stems from stakeholder expectancy and demand for increasing transparency.

This is likely to precipitate greater momentum for sustainability to develop beyond a boardroom agenda or a box-ticking exercise. From shareholders to employees, demographics have shifted. Rather than consider this an inconvenience, companies should regard this as an opportunity gap to exploit, and review the social contract they hold with the community within which they operate.

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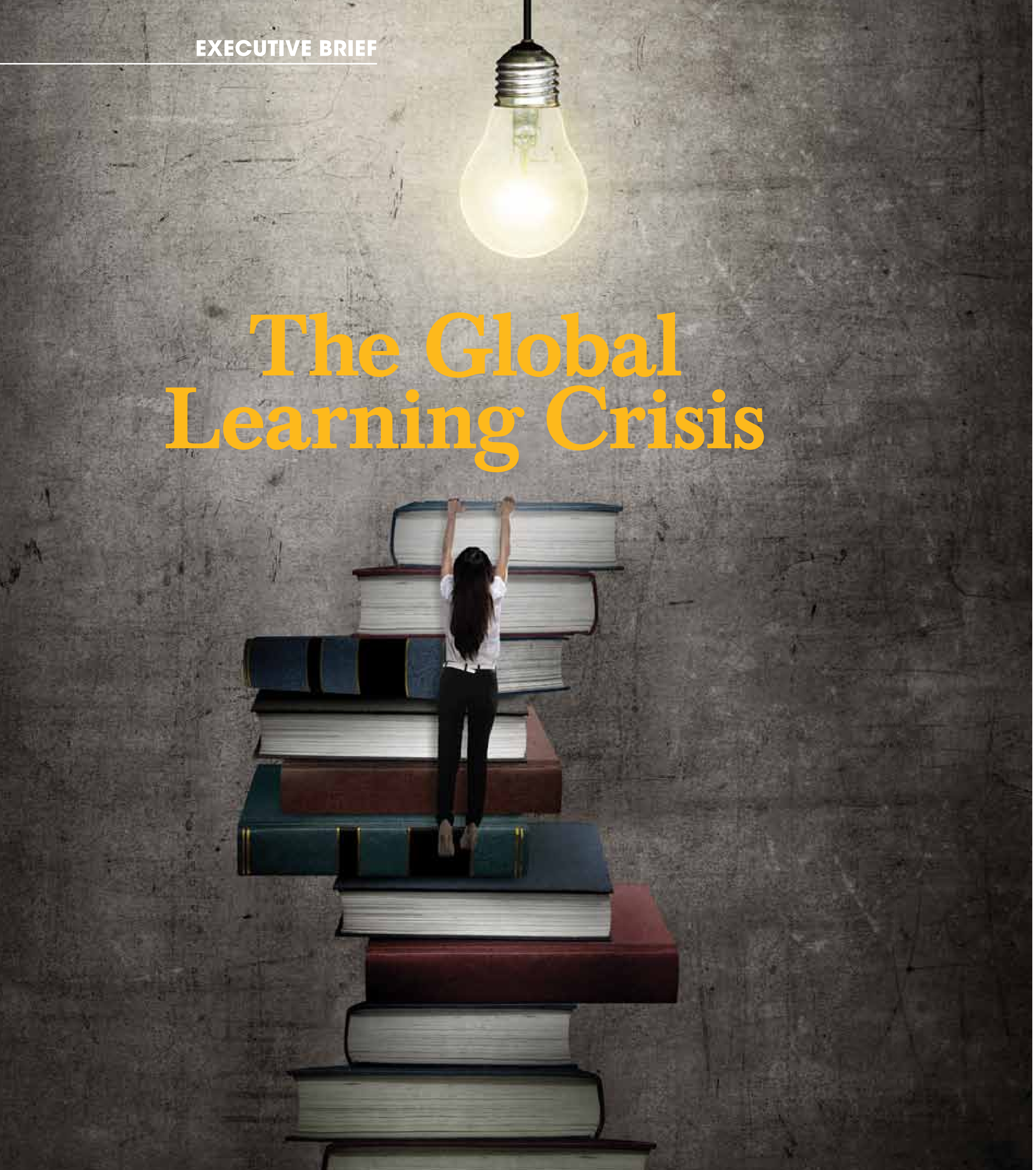
The Global Learning Crisis



The path to 21st century education in the developing world.

By Claudia Costin

In September 2015, the UN General Assembly approved the Sustainable Development Goals (SDGs), one of which, the SDG-4, focuses on the educational goal of ensuring free, equitable and quality primary and secondary education that will lead to relevant and effective learning outcomes. This goal, which is to be achieved by 2030, is ambitious. Even today, there are too many children without access to a school, or those who are not learning the basics, or dropping out of school.

In 2015, there were a total of 121 million children and adolescents not enrolled in school. In low- and middle-income countries, over 15 percent of children were unable to complete primary education and one-third of adolescents did not complete lower secondary levels. Almost a third of developing countries still do not have gender parity in primary education and 50 percent do not have it in secondary education. Worst of all, 250 million children cannot read, write or do basic arithmetic, even though many of them have been in schools for some years. Lant Pritchett's book, *The Rebirth of Education*, was appropriately subtitled 'Schooling ain't learning'.[1] In it, he analyses the challenges the developing world faces in ensuring improvement in literacy and numeracy in a context that could be clearly described as a global learning crisis.

To accentuate the issue, demand for skills is migrating to non-routine cognitive and interpersonal skills as many jobs are gradually being eradicated through automation and artificial intelligence. Education systems do not have the tools to address these new skills that include not only sophisticated reasoning and collaborative problem-solving abilities, but also the capacity and agility to reskill as old skills are replaced by machines.

Through globalisation, these challenges have spread to almost every country, adding to the existing inequalities of wealth distribution and contributing to the intergenerational transmission of poverty. In many countries, certified teachers (educators who have received the formal education that each country demands in its own regulations) lack training in areas such as Mathematics, Physics and Chemistry. Textbooks are scarce and available only in limited quantities. And electricity–what to talk of Internet connectivity–is rare in school buildings. In the absence of basic resources and skills, the demand for higher-level thinking skills in the evolving labour market imposes a double challenge on an already burdened school system.

School systems in developing countries are unable to make progress towards first providing every child with access to schooling, then promoting quality education for all in the outdated model, and then ensuring that the system incorporates the development of a different set of skills. They eventually learn from other countries that faced similar challenges, following a convoluted path to education improvement.

Skills development

In order to equip teachers for the role, some issues need to be addressed, such as the quality of pre-service and in-service education and inefficient teacher-hiring processes. Pre-service education in the developing world tends to overemphasise the pillars of education–the philosophy, sociology and psychology of education–to the detriment of the real craft of teaching. Curriculum reform in tertiary institutions that prepares future teachers would be more than welcome. Skills development should focus on training teachers not just to hold a class, but to be mediators in the skills development of literacy and numeracy, cognitive skills, and social and emotional skills. Those skills are better developed through interaction and not through long lectures or simply making students copy from a blackboard, as most teachers had done when they were students or as it happens in the present pre-service education system.

A few years ago, the OECD published a paper on strategies that mathematics teachers should use in class:[2]

- **Active learning** emphasises student engagement in their own learning, with the support of information and communications technology (ICT) and collaboration;
- **Cognitive activation** develops higher-order thinking skills, especially problem-solving and critical thinking; and
- **Teacher-directed instruction** relies on teachers to deliver good quality classroom instruction.

According to the report, the three strategies are not mutually exclusive. Pre-service education and the teacher-hiring process in the developing world should prepare professionals in a way that they are ready to manage these more sophisticated roles as they deal with their daily tasks of teaching a class. In addition, professional development should

Professional development should incorporate the notion that a teacher is not only an instructor, but also part of a team, and that teaching is not an isolated work. Thus, teachers need to learn to collaborate, to co-create, to plan classes and to monitor their work together.

incorporate the notion that teachers are not only instructors, but also part of a team, and that teaching is not an isolated work. Thus, teachers need to learn to collaborate, to co-create, to plan classes and to monitor their work together. This should be done in the school where they are working and even across an entire school system. Initiatives like pairing teachers from struggling schools with those from better performing ones in the same geographical area and dealing with the same student population have shown promising results in different parts of the world.

For the teaching profession to become more attractive, and for pre-service education to become more effective, these countries need to address the challenge of developing the present cohort of teachers who often lack the skills to face the complex reality of schools overcrowded with vulnerable students in difficult areas. In this situation, a blend of a more scripted teaching strategy with some space for experimentation and support for innovation has shown to be effective. Unskilled teachers benefit greatly from additional support, be it in the form of pre-formatted class plans, digital classes and more detailed textbooks.[3] Learning how to deliver more engaging classes and allowing the students space to develop higher-order thinking skills are feasible even under these difficult circumstances. It just demands more structured professional development and better prepared instructors to address the needs of teachers.

Building global citizens

The responsibility of schools is not restricted to preparing students for the increasing demands of the labour market. A child needs to acquire knowledge and capabilities to participate as an informed member of society. In addition to developing basic cognitive, social and emotional skills, a solid Global Citizenship curriculum should be introduced in the school system, especially in the developing world.[4] Understanding one's own country in context and how it connects to others in an increasingly globalised world will be of great value to students. Indeed, it is the responsibility of an education system to teach its students to appreciate not only their own roots, but also different cultures. The Delors Report states that, "'learning to be' and 'learning to live together' should be part of every country's curriculum, if we want to build a peaceful and better world."[5]

To foster the skills needed to become a global citizen, in-service education must include collaborative work and group discussions on empathy, cultural appreciation, ethnic and gender identities, and a general knowledge of current world affairs and challenges. Teachers who believe they are part of humanity and not just of a region or a country tend to foster the same perception in their students.

Finally, if we want students to become global citizens, we need to give them a voice and promote a sense of responsibility to participate in the world, as well as to positively influence people, events and circumstances.[6] Very early on in their studies, students should learn that their dreams can be fulfilled and that their education is crucial to what they want for their future and the future of their communities. They should learn to be the entrepreneurs of their own lives.

Using technology to leapfrog ahead

Although it might seem utopic, education in low- and middle-income countries can benefit from modern technology even when the basics are lacking. ICT tools can be used to support teachers in the classroom. In China, the Ministry of Education offers schools the option of digital classes that are projected in the classrooms. In Brazil, a similar option is offered to teachers in all subjects and grades, with the setup prepared by a team of trained instructors. The use of such a platform has shown to have a positive impact on learning–yet to take full advantage of this tool, Internet connectivity should exist. In the absence of this facility, pen drives or offline options can be provided. Technology has also been used for remedial education, even when connectivity is not available.

Another possible use of technology is the broadcasting of classes to support instruction where specific teachers are not available. An interesting example of this innovative practice was highlighted in the Millions Learning report from the Brookings Institution.[7] The school system in the state of Amazonas in Brazil had to provide Physics and Chemistry classes for upper secondary students in the Amazon jungle and the solution was to enrol the best specialist teachers to broadcast classes and provide the schools (which in some cases were small huts or houses for about 20 or so indigenous youth) with a generalist teacher who ensured class participation and student engagement. Technology, thus, helps to bring resources and knowledge to every classroom.

A guide to action

I propose below a schematic approach to ensuring quality education for all in the developing world:

FINANCING QUALITY EDUCATION

- Ensure proper funding through domestic spending, issuing a law that earmarks at least 20 percent of total revenues to basic education. Quality education is expensive but it helps to promote long-term economic growth.
- Reach out to donors, but ensure there is an integrated framework to improve access and quality at the same time.
- Enrol the private sector in supporting education, using the same framework.

DEFINE A GOOD NATIONAL (AND SUB-NATIONAL) CURRICULUM

- Define clear learning goals that incorporate 21st century skills, and establish the sequencing of the acquisition of content and abilities.
- Learn from the experience of other countries with similar challenges or cultural background.
- Engage principals and teachers in the definition of the learning goals before issuing the curriculum.
- Ensure that every school translates the curriculum to a school level approach and into an in-service education programme for the teachers.
- Ensure that every teacher has supporting material to deliver the curriculum.

ATTRACT TALENT, IMPROVE PRE-SERVICE EDUCATION, AND PROMOTE BETTER PROFESSIONAL DEVELOPMENT

- Socially recognise the teaching professional through better salaries and selective hiring programmes that include samples of experiences in real classrooms.
- Introduce a solid practicum component in every teacher's course and define rigorous and updated standards for the profession.
- Use the induction period for additional class management learning, including how to promote 21st century skills.
- Ensure appropriate teaching conditions, including smaller class sizes, resources for teaching and textbooks (in different formats or platforms).
- Allow time for teachers' collective learning and planning within the school or at special periods for professional development in the school system (building a culture of collaboration).
- Monitor students' learning and provide constant feedback to teachers.

CREATE INNOVATIVE TEACHING APPROACHES

- Teach students to think and become problem-solvers.
- Build skills for teamwork among students.
- Teach communication skills in the maternal (native) language and in other languages, going beyond narrowly defined literacy skills.
- Teach for understanding and how to be a global citizen—awareness of differences in cultural norms and behaviour, building bridges, role-modelling the social and emotional skills that we want students to develop.

SUPPORT TEACHERS THROUGH PROFESSIONAL DEVELOPMENT, TOOLS AND CONTENT FOR:

- Basic skills: structured class plans and materials, and digital or broadcasted classes and textbooks.
- Personalisation: assessment tools, class plans and appropriate and diversified digital classes or books.
- Thinking and teamwork: literature, maker spaces, science labs, pedagogical toys and tools.
- Cultural learning: connect classrooms and provide questionnaires for research of attitudes and values.

PREPARE FOR THE FUTURE SCHOOL SYSTEMS IN THE DEVELOPING WORLD

- Extend the number of hours in the school day, including time for collaborative work, and extracurricular activities and avoid having teachers work with fragmented time in many different schools.
- Connect schools to the Internet.
- Emphasise learners' agency (youth protagonism) with assemblies, student directed activities, community outreach, and collaborative problem-solving.
- Prepare the teachers for the development of 21st century skills in their students, including empathy, persistence, self-control and resilience.
- Create a culture of excellence and high expectations for every student.
- Use technology to leapfrog, and increase access to quality education.
- Experiment in schools with a more personalised approach where students can progress at their own pace and learn not only from teachers, but also from peers.
- Promote affirmative action for schools in fragile environments or those that receive more vulnerable students, giving them better teachers and additional resources.

The role of teachers

The SDG-4 demands an organised effort to ensure that every child and adolescent in the world has the means to attend and complete quality primary and secondary school education, and develop skills to live a healthy and productive life. Unfortunately, this task seems almost impossible, even in the developed world, as more complex skills are being demanded by employers and globalisation requires individuals who have the cultural agility to be able to operate in different geographies and understand the challenges the planet is facing.

What should be the role of teachers in such an environment, especially in low- and middle-income countries? There are many things that teachers can creatively achieve, but without the appropriate learning environments and working conditions, they are limited to suboptimal instructional procedures. This does not mean unsophisticated or unrealistic approaches to teaching in poor countries—but public policy can certainly make advances easier and faster through technology and some transformation levers as a support for teaching.

There is no silver bullet to improve education for all. Change should come through a systemic approach that includes good policymaking and management in each country and at the school level. This prescriptive guide provides at least some clues to what can be done to ensure that a better world might emerge from a more educated society.

Some parts of this article are based on the author's original work, "What is the role of teachers in preparing future generations?" The Brookings Institution, August 3, 2017.

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Innovation: Does Asia need Newton or Edison?

Bridging the gap between the lab and the market.

By Rajendra K. Srivastava and Philip Zerrillo

Ask who has contributed the most to innovation over the past five centuries and you might get very different answers. On one end, you would have to consider Sir Isaac Newton, who was one of the most influential scientists of our time. A philosopher, physicist and mathematician, Sir Newton was the leader of the scientific revolution, and his work at Cambridge University laid the groundwork for many of the world's greatest inventions. And on the other end, you have Thomas Alva Edison, who attended school for a total of 12 weeks in his life. This self-taught inventor with nearly 1,100 patents to his name is credited with having created the motion picture camera, the phonograph, the radio, and the light bulb, while also developing practical solutions to assist industry titans such as Henry Ford and Harvey Firestone to scale the rapidly developing U.S. automobile industry.

So, what does Asia need: a Newton or an Edison? It depends on where you are, what are your most pressing needs, and which part of the innovation process you lack.

The path is long and laborious

Innovation that is driven by disciplinary research, by and large, comes with a great amount of uncertainty, a long gestation period, and payoffs that are hard to estimate. Basic research is often undertaken not for practical outcomes or the betterment of society, but to learn more or all about something that a researcher or a group of researchers find interesting. The logical endpoint of such research doesn't always culminate in an impactful innovation that improves the welfare of society or enriches lives–but it hopefully substantiates enough evidence to the world that the principles are sound and might provide clues to innovations that can be robustly applied.

The merit of such research has begun to be questioned. Upstream basic research has tended to be the domain of universities, their metrics–such as research papers, publications, scientific citations, peer evaluations, and patents–are financed by research foundations, university endowments or government grants. Commercial firms, in general, tend to avoid such long-cycle projects as the risk is too high, the returns too far in the future, and the predictability too low.

Despite divergent interests, the scientific/academic and business communities have to work together to best use their financial resources to meet the needs of stakeholders in an ever-shortened time horizon. While scholarly publications, patents, and scientific breakthroughs provide an essential starting point, they aren't always a direct pathway to commercialisation. In response, funding bodies have begun demanding that a roadmap to application and impact be provided if future funding is to be continued. To a disciple of Edison, proof of concept means little if it can't be transformed into a meaningful invention.

As many economies in Asia are battling with large or growing populations that are outpacing income growth, it raises the question whether the limited funds for research should go into incremental, science-based innovation. Or, should emerging economies be focused on need-based, solution-oriented innovation. Frugal innovation or 'jugaad' that develops ground up need not cost a lot and can benefit many people. It may not be about new innovations, but of giving existing innovations reach and affordability.

Market-ready research

Increasingly, governments and political leaders are asking for a return on scientific work. Addressing the 106th Indian National Science Congress this year, Indian Prime Minister Narendra Modi emphasised, "the need for creation of stronger pathways for better commercialisation of research". He went on to urge the scientific community, "to connect with people and commit themselves to address problems ranging from clean air, water, energy, affordable healthcare, agricultural productivity and affordable housing". Emerging India needs to focus on developing a technology that can make goods and services available to the lower-income segments. It needs process engineering that focuses on reducing costs, widening accessibility and improving durability–qualities that fit the consumption environment.

To jumpstart this sort of innovation, India has been establishing a series of collaborative centres to help encourage such pathways. The Indian Institute of Technology, Madras is a prime example, as it consists of a 1.2 million square-foot campus, complete with labs and equipment, where 60 percent of the faculty come from industry and only 40 percent from academia. Such collaborations aren't unique to India. For example, at the University of Vietnam in Ho Chi Minh City, the School of Agriculture has begun an on-campus incubator focused on agricultural start-ups and technology transfer. Thus, in developing economies, the focus has to be on frugal innovations and inventions that help society. Developing new state-of-the-art applications is less important than reducing costs and attaining scale, when the environment can use only a fraction of the current technical capacity. This link from lab to industry is being tightened by gaining market insights that ensure meaningful application.

Other ideas for reducing the risk of basic research have been employed in Asia for decades. The Japanese Industrial Standards Committee has not only been tasked to raise the standards of Japanese products, but perhaps more importantly, to decide upon which of the competing technologies should become the national standard. Once established, the standard reduces the risk for investors and industry as it allows competition to focus on manufacturing and scaling rather than continued R&D. This was a way that developing Japan provided investors a market signal and assurance of continuity to reduce risk. Similarly, sovereign wealth funds throughout Asia, via government regulations, often endeavour to enable or protect precious capital by establishing the rules of commercialisation.

Singapore too has shown a way in terms of how governments can facilitate bringing together academic research and society's needs. Developing R&D and making it market-ready has been an integral part of the country's economic strategy, serving as a source of innovation and value creation. In 2002, the Agency for Science, Technology and Research (A*STAR) became the leading institution for fostering research and development and developing talent. Simultaneously, Exploit Technologies Pte Ltd was established, charged with the responsibility of commercialising the outcome of A*STAR's research institutes and consolidating the patent portfolio of these institutes. Together, they have contributed to a pipeline of innovations that has fuelled Singapore's knowledge-based economy and high-end talent pool.

The path forward

Scientific research is not a luxury and Newton is certainly required. But, research without impact is becoming increasingly unpopular in societies with competing financial priorities and under-served needs. The Edisons of the world come to the fork in the road between pure science and applicability with a different set of skills and an appetite for taking very different risks. Their skills in capital management, human capital development, business communities, operational excellence, and market commercialisation are very different from their academic brethren and are suited for a different purpose. But in the end, if we are to clap, both hands will be needed.

As populations migrate to the major cities of Asia, the purchasing power, the basket of goods in demand, and the location of markets are changing quickly. The steps in the innovation process will need to be flexible and responsive to these needs. The solutions will need to be thrifty with broader reach. We are already seeing some unique models and frameworks emerging in Asia. The question Asian countries need to ask, and answer for themselves, is: Are we translating existing research into something useful for society?

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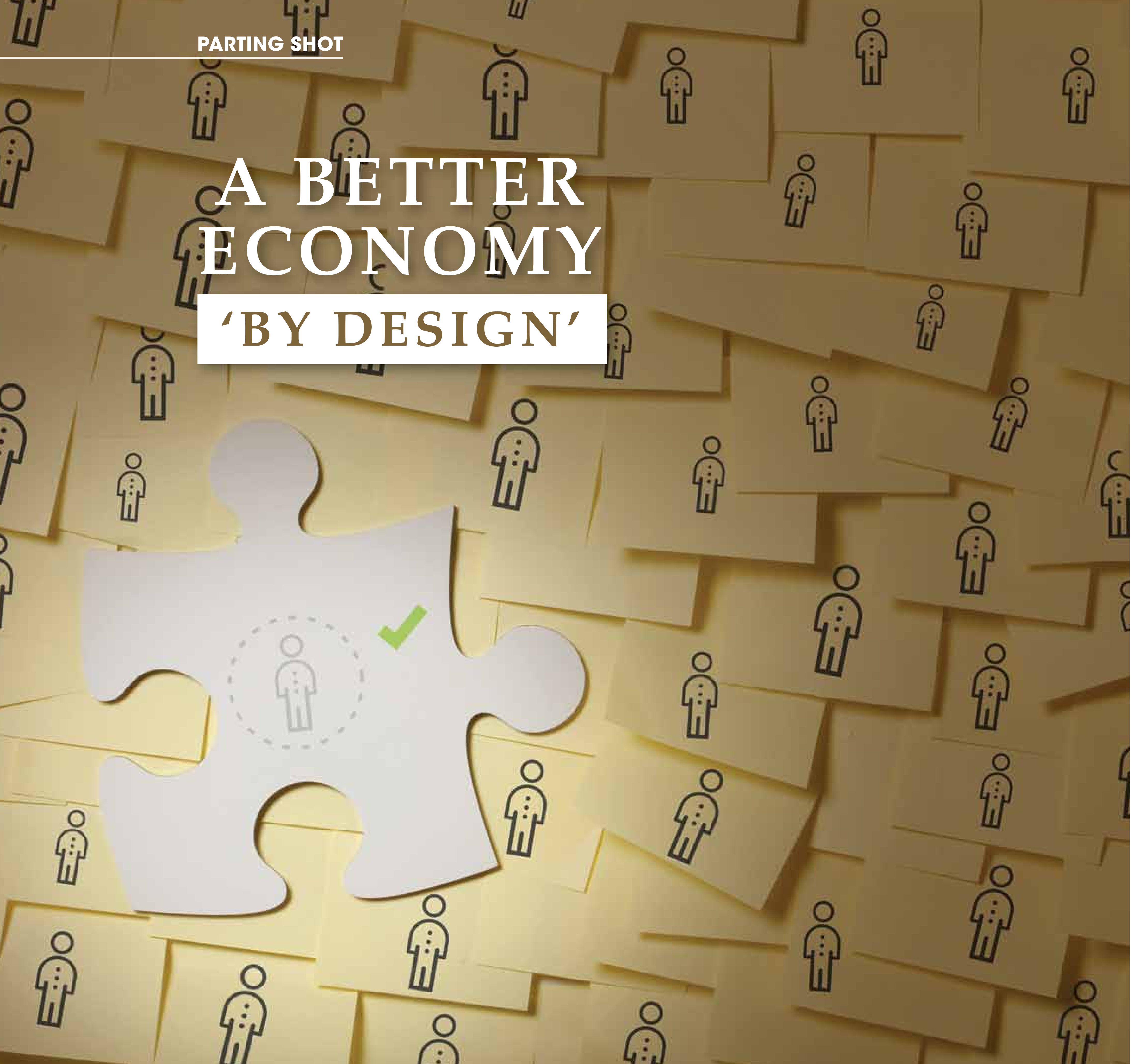
A BETTER ECONOMY 'BY DESIGN'



How design thinking can contribute human-centred economic solutions and shape common action.

By Lawrence Chong

The air was still, and I was going nowhere with the session until I asked the participants about their kids instead of talking more about the bank. The conversations soon turned chirpy as the mothers in the group spoke over one another, sharing their hearts out about their children and their hopes for them. I felt I had unlocked something new, even though this should have been obvious as this is a very family-oriented country. This experience was part of our transformation project for a Southeast Asian bank that would reshape its digital, brand and customer engagement strategy through a systemic design-thinking method, also known as 'business design'. We then changed the core driving strategy for the bank to, 'doing it with your heart to inspire the next generation'. The shift in approach helped to unite the different factions during the change process. Now the bank is an award-winning institution with an extensive social impact programme. This experience affirmed my belief in the value of empathy in the design-thinking process to shape common action.

Design thinking has been practised by professional designers for decades, though this approach is certainly not limited to designers. Great innovators, such as the Renaissance genius Leonardo Da Vinci, a pioneer in this approach, once wrote, "Experience is a truer guide than the words of others". In recent times, design thinking has been applied in social innovation and public policy. The Prime Minister of Singapore, Lee Hsien Loong, has even gone as far as to say that Singapore's social and economic success is by design.[1]

In training to be a designer, one of the most critical skills that you learn is the art of observation and dialogue. That means taking in every aspect of a situation without prejudice while engaging the user with empathy. Empathy, however, is not the same as sympathy, for it requires you to be in the condition of the user, to see and sense as he/she does. When I learned this, I thought this should be common sense until I realised that empathy is not universal in the business world. There are still too many tone-deaf situations that kill the human connection.

Simon Kuper of the *Financial Times* said it well when he wrote that, for leavers in the Brexit debate, it was never about the economy but culture and sovereignty.[2] However, sadly, what is happening in Brexit is this ongoing dialogue of the deaf. This kind of 'dialogue of the deaf' described by Kuper seems to be happening in too many situations. For climate change activists, it is about saving the planet, while for businesses it is about surviving competition. For politicians on the left, it is about social mobility, for politicians on the right, it is about freedom of enterprise. I could go on, but you get the picture. There is value in each position, therefore it is not wise to just dismiss one side without listening to them. What is missing is the ability to bring different perspectives and integrate them for collective action.

After the recent World Economic Forum, its chairman Professor Schwab went as far as to say that the global system has spun out of control and shared his ideas on how we can balance it. He listed the usual headline global challenges about technology, inclusion, climate change, and economic growth. More importantly, he called for new ways to solve our common problems. He cited that we need to be better at respecting our diversity when we collaborate, get better at involving people at all levels of society, and be better at being inclusive, gender-balanced, ethical and human-centred.[3]

Schwab's call highlighted an admission that the usual economic instruments of free trade, shared global standards, and the information highway have not made much headway in terms of inclusion. In a disruptive age, this calls for a new approach to the issues of our time.

What he described sounded very much like a Design Thinking approach, but on a global scale. Design Thinking is a creative problem-solving approach that seeks to understand users, challenge assumptions, redefine problems, and create innovative solutions to prototype and test. We need to imagine new solutions to reshape social and economic rules to enable participation and sustainability, and try them out in small ways to prototype them before scaling them up. Moreover, the key in any design-thinking process is to be stakeholder-driven, multidisciplinary in terms of perspectives, and respectful of each stakeholder. This last point is an urgent need of our times when so many people feel disenfranchised. Failure to do so will threaten the stable global order that has sustained peaceful development since the Cold War and usher in a new period of narrow interests and extremism.

> Design Thinking is a creative problem-solving approach that seeks to understand users, challenge assumptions, redefine problems, and create innovative solutions to prototype and test.

So what are the characteristics of Design Thinking, and what is its relevance to reimagining new economic approaches?

Many of us are familiar with the characteristics of the design-thinking process: empathise, define, ideate, prototype and test. While these are true, this set of features seems to turn design thinking into a linear process, which is not accurate. In our experience, design thinking is a dynamic process. Whenever I am asked what is fundamentally different about Design Thinking from other methods of problem-solving, I say that Design Thinking's advantage is that it is a three-dimensional approach versus linear approaches, which is why it is useful for the complex situations that we face today. Here are the 3Ds in Design Thinking: Dialogue, Divergent Thinking, and Dynamic Creation.

Dialogue

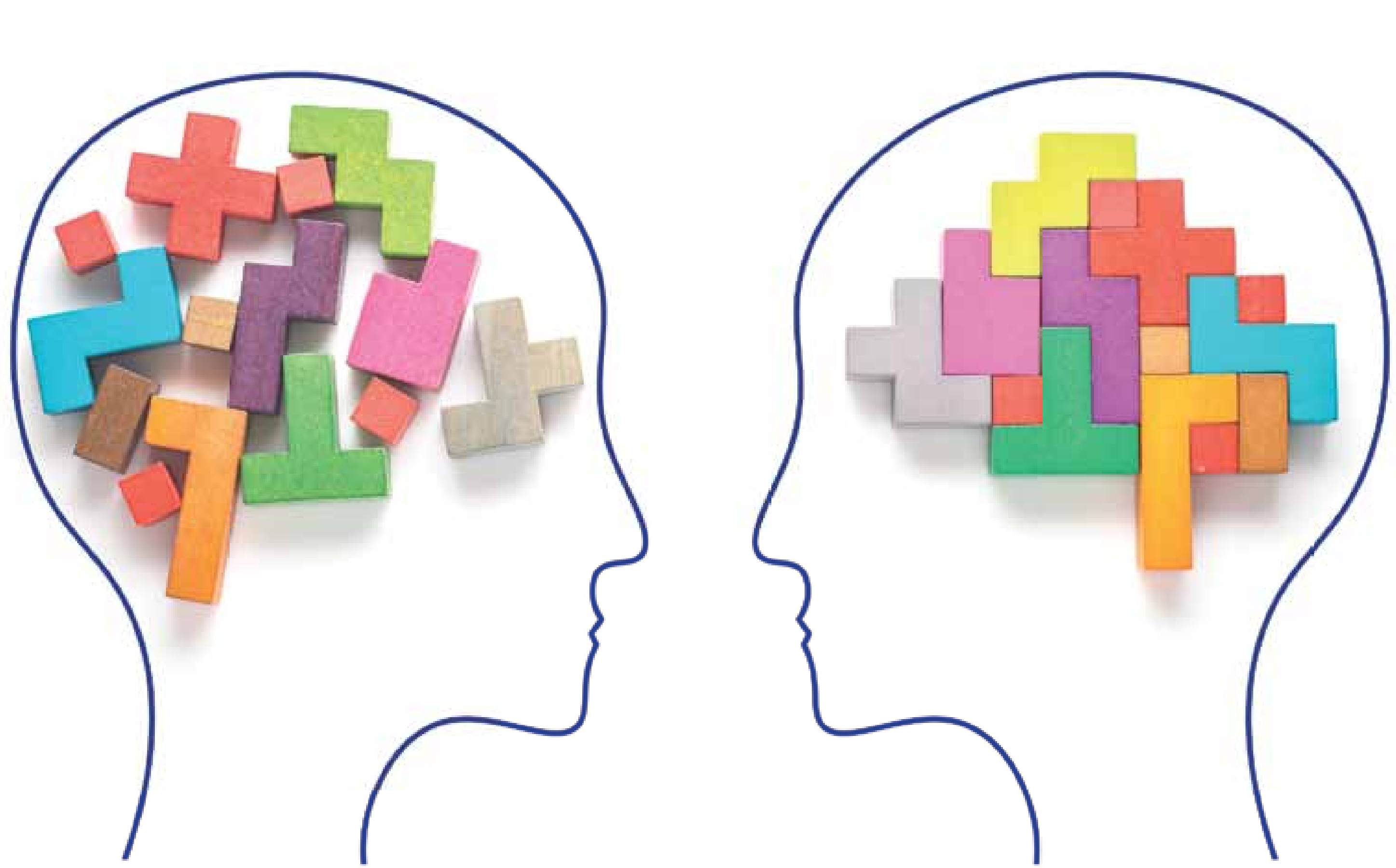
What is apparent to every designer is that the relationship between the idea and the user is a constant state of dialogue. You cannot just do one session and assume you understand; you are always trying to create and shape encounters for dialogue to observe or to deepen your empathy with the user's experiences. Without this commitment to constant dialogue, you will not be able to arrive at the heart of the issue to think differently.

In our project with the bank, we wanted to understand what the aspirations of the customers are, so other than reviewing the banking experience, we invited customers to an online competition where they wrote their personal stories on why they save and whom they are saving for–this gave us new ideas on where the bank can support good initiatives. Initially, quite a few of the senior management were sceptical and wondered who would submit such stories. However, in the end, so many presented their personal stories and aspirations that the bank had such a holistic and personal view of their relationships, it reshaped the thinking of the bank branch from being a place of transactions to becoming a hub of developing bonds with the community. This initiative also shaped the bank's understanding of its unique role in social impact towards elderly participation and the role of women in entrepreneurship and sports.

Divergent thinking

The beauty of the Design Thinking approach is its ability to include diverse disciplines and stakeholders, treating all as equally important. When I joined the management consulting industry, I often witnessed a class-system–if you are in finance, you are right at the top; but if you are in design, you are likely to be treated less seriously. Design Thinking is more egalitarian and tends to treat different disciplines equally and is inclusive of different stakeholders.

In our recent transformation project to review the education and operational model of a university in East Asia, having a diverse team that consisted of designers, artists, academics, people with business majors, and senior marketing professionals meant that we could see things from a holistic perspective and shape a large canvas for co-creation with our partner. Design Thinking also meant that we must be willing to consider thought-provoking questions instead of a subtractive and incremental approach. For example, it was necessary to rethink the definition of students today when so many are entrepreneurs or part-time professionals pursuing an academic degree or course. What is the role of a campus in shaping a city's identity where it belongs? How are teaching methods kept up-to-date in an era of disruption? How can universities become participants in change instead of merely supplying professionals for change? These thoughts helped the university realise its real value in shaping systemic solutions. Tim Brown and Jocelyn Wyatt, from the global innovation and design firm IDEO, opine that, as designers think systemically in terms of existential questions, they are then able to approach a problem in all of its complexity, which is where real innovation can arise.[4]



Dynamic creation

The Design Thinking process is also an endless process of assumptions, imagination, prototyping, and then going back to the drawing board to design new instruments to make things work. This constant switch between ideation and the tangible, almost like a yin-yang dynamic, is characteristic of innovation by design process.

The garment industry has been accused of wasting large amounts of materials and of churning out more products than people need. One of the categories in the garment sector, where this is happening at an alarming scale, is the baby segment. Together with a client in the garment manufacturing business, the challenge, therefore, was how to create high-quality, multi-use baby rompers, baby garments that use lesser material than needed while reducing the need to buy more. The entire process required understanding the stress of parents changing diapers at night, how many rounds of change of clothes a typical baby needs, etc. The back and forth process of imagination and prototyping resulted in the less-is-more multi-use baby romper–something like the Swiss Army knife of rompers.

Applying design thinking in government

Design Thinking has been highly valued by many of the best brands in the world for decades and has generated enormous business value. In the last decade, however, governments also have adopted it for engagement and socioeconomic transformation.

In New South Wales, the Australian government was able to improve efficiency to aid troubled families and achieve an unprecedented high return on public spending with a gain of AUD$7 (US$5) for every dollar spent due to Design Thinking. Family by Family, as the programme was called, started a sincere and open dialogue of putting families first by understanding their situation. Troubled families were connected with families who have overcome their circumstances. This human connection approach then created an environment of trust, and the families opened up to receive assistance, improving the effectiveness of government aid. This successful experience has now encouraged the government to apply a peer-to-peer approach to other issues such as resettling refugees and migrants; addressing domestic violence, social isolation, substance abuse, and disability; and tackling difficult behavioural problems in the criminal justice system.

In Singapore, Design Thinking is a part of policy innovation and driven internally throughout its 145,000-strong civil service through the Innovation Lab in the Public Service Division (PSD)'s Transformation Office, which is charged with building innovation capabilities and mindsets across the entire public service. When interviewed by *apolitical*, Alexander Lau, principal design lead at the PSD's innovation lab, shared that a new framework of innovation that incorporated design thinking, behavioural insights, and organisational development helps guide civil servants to think differently about challenges.[5] Not only does it provide training and frameworks, the transformation office also helps in coaching government agencies to imagine new ways to solve problems. A recent project involved working with the Monetary Authority of Singapore on how to improve its procurement process (which Lau termed as, "painful, bureaucratic") for both the agency and contractor, and how to collect data from financial institutions more efficiently.[6]

The next wave: Imagining human-centred economic solutions

In 2017, IDEO partnered with the Ellen MacArthur Foundation with the goal of producing a road map for businesses to shape a circular economy. A practical guide–and it is a holistic and ambitious guide–that helps business leaders create business models that will generate economic value and save the environment. This trend is part of a significant shift in recent years to seek systemic solutions, and much of them are driven by design thinkers looking for human-centred solutions that are also sustainable. The shift towards a circular economy has now been declared a priority by the European Union and China. Major companies such as Philips, L'Oréal and Apple are experimenting with different ways to implement circular economy concepts. For instance, Apple's offices and store in Singapore are designed to be powered by solar energy.

In this era of rising complexity; it is time to think differently about our challenges. Greta Thunberg, the inspiring 16-year old Swedish activist, has bravely called on all of us to panic and act to save our planet. Panicking is a good start, but being empathetic in learning how to listen to those on the other side and being creative in bringing diverse groups together for common action is probably the sustainable response. To do that, wherever we are, be it the private sector, a non-profit or government, we will see that there are many opportunities to design solutions that will eventually result in a better economy defined as a more circular and equitable economic system. The good news is you do not need to be a designer to do this, but you certainly need to go in-depth into what it means to be a human being. Because the core of being human is about the creative ability to imagine solutions that through the ages have overcome illiteracy, infant mortality, poor sanitation and so much more. The scale of our challenges may have increased, so let us match it with an Everest effort of imagination to bravely shape a better world.

> Design thinkers are looking for human-centred solutions that are also sustainable.

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