ASIAN MANAGEMENT INSIGHTS

The Sustainability Edge

driving top-line growth with triple-bottom-line thinking

A New Toolkit for Thailand 4.0

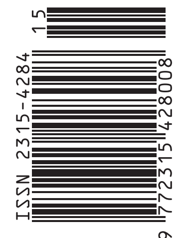
An interview with Abhisit Vejjajiva

Team of Rivals

Co-opetition for technology start-ups

Attaining the Peak

Three factors that inhibit performance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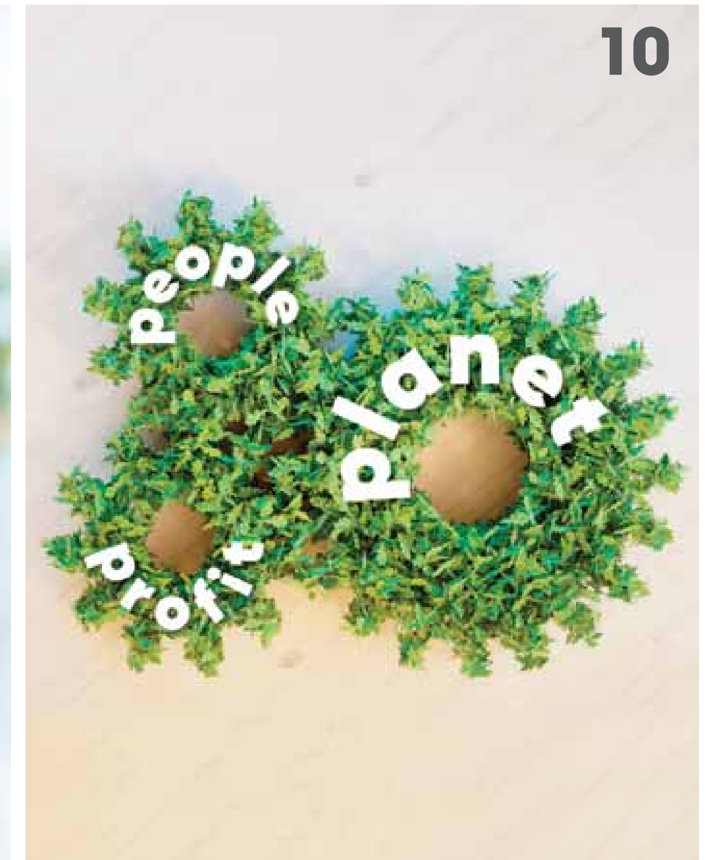

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FROM THE EDITOR

Constant vigilance and the fork in the road

Once upon a time, liberty was the 'desired end result' of constant vigilance. But in our fluid era of disruption, even this noble sentiment has been upended. Harvard Business School's Ben Esty, for example, has noted the only solution to the pace of innovation and the potential for disruption that now threatens virtually all companies, is constant vigilance; "to recognise the threats and a willingness to respond even if it is costly to do so". It is now 30 years ago since the concept of disruptive innovation was introduced to the business world, and its tentacles have spread. Consider this: U.S. giant General Motors has announced it is now working towards an "all-electric, zero-emission future." Unthinkable just 12 months ago, it's a reality today. It's a new business—even professional—environment.

Cloud computing, driverless cars and artificial intelligence have gone on to precipitate a fundamental shift in the way we think of existing business models, say Snehal Shah and Ashish Kumar Jha, who conclude that meaningful value is derived when a company is an active participant in shaping the environment to its own strategic advantage. The physical environment and its impact on business is analysed further by Jagdish Sheth and Suhas Apte, who note that as technology and capital, the erstwhile constraining factors in the Asian growth story, become abundantly available, the use of resources in this region will accelerate, and naturally raise environmental concerns for Asia. And as mobile phones and other electronic gadgets become more affordable, Robert J. Kauffman and Kustini Lim-Wavde record that Asia, with its large populations, now generates the most waste. Like it or not, the prospect of all of us living in, on, or in close proximity to the global garbage dump is very much on the horizon.

Thailand's economic challenges were also to the fore when I met with former Prime Minister of Thailand and current leader of the Democrat Party, Abhisit Vejjajiva. Thailand 4.0 will need a new toolkit, he told me, if it is to transition out of being a middle-income country. In the case of BPI Globe BanKo, the Ayala Group made a strategic decision to use its ecosystem advantage and leverage its combined resources to create the bank. It was a game changer for the Group, report Peter Williamson and Havovi Joshi, and it went on to disrupt the Philippines' traditional banking system.

However, the East Asian blueprint, the quintessential roadmap for progressing from third world to first, and its approach towards development, has yet to catapult would-be tigers in other emerging markets to the same levels of prosperity, observes Shantanu Bhattacharya. The reach and quality of regional healthcare remains a considerable challenge. Elisabeth Staudinger, for example, questions whether high-end innovation in medical technology is a blessing or a curse in delivering healthcare in Asia.

But long before Asia's economic tigers ventured outside their habitats, U.S. economists were rumbling on about the sustainability of debt. Deepika Deshpande takes a dive back into the 1930s and the Chicago Plan, and emerges with some surprising observations on the then-radical idea of sustainable debt and its modern relevance. Meanwhile the paradox of part-time employees working overtime proves fertile territory for Yong Hsin Ning and Jochen Reb, who discuss the studies that reveal those on part-time work arrangements are voluntarily working either longer hours or working them more intensively. Meanwhile, Saumya Sindhwani, Jerry Connor and Howard Thomas question the extent to which middle management is prepared for today's challenges. Not an easy task, they say. And on the perpetual drive to increase performance, Marcus Marsden calls our attention to the need for individuals and teams to experience the 'discomfort of adaptation'—as opposed to the 'comfort of learning'.

As the social philosopher, William Irwin Thompson has suggested, one way to find food for thought is to use the fork in the road, the bifurcation that marks the place of emergence from which a new line of development begins to branch off. In this issue we have branched out with the introduction of **A Walk Through Asia**, a new section designed to reflect current streams of thought from around the region. In our first article I discuss the flow of funds, highlighting some unique challenges faced by ASEAN countries and their equally unique solutions. I open up the forum to encourage readers to contribute their thoughts on some of these broader issues that challenge businesses across Asia, but to perhaps different degrees in each country. We also encourage authors to submit articles on other topics that affect multiple markets in Asia.

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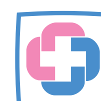

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A NEW TOOLKIT FOR THAILAND 4.0

The Prime Minister of Thailand from 2008 to 2011 and the current leader of the Democrat Party, Abhisit Vejjajiva, addresses the challenges facing the Thai economy today, in this interview with Philip Zerrillo.

While you were Prime Minister, you tried to reform the Thai economy. What, in your opinion, were the constraints in the success of the reform, and what would you have done differently if you could do it all over again?

First of all, during my government, we were facing the impact of the global financial crisis, so of course the immediate priority was to make sure that the economy didn't collapse or suffer unduly from its impact. We didn't want unemployment to soar and we didn't want the financial system to be affected—so to that extent, much of the early focus was on giving a quick stimulus to collapsing exports and the tourism industry. Coupled with that, we were also focused on trying to improve the welfare of the population, particularly that of the elderly and the lower income people. We put programmes in place that provided monthly income for the elderly. We also changed the way the government dealt with the agricultural sector by introducing market-oriented policies. So really, most of the reforms were to tackle the immediate impact of the crisis, as well as to address the needs of the poor.

Thereafter, having stabilised the economy in about six months and getting it back on its growth path, the next thing we did was to try to upgrade some valuable infrastructure. The emphasis was not on big projects, but to work on the run-down infrastructure, particularly in the rural areas—road repairs, upgrading hospitals, schools and so on.

And then, what we did was to anticipate the next stage of Thailand's growth and take several key initiatives, such as developing the nation's 'creative economy', improving the ease of doing business, and reducing costs while focusing on logistics. We did that because, more and more, we realised that the factors that had driven Thailand's growth in the previous two to three decades were no longer as supportive of the next stage of growth. We were actually moving towards a situation of labour shortage because of the population age structure; the fact that the society was ageing very rapidly and so on. We felt that value creation was important, that is why we thought of developing a creative economy. In many ways, our initiatives foreshadowed what we now call Thailand 4.0, where taking that leap and that next step, from being a middle-income country, requires a number of changes. By the end of my tenure, we were in the upper middle-income classification—and I think we are still there.

The Thailand 4.0 initiative focuses on a 'value-based economy' to get the country out of the middle-income trap. What needs to happen to really embrace 4.0?

I think there are three things that I would perhaps shift the emphasis to in trying to attain the objective of Thailand 4.0. The current government talks a lot about big infrastructure projects, the Eastern Economic Corridor—and that's perfectly fine. But in trying to attract investment, I think they are still trapped in the same old toolkit that they have always talked about—tax breaks, incentives and so on. But I believe to move up from the middle-income trap, we need to do three things.

First, there has to be an overhaul of regulations. So for instance, an alarm should go off if you talk about 4.0 and at the same time consider a business like Uber to be illegal. We should see a contradiction there. Similarly, we talk about 4.0 while we are enforcing the Computer Crime Act in a way that scares a lot of people who use the Internet. There are several other examples that I can come up with that suggest that there really has to be a change in not just updating regulations, but the philosophy behind them. There must be less control and more of looking at the possibility of the public sector being harnessed into the private sector to create an enabling environment. And this is relevant across the board. Take the financial sector for instance. The new types of start-ups and tech-related businesses are not particularly suited to bank finance in its current form, so we need to find a new environment to support these businesses. Or if we want to support alternative energy, we need to tackle the role of the state enterprises that often becomes an obstacle to its expansion.

It is these institutions, regulations, conservative mindsets, and the expanding bureaucracy that don't really support 4.0. And I think the current regime still believes in using what I call the old toolkit to try and shift business into the new growth centres. But we all recognise that the current technological advancement is highly disruptive, and if you try to expand the current form of bureaucracy in the hope of controlling or monitoring the changes, it's just going to create more problems.

The second focus, which is crucial, is the need to upgrade the skills of our people. So under that broad heading, you see an enormous amount of education reform that focuses not only on those in schools, universities and vocational colleges, but recognises that the entire workforce has to upgrade its skills on a regular basis, given the shift in technology. It also applies to the

agricultural sector as we continue to be a very significant producer and exporter of several agricultural products and yet our productivity is very low. This poses an enormous problem in terms of efficiency but, at the same time, it also offers huge opportunities. So, that reorganisation—almost like a second Green Revolution—is also needed.

The third thing is that we all have to assess and address the impact of the new economic structure on the issue of inequality. A lot of the new technology will actually replace labour. I don't think anyone can seriously hope that tech-related industries can create enough jobs to replace those that are lost. We see this not just in Thailand. All over the world, the new structure tends to reward a small group of winners enormously but leaves a lot of people behind.

So we have to look at the mechanisms of redistribution and how we are going to finance the welfare system, which come under pressure from the large number of people who are being displaced by technological changes, as well as by the ageing population. The pace at which we are ageing is faster than what the Japanese went through, and ours is an even bigger challenge because our welfare system is nowhere near adequate. So there has to be big reforms in how we are going to handle these demands. There is that tricky issue of resource finance.

If export-led growth is not as strong as it used to be, what areas should the government focus on to drive economic growth?

I still believe that we have to continue to aim for a strong export sector, and the recognition that we are not doing as well as we used to just means that we have to increase our competitiveness and also shift to growth areas. The big challenges, of course, will be in the two main areas of our exports—cars and electronics. There is a real possibility of huge technological shifts in these sectors, and we have to be able to retain our competitiveness so that new products will continue to be produced in Thailand. We should certainly aim for that.

What else could we do? One is to focus on the products that we already export and add value to them. Rubber is a good case in point, so are the food and agro-related industries. I believe there is plenty of room to add value to our traditional products through creativity, marketing and branding.

And another area where I believe we can do a lot more is the tourism sector. We have a number of factors going for us. First of all, our rich culture and heritage attracts tourists from all over the world. Second, the lifestyle of people is such that tourists value experiences more than materials—so the question is not only how we can increase the number of tourists from 30 million people to say 40 or 50 million, but also how they can spend more per head. Just like the agricultural sector, there are so many things the tourism industry has the potential to do in the way that the Koreans and Japanese have successfully done.

The Thai people are well known for their entrepreneurship. It is a nation full of entrepreneurs. How can that spirit be harnessed to lead to new industries or new opportunities?

I agree that there is no shortage of creativity and entrepreneurship in Thailand, but the way it is done today is very much in the informal economy—the likes of street vendors, street food, motorcycle taxis and other services that you can see on the streets. I feel that maybe Thai people are not particularly suited to an industrial age and organised form of work. So, I am actually a little optimistic about our future as we are now living in a post-industrial age, where businesses and organisations will be shaped differently—probably more horizontal rather than hierarchical, with more networks and in some sense, more chaos. I feel that maybe the Thais are more suited to that kind of arrangement and environment. But the authorities need to see this as a strength that can help Thailand leapfrog into the next stage of growth and development.

Further, I feel that our creative talent does not get appreciated here. The system still does not attract top talent and researchers, so we see many talented Thai people eventually move to work abroad. I guess the point to make here is that we have what it takes, but we are not using what we have effectively.

Political stability is an important factor in attracting more private and foreign investment into the country, which are important for growth. How do you see the next five years pan out in this respect? What kind of steady state will be reached?

You have to be quite brave to make political predictions these days, but I would say this—we struggled for a decade and a half and I think there is a learning process, but the problems and challenges are not small by any means. It will take a bit more time but I am convinced that the path we have to take is one towards a proper liberal democratic regime. The transition from where we are now to that political state might take long, but I would also point out that while people can point to the political instabilities of the past, there has not really been a radical change in terms of the philosophy behind economic policies. An open economy, allowing the private sector to be leaders in growth, following fiscal and monetary discipline most of the time, being pro-business and ready to embrace change—I don't see us deviating from this direction, whatever the political events surrounding us may be.

I hope, and this is again a wishful thought, that we can have more of ASEAN integration. Thailand can take advantage of it by being a natural hub, given the geographical location of the country. I don't believe that there is an easy or smooth transition, but we will get there. And on that journey, there will obviously be uncertainties and anxiety, but I don't believe it will upset the general direction of where we need to go economically and politically.

In August last year, you launched an official Line account for people to become your 'friends'. Why? And how important is technology in facilitating conversations with citizens?

Technology now enables us to engage with people more directly, which helps address the constraints of communicating through mainstream media. There are also a number of new tools that change the way people get to know about you and what you do. Social media tools such as Facebook Live and informal online surveys allow you to engage more and, if used wisely, engage better with people. There is also a downside, as you have to be wary of the possibility of becoming more segmented and polarised. For instance, youngsters today consume and process information very differently. So the next thing I hope that I can learn to do is to use technology to cross these divisions.

What is your vision for Thailand in 20 years?

In 20 years, Thailand has to be a high-income country, one that can welcome new businesses and new growth areas using the traditional strengths that we have. And for me, personally, I would like to see Thailand as a democratic country that can take care of its people.

I would also like ASEAN to have a bigger role and impact on its people. Movement of labour has to become freer. While that is a contentious issue in most nations today, demonstrating and emphasising the benefits, and providing concrete examples of how it can improve the lives of everybody, can change this mindset.

My key message this year, which is the 50th anniversary of ASEAN, is that it is really time to engage with people in the ASEAN projects we have. ASEAN has been very much the creation of leaders and bureaucrats with little input from ordinary people. We still struggle to have people in Southeast Asia identify themselves as ASEAN citizens. They are still Thais, Malays, Singaporeans, Filipinos, Indonesians, Cambodians—they don't really think of themselves as 'ASEANs'. Ideally, we would like to be like the European Union without the bureaucracy. I think the key to bringing everyone together is engaging the people, and inviting the participation of other stakeholders, such as the private sector, in the economic integration programme. But it also includes people-to-people connections, cultural exchanges, and so on. It is only when we engage with the common people properly that we can hope to have a true community, and not just a name.

Abhisit Vejjajiva
was the Prime Minister of Thailand from 2008-2011, and is the current leader of the Democrat Party

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The Sustainability Edge

By Jagdish Sheth
and Suhas Apte

How to drive top-line growth with triple-bottom-line thinking.

With China, India and Southeast Asia fast becoming the world's largest consumer economies, the key elements of the Paris Agreement, a global effort to combat climate change that is due to come into force in 2020, are specially relevant to Asia. As technology and capital, the erstwhile constraining factors in the Asian growth story, become abundantly available, the use of resources in this region will accelerate, and naturally raise environmental concerns for Asia. Therefore, sustainability is more critical now than ever before.

The fact is, our planet does not have the capacity to provide enough resources for every person to live like the average person in the Western world. So while it took more than two centuries of industrial growth and development for the West to become aware of and adopt sustainable business solutions, these will need to take root in Asia much earlier in its development cycle.

And the ideal time is now.

The key to market leadership

Starting with the industrial revolution, the basis of competition among businesses has changed from functionality to quality, and later to building customer relationships through service bundling. Today, these strategies have become mere table stakes, ultimately leaving price as the choice discriminant, resulting in eroded margins and budget pressures. Unsurprisingly, many businesses see themselves entering a long, slow path of decline and dissolution.

Those that are able to keep their heads above the rising tide of price competition face other challenges. Resources are scarce and costlier; supply chains are global, less resilient and more exposed to reputational risks; and customers are more demanding and less trusting. Traditional tools are no longer sufficient to provide the competitive edge, while any new tool they innovate or deploy is copied and first-mover advantage is eroded thin within a short time.

It doesn't have to be this way. The key to market leadership today is sustainability. We define sustainability broadly, to encompass not just environmental protection and preservation, but any and all social interests that may be impacted by business interests, including those relating to communities, labour, gender, poverty and inequality.

Businesses that embrace this broad definition of sustainability can effectively drive their top-line growth through 'triple-bottom-line' or 'sustainability' thinking. Advocating and delivering triple-bottom-line outcomes—that of profit, people and the planet—to the company's many stakeholders will ensure long-term competitive advantage of the business.

Busting the myths

Until recently, businesses have been hesitant to adopt sustainability wholeheartedly. While efforts are often made under the umbrella of corporate social responsibility, the truth is that these values must permeate into the corporate culture and ethos of the organisation and become the basis of all functions—and across all partners—to create a truly sustainable business. This has not happened for several reasons.

First, a false dichotomy has been created in the belief that one has to compromise shareholder value in order to build sustainable businesses. We strongly disagree. In fact, there exists today a mountain of evidence that supports the contention that sustainability can contribute to the value of a business. To name a few, a 2015 report by the investment research company Morningstar showed that long-term returns of sustainable mutual funds outpaced that of traditional funds. And a report by the Carbon Disclosure Project evidences that companies leading the way in climate change management, by and large, deliver superior results in terms of profitability and stability. The S&P 500 Climate Change 2014 report also cites statistically significant evidence that climate change is linked to business performance. The truth is, businesses can make enough money and still contribute to improving the environment and community development. Countries and companies are gradually realising that one does not have to overexploit nature to make profits.

Sustainability is, in fact, a cost reduction strategy. In the United States, energy consumption is high because cars and gas are cheap. In contrast, Singapore follows strict laws regarding the number of vehicles on the road, regulating this through Certificates of Entitlement (quota licenses that grant the legal right to own and operate a vehicle in Singapore for a period of 10 years), electronic road pricing, and other incentives and disincentives.

> Advocating and delivering triple-bottom-line outcomes—that of profit, people and the planet—to the company's many stakeholders will ensure long-term competitive advantage of the business.

> Countries and companies are gradually realising that one does not have to overexploit nature to make profits.

New technologies, especially information/digital technologies and information systems, are helping to significantly bring down operating costs. China is taking the lead when it comes to alternate (solar and wind) energy sources. The use of technology has become so cheap today that cost reductions give a competitive advantage that is difficult for others to replicate. The adoption of smart factories and smart power plants, not to mention the possibilities opening up with the Internet of Things, is helping to create a long-term competitive advantage for companies.

Equally effective, and quite the contrast, traditional methods can also help us to nurture nature. For example, farmers in Malaysia have adopted climate-friendly agricultural practices, where crops are cultivated and replanted in a way that replenishes the soil nutrients naturally, reducing the need for heavy chemical-based fertilisers.

Second, sustainability is often seen as the responsibility of governments, or even individuals—but not of businesses. However, sustainability is not, and cannot be, the job of the government alone. It is in the firm's interest to think beyond the shareholders' interests. Businesses have a key role to play, and can even take the lead through ownership and responsibility.

Finally, in our view, sustainability is a marketing problem. It has to be marketed aggressively and systematically within the company and across all its stakeholders. Within the company, it requires strong internal communication frameworks and a culture or mindset that is open to change and inculcates commitment toward sustainable business practices. We call this internal marketing. Additionally, companies must also actively engage in external marketing, across the value chain, roping in all their business partners and stakeholders. Enlightened companies do both.

So how do you market sustainability to your stakeholders?

The sustainability edge roadmap

We propose a sustainability roadmap for business leaders, which focuses on nine key stakeholder groups classified according to how they impact the business (Figure 1):

- Consumers, customers and employees constitute the first group of stakeholders who have a 'direct impact' and are already present in almost every business model. Their dynamic, fickle nature has forced companies to seek new ways to motivate and engage with these groups.
- Suppliers, investors and communities make up the second group that has an 'enabler impact'. Businesses that leverage these groups effectively can accelerate their sustainability journey and make it smoother.
- NGOs, governments and media, who we refer to as the 'indirect impact' stakeholders, have not, until recently, been seen as fundamental to driving profits in traditional business models; yet these groups are no less significant in affecting the long-term success of businesses.

In this article, we will focus on this third set of 'indirect impact' stakeholders. We shall show how businesses can proactively influence and shape the sustainability agendas of governments, the media and NGOs through partnerships and collaboration.

Engaging government

As mentioned earlier, the responsibility to create a sustainable future rests jointly on the shoulders of governments, societies and businesses, as no single entity can deliver it alone. The necessary and dramatic transition from a waste-based economy, one that is single-use, disposable and non-renewable fossil fuel-centred, to a more sustainable, renewable, circular economy will require joint private- and public-sector partnerships. A short-term outlook, be it for the quarterly financial results of a business or the election cycle of a government, must be replaced with a longer-term view that takes into account maintaining and sustaining the planet, and the future generations that will inhabit it.

THE SUSTAINABILITY FRAMEWORK

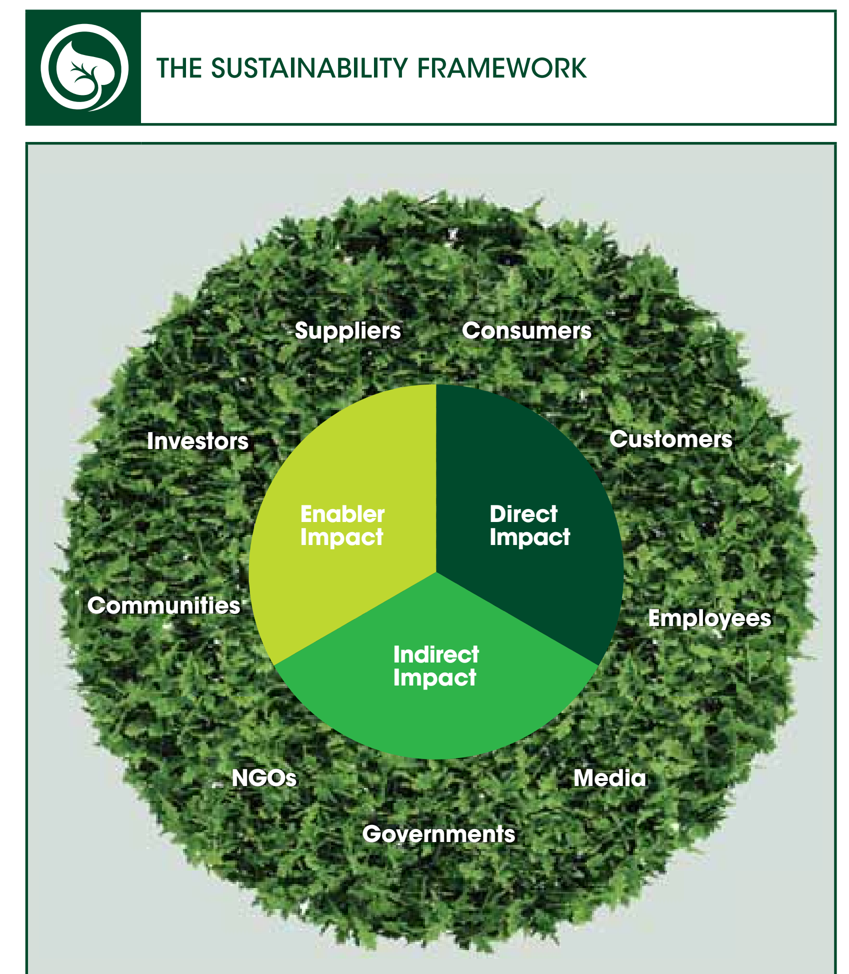

FIGURE 1

Source: The Sustainability Edge, Apte and Sheth, 2016

In the United States, federal government agencies like the Environmental Protection Agency (EPA), the Food and Drug Administration and the Department of Transportation provide incentives to companies to make more sustainable choices. The EPA, for instance, incentivises the use of combined heat and power technology through financial grants, tax incentives, low-interest loans, rebate programmes and feed-in tariffs. While these incentives are gradually leading to a behavioural shift, the onus is on businesses to leverage these initiatives for their competitive advantage.

State-owned enterprises in Sweden, Spain, India and China are moving towards a reporting system where companies have to report sustainability performance alongside financial performance. Changi Airport in Singapore is well known for its environmental policy and sustainability efforts, be it the 900 plus skylights that allow natural light to flow into the buildings, over 3,200 artistic recycling bins depicting enlarged bottles, cans and newspapers across all three terminals, or the 870 hectares of reclaimed land. To reduce construction waste, recycled materials are used to rehabilitate the airport's taxiway pavements, while recycled concrete is used to construct roadways, pavements, drains and kerbs. Equally significant are Changi's efforts towards water and noise management.

Smart businesses need to collaborate with and lobby governments to bring forth legislation and incentives that promote sustainable consumption in a way that helps, rather than hinders their ability to thrive. In the 1980s, U.S. companies facing an onslaught of competition from Japanese brands spearheaded the movement towards quality products. Businesses proactively worked with the U.S. government to bring in the requisite legislative change and set up quality standards. In 1987, the Malcolm Baldrige National Quality Award was introduced to raise awareness about quality management. These changes benefited not only the consumers, but also the industry as it helped weed out poor quality and unethical firms from the market.

Additionally, brands have operational power, marketing know-how and financial resources to bring together stakeholders, partners and even competitors to address key sustainability issues. In an effort to provide every American consumer with access to recycling infrastructure where and when needed, companies like Coca-Cola, Pepsi, Unilever, Procter & Gamble and Johnson & Johnson teamed up with Walmart and Goldman Sachs investment group to start a Closed Loop Fund. Launched in 2014, the Fund aims to commit US$100 million in recycling infrastructure between 2014 and 2019 by offering zero-interest loans to cities to invest in progressive waste management companies. This demonstrates how companies that compete for the same consumers can work together and with the broader stakeholder community to address societal needs through the wide reach of the government.

Leveraging media

The media and the press have huge influential power today. Yet most companies don't think of using them in a positive way, and are often either reactive to news or use the media only in the event of a crisis. Today, both traditional and social media tools can be used to galvanise communities through a well-crafted and supportive movement towards sustainability, which in turn gives progressive companies a competitive edge.

According to Megan Cunningham, CEO of Magnet Media Company, "In today's environment where social channels are available to everyone, every brand is a media company." She further explains that consumer attention is shifting from billboards, the press and linear television experiences to multichannel and omnichannel consumption, where everyone has all forms of media in their pockets.

One best-in-class example of a successful green campaign is Patagonia's full-page advertisement in the New York Times in 2011. The ad was placed in advance of the traditional Black Friday shopping spree and featured a photograph of one of their jackets with the sign, "Don't buy this jacket". The ad discouraged sales on the biggest shopping day of the year, an unconventional move for a profit-making organisation like Patagonia. Because the ad was consistent with Patagonia's mission and values, and radically different from all the noise in advertising, it actually helped to increase the company's brand appeal and customer loyalty.

Savvy businesses can leverage the media to communicate sustainability strategies and stories, much like IBM's Smarter Planet website showcases, General Electric's Ecomagination Challenge to crowdsource clean energy ideas, and Starbucks' BetaCup Challenge to find sustainable alternatives for the eco-friendly disposal of the 58 billion paper cups it uses each year.

Companies can also develop values-aligned partnerships with the media to create a competitive advantage. Hewlett-Packard's (HP) closed-loop recycling of ink cartridges was the first of its kind in the industry. HP selected Oliver Russell to communicate its 15-step, complex closed-loop recycling process

in a simple and compelling way to consumers. The agency not only delivered on HP's mandate by simplifying the process into a six-step diagram with easy-to-understand images, but the strong partnership has also helped to grow the sustainability practices of both companies over the past decade or so.

Partnering with NGOs

The debate has gone on for decades in the business world—are NGOs friends or foes? Scott Paul, Forest Campaign Director at Greenpeace once pointed out, "We have no permanent friends and no permanent enemies. It's not about what you have done but what you do next that's important...Any valuable relationship requires transparency, cooperation and willingness to listen to other perspectives." In a nutshell, confrontation should be replaced by cooperation.

A great example of this is the cooperation between Kimberly-Clark Corporation and Greenpeace in 2001, when Kimberly-Clark took the initiative towards safer manufacturing practices of its bleach-based products, Clorox being a prime example. The aim was to replace chlorine gas with a fully sustainable electrolytic process that converts the brine in seawater into bleach. While the process was in motion, Kimberly-Clark received a letter from Greenpeace demanding to know what the company was doing to prevent chlorine from sullying the oceans. As the eco project could not be made public for another 10 months, Kimberly-Clark took Greenpeace into confidence with a non-disclosure agreement announcing its intention to alter its manufacturing process, without giving details. Thus, a potentially confrontational situation became collaborative—Greenpeace even offered the support of its resources, including its website and volunteers, to help publicise Clorox's new sustainability efforts. That kind of marketing could never have been bought with advertising dollars!

The strength of NGOs lies in their deep reach to a broad segment of society that is normally excluded but probably would get impacted the most with environmental damage and doesn't always benefit from development. Two broad areas where cooperation between businesses and NGOs is often more fruitful are nature conservation and community development. In the U.S. for example, a full-fledged anti-smoking campaign was developed by NGOs as part of the school curriculum, through which teens put pressure on parents not to smoke.

In 2014, India enacted a law that requires private limited companies to

spend at least two percent of their profits every year on CSR. The bill applies to companies with an average net profit of INR 50 million (approximately US$780,000) or above over a period of three years. Businesses can use this amount towards addressing community challenges in education, poverty, gender inequality and hunger. This has provided a fillip to the existing CSR activities among Indian businesses. Infosys, the global IT solutions company, provides expertise, fund-raising and financial support to the Indian NGO Akshaya Patra for its midday meal programme in schools. Companies like HCL Technologies and the Jindal Group have set up universities, and the Aditya Birla Group is working closely with Habitat for Humanity, a global NGO engaged in providing affordable housing for bottom of the pyramid families.

When it comes to developing sustainable business practices, companies should never feel that their hands are tied. In fact, if they are willing, there is a whole gamut of options through which corporates can nurture win-win relationships with the media, governments and NGOs.

Businesses do a great job of training professionals with leadership skills, technical skills and people management skills who are then able to effectively plan, manage and organise resources, and get the required results. Experts and professionals from the corporate sector, who are passionate about sustainability, can work with the media, governments and NGOs on a full-time basis. They are influential and can contribute a lot by providing expertise on sustainability. Just like Silicon Valley provides expertise to the federal government on cybersecurity, and television channels today have resident doctors, we also need to embed sustainability experts into these institutions, thereby creating a 'peace corps' of sustainability.

Forging pathways

Change is happening more quickly in the real world than in business school classrooms and most boardrooms. The only path remaining in today's environment to achieve long-run success is to fully embrace sustainability–practices that put a business in harmony with its ecosystem, its people and its environment–with all its stakeholders in a 360 degree circle of reciprocal engagements and shared successes.

The mantras of 'maximising profit by satisfying customers' and 'maximising shareholder value' are highly limited compared to what we propose: the sustainability paradigm shift of 'maximising benefits for all stakeholders as a source of competitive advantage'. According to Sisodia, Wolfe and Sheth, business success is about, "gaining share of heart, and not just share of wallet; it is about aligning stakeholder interests, and not just juggling them."[1] What tomorrow's business leaders need is a complete transformational change in business mindset, practices, strategies and tactics–a change that is possible only when businesses engage and energise all their stakeholders towards the same goals.

Business leaders have the choice to work and thrive at this 'edge' of sustainable engagement, forging a new path forward, or they can ignore the data, the market, and their own inner wisdom and fall off the edge as the ground shifts beneath them.

Just like the Silicon Valley provides expertise to the federal government on cyber security and television channels today have resident doctors, we also need to embed sustainability experts into these institutions, thereby creating a 'peace corps' of sustainability.

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The material in this article is derived from the authors' book, "The Sustainability Edge: How to Drive Top-line Growth with Triple-Bottom-Line Thinking" published in 2016.

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Co-opetition as a framework for technology start-ups.

By Snehal Shah and
Ashish Kumar Jha

The world around us is changing fast—fast enough for us to overlook the fundamental ways in which firms need to change the way they operate. The past couple of decades have witnessed a slew of start-ups opening and closing at a frantic pace. A combination of factors is behind this. The biggest of these is the limited resources at the disposal of start-ups to solve the huge challenges that threaten their survival. In this hyper-competitive environment, technology firms can fall back on one of the strategies employed by select large firms to drive breakthrough innovation—the strategy of co-opetition.

Fundamental change in business environment

A business environment characterised by cloud computing, driverless cars and artificial intelligence has prompted a fundamental shift in the way we think of existing business models. Market sizes have transcended geographic boundaries and New Age firms typically target much larger populations than new firms did a decade ago. Today, meaningful value is derived when a company is an active participant in shaping the environment to one's own strategic advantage.

There is a growing realisation that business is no longer a winner-takes-all or zero-sum game in which one company wins at the expense of others. In fact, a competitor from the same industry chipping away at the market share is no longer as much of a concern as it was in the past, primarily because the problem being solved and the markets being served are too large for a single firm to cater to efficiently. In such an environment, it is not about you versus me. It's about us together, surviving or risk being wiped out altogether. As the American financier, philanthropist and statesman Bernard Baruch once said, ''You don't have to blow out the other fellow's light to let your own shine.''

A business environment characterised by cloud computing, driverless cars and artificial intelligence has prompted a fundamental shift in the way we think of existing business models.

Given this scenario, the narrative is not just about playing the game better than everyone else by following the existing rulebook. In fact, the biggest opportunity to address such threats lies in changing the very nature of rules that define the game. In doing so, companies are able to shape the future the way they want it to be, rather than make do with what they wish it could be. Such companies are not merely market driven, they drive the markets.

One way to achieve this objective is to rethink the strategic alliances and partnerships companies enter into to unleash their innovation potential. Companies typically enter into collaborations with their buyers, suppliers, and producers of raw material, with academic institutions and, more recently but relatively rarely, with their competitors. Expanding the scope of collaboration to include competitors is seen by scholars and management thinkers as a bold move to bolster a company's quest to change the rules of the game to their own advantage.

The telecom industry

The Indian telecom industry is characterised by rapid growth, fierce competition, wafer-thin margins and high capital investment. In 2007, Indus Towers was born as a joint venture among three big players in the telecom service space–Bharti Airtel, Essar Vodafone and Idea Cellular. In spite of being staunch competitors, these companies came together to construct and maintain telecom towers, thereby reducing their high capital investment in infrastructure. Over the years, with a portfolio of more than 110,000 cell towers, Indus has quickly become the largest telecom tower company in the world while reducing the cost per telecom operator by up to 60 percent.

Shantharaju, the visionary and the longest serving CEO of Indus Towers, provides the rationale for such a unique co-opetitive business model. According to him, this model serves the strategic needs of the customer. The first is the competitive pricing offered by the industry, which is only possible when important players work together to bring down high capital investment costs. Second, customers want speed of delivery of telecom service. With space constraints and complex regulations to navigate, "there is no point putting up single tenancy of cell towers whose payback period is 11-12 years and the internal rate of return is not more than three to four percent. In such a scenario, there is definite financial compulsion to ensure collaboration, so that industry tenancy ratios will exceed 2.25-2.50 in about five years," he said. An increased number of operators leveraging existing cell towers to offer expanded 3G and 4G services is seen as a key growth driver of the telecom industry in India while satisfying the ever-growing appetite for faster and improved services of a huge customer base.

Collaborate with competitors: 'Co-opetition'

In a widely influential book, Adam Brandenburger and Barry Nalebuff capture the interplay of collaboration and competition by introducing the concept of co-opetition, which is meant to combine the advantages of collaboration and competition in a new dynamic that taps into the hidden capabilities of the companies involved. It is a strategic framework that not only can change the way companies play the game, but also help determine which game they should play in to derive maximum benefit. When companies, on the one hand, help each other by collaborating on solving problems of mutual interest, while on the other, fight each other for market share and profits by competing, they move themselves towards innovation and improved performance.

To put it differently, co-opetition is a higher order phenomenon that moves beyond a binary formulation of collaboration versus competition. It is a more inclusive concept that captures environmental complexity at a deeper level and enables sophisticated decision-making. Figure 1 demonstrates a company's journey through a collaboration maturity continuum. In the first stage, collaboration assumes a traditional form wherein a firm enters into a relationship primarily with its suppliers and buyers. At the next stage, it enters into partnership with ancillary institutions such as academic institutions, government bodies and complementors who help augment its/their current offerings. At the third and the highest level of this continuum, a company enters into a relationship with its competitors so as to break the cycle of a zero-sum game. The dynamics of collaborating with one's competitors may itself take many shapes and directions.

There are historical examples of competitors collaborating within the domains of competition. One of the most celebrated of such examples of co-opetition is the partnership between Samsung and Sony to produce Liquid Crystal Display (LCD) panels. In 2004, both companies entered into a joint venture which was then considered controversial, especially since Sony pulled out of a LCD panel development group backed by the Japanese state. Through the venture, Sony was instrumental in launching its hugely successful Bravia TV brand, while Samsung emerged as a trendsetter in the LCD panel industry, reaping huge profits supported by Sony's superior technology.

The three 'Ws' of co-opetition

Co-opetition, i.e., simultaneous cooperation and competition, is considered as a strategy for innovation. Conceptual and practitioner-focused work done in the area of co-opetition indicates that co-opetition produces superior performance for the participating firms. However, even if they have the potential to benefit from co-opetition, not many firms may choose to engage in it. The first question that arises is: Why do *firms* co-opetate?

In India, as well as globally, the most prominent co-opetitive examples seen so far have been from the stables of large firms that collaborate to solve seemingly insurmountable challenges. Our contention is that this is a strategic tool whose time has come. It is time that the hypercompetitive start-up world embraces the co-opetitive strategy to build on mutual expertise and solve the consumer's problems with minimal resources. Such collaborations have the benefit of maintaining a competitive market place and innovating at the same time. In developing economies with a fast-growing entrepreneurial culture like India, Malaysia and Indonesia, such strategies would be highly utilitarian. The food delivery industry in India is an example of such a partnership between two start-ups with limited resources. This instance exemplifies the power of the strategy, which can increase resources and innovativeness without decreasing competition.

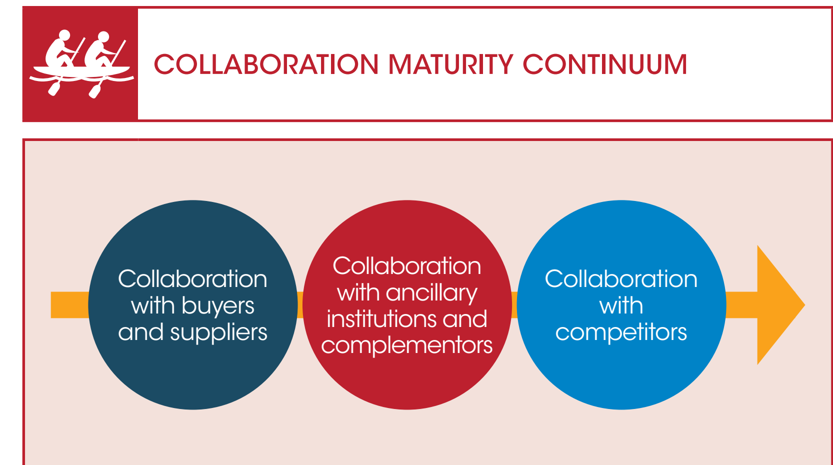
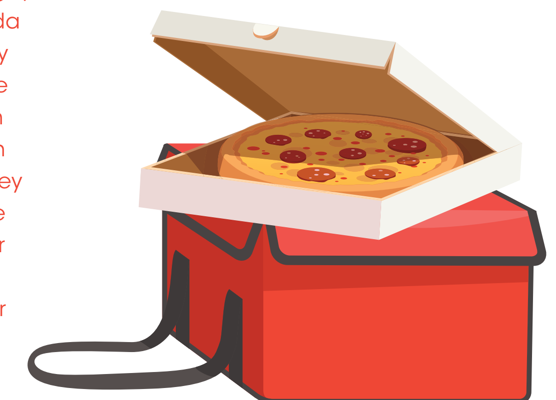


FIGURE 1

A competitor from the same industry chipping away at the market share is no longer as much of a concern as it was in the past, primarily because the problem being solved and the markets being served are too large for a single firm to cater to efficiently.

The food delivery industry

Food delivery was seen as one of the hottest sectors for start-ups in India a few years ago.[1] Several enterprising souls set out to enable millions of Indians to get their food from restaurants on time in a cost-effective manner. The sector was the blue-eyed boy of the start-up world before things started going downhill.[2] A wave of consolidations and acquisitions pointed to the fact that the sector was grappling with fundamental problems that single firms might not have the resources to solve. For instance, the vast size of Indian cities and the clogged traffic meant that firms had to invest sizable amounts of money to get all restaurants listed on their platform and also hire huge numbers of delivery personnel. For many start-ups with limited funds and significant competition, this challenge was enormous. The way out was through collaboration. For instance, Zomato is a leader in the restaurant listing space while Foodpanda has substantially more feet on the ground. Though they compete in both spaces, they also collaborate to fulfil customer demands by building on their competitor's strengths.



The second question that needs to be answered regarding co-opetition is: What are the factors leading to such strategic decisions? There are multiple industry-specific external factors that contribute to the firm's propensity to adopt a co-opetitive strategy. Some of the examples from industry which elucidate the need and impact of co-opetition in the presence of various external factors are:

- Small and medium enterprises in an industry collaborate with competitors to create economies of scale, mitigate risk, and leverage resources together. For instance, Mips Computer Systems, a U.S. firm employing less than 1,000 people, was able to take on well-established players such as IBM and Hewlett-Packard by creating a network consisting of several small semiconductor firms in the reduced instruction set computing industry.
- When strategic goals converge but competitive goals diverge, co-opetition may succeed. In the mid-1980s Philips and DuPont came together to share the know-how of developing and manufacturing compact discs. However, neither of them impinged on each other's market territory.
- When the combined size and power of the partners are small compared to industry leaders. This humbling realisation forces the partners to depend on each other. Given the massive difference in Fujitsu and IBM's size, Fujitsu continues to rely on its foreign partners to ensure international market penetration.
- As per the network loci theory of the firm, resources lie not only internal to the firm but are also available externally. When the objective is to unlock resources external to the firm, co-opetition among leading firms with differentiated external networks can procure competitive advantages for them.
- When there is a high degree of separation from the consumers, competitive firms are more likely to co-opetate than when there is a low degree of separation. In a classic example from Sweden, the collaborative and competitive interactions were separated across two parts of the value chain. The competitors competed in the distribution of beer to wholesalers but cooperated in bottle returns. They developed a common system of packing that made cooperation in bottle returns easier. The Swedish Brewers' Association played a vital role in the cooperation among the breweries as they coordinated and controlled the movement of empty bottles. Similarly, they worked together in areas like regulatory standards to advise and inform 'enlightened regulation'.
- Often, legal or infrastructure or other challenges need to be overcome, and co-opetition can also help reduce environmental uncertainty. Companies might do so by co-developing infrastructure, co-lobbying or coming together to influence social behaviour.

While the above-mentioned examples explain the factors that play a central role in increasing or decreasing the propensity of a firm to adopt co-opetiton as a strategy, we need to analyse and condense these factors further to come up with a framework to answer the final question: *When does a company co-opetate?* We propose two frameworks to help firms answer this question.

The first model, referred to as the Co-opetition Decision Analysis (CDA) framework, is suitable for diagnosing macro factors external to the firm as well as internal considerations. The six points in the CDA framework represent six dimensions, which carry different probabilities of impacting a firm's decision whether or not to co-opetate. The star shape emphasises the fact that any of the six dimensions may independently tilt the scale in favour of or against the decision based on the magnitude of its impact (refer to Figure 2).

The first three dimensions, that is, the outer layer of the framework, which includes economies of scale, product cycle speed and costs, indicates the firm or product level dimensions. If either of the dimensions is high, i.e., if the economies of scale or cost of production through raw materials or R&D or the pace of change of products is high, then the firm (at least for the specific product line in question) should attempt to utilise co-opetition as a strategy.

The final three dimensions, which form the inner layer of the framework, include customer degree of separation, industry differential and objectives–represent the strategic dimensions layer. When either the degree of separation of the firm from the customer is high (for instance, electronic microchip manufacturer Snapdragon is further removed from its core customers purchasing mobile phones and tablets); or there is a high match in objectives among competing firms (in terms of either strategic or technological objectives); or the industry differential—the gap between potential co-opetiting partners and the industry leader—is high, then co-opetition lends itself as a very potent strategic mechanism.

Figure 3 proposes a second framework that offers a within-firm perspective that is broken down at the task or activity level. Typically, a firm's activities can be classified as core and non-core. Core activities are those that provide a strategic advantage in terms of value creation for the end user, resulting in higher revenues and increased profits. Non-core tasks are essentially hygiene factors that are needed to support value-added activities but they do not impact the top line by themselves. For instance, installing, deploying and managing ATM machines can be seen as a hygiene activity that all banks need to undertake but does not necessarily give them a unique advantage in the market. In this case, competing banks can come together to build the ATM infrastructure while continuing to compete for share of customers' wallets for financial products and services.

A firm's choice of which model to adopt will depend on the diagnosis of the context surrounding the decision to co-opetate and the company-specific capabilities that would hinder or facilitate such a strategy.

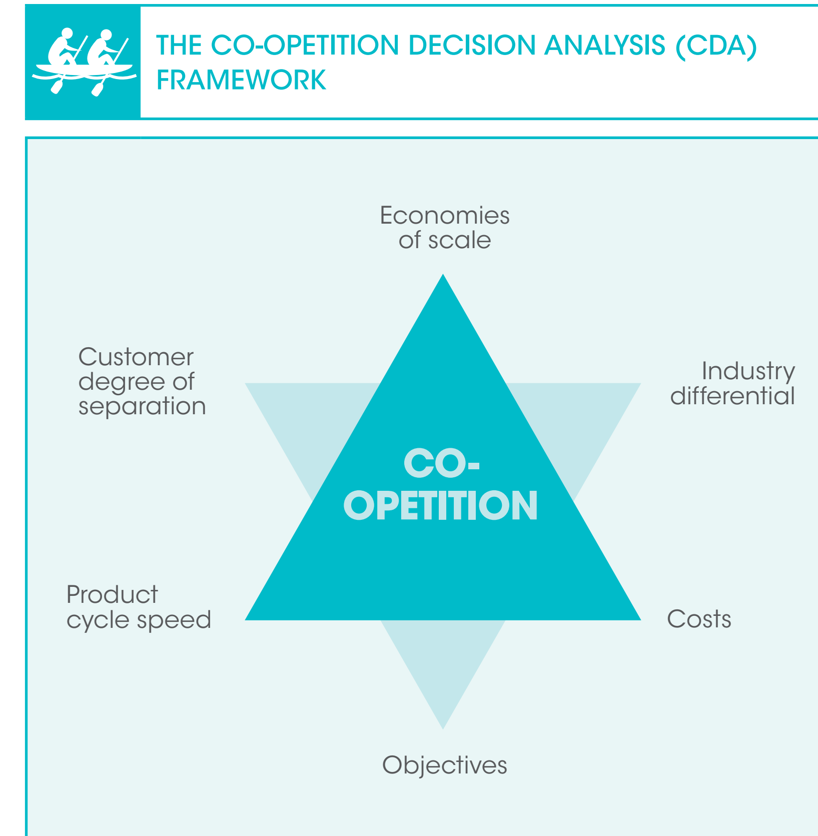


FIGURE 2

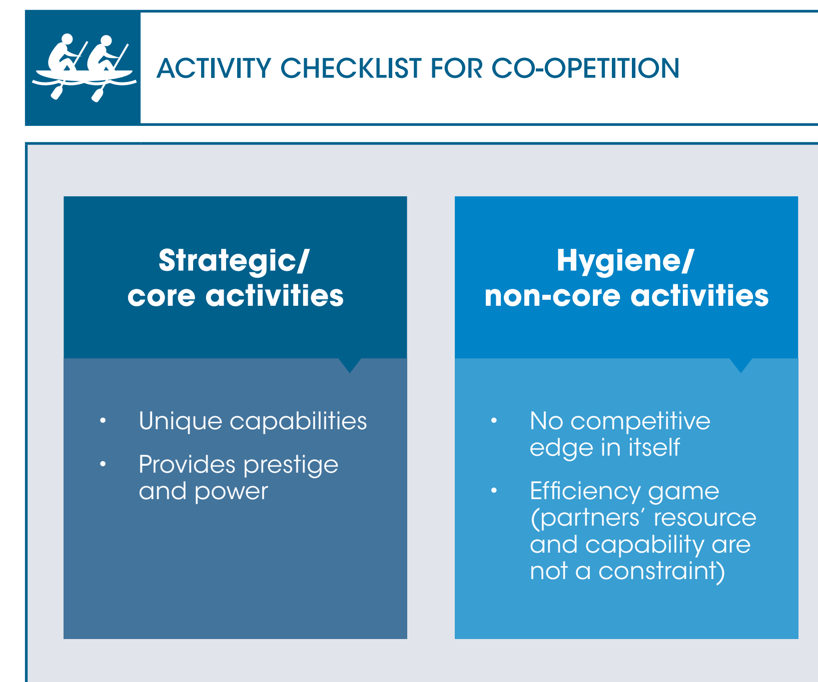


FIGURE 3

What specific capabilities are required for co-opetition success?

While it is important to understand the what, why and when of co-opetition, it is equally essential to develop capabilities to make the best use of such partnerships. Unlike the more famous example of Sony and Samsung, tech start-ups working with limited resources have constraints on their capabilities to build and expand. Success is predicated on the firm's higher order ability to dynamically adapt its internal skills, processes and systems to a new form of partnership, i.e., co-opetition. This ability is also known as the 'dynamic capability' of the firm. It refers to a firm's ability to make internal adjustments to its routines, structures and processes to bring out the best potential of such a partnership.

DYNAMIC CAPABILITY PYRAMID FOR CO-OPETITION

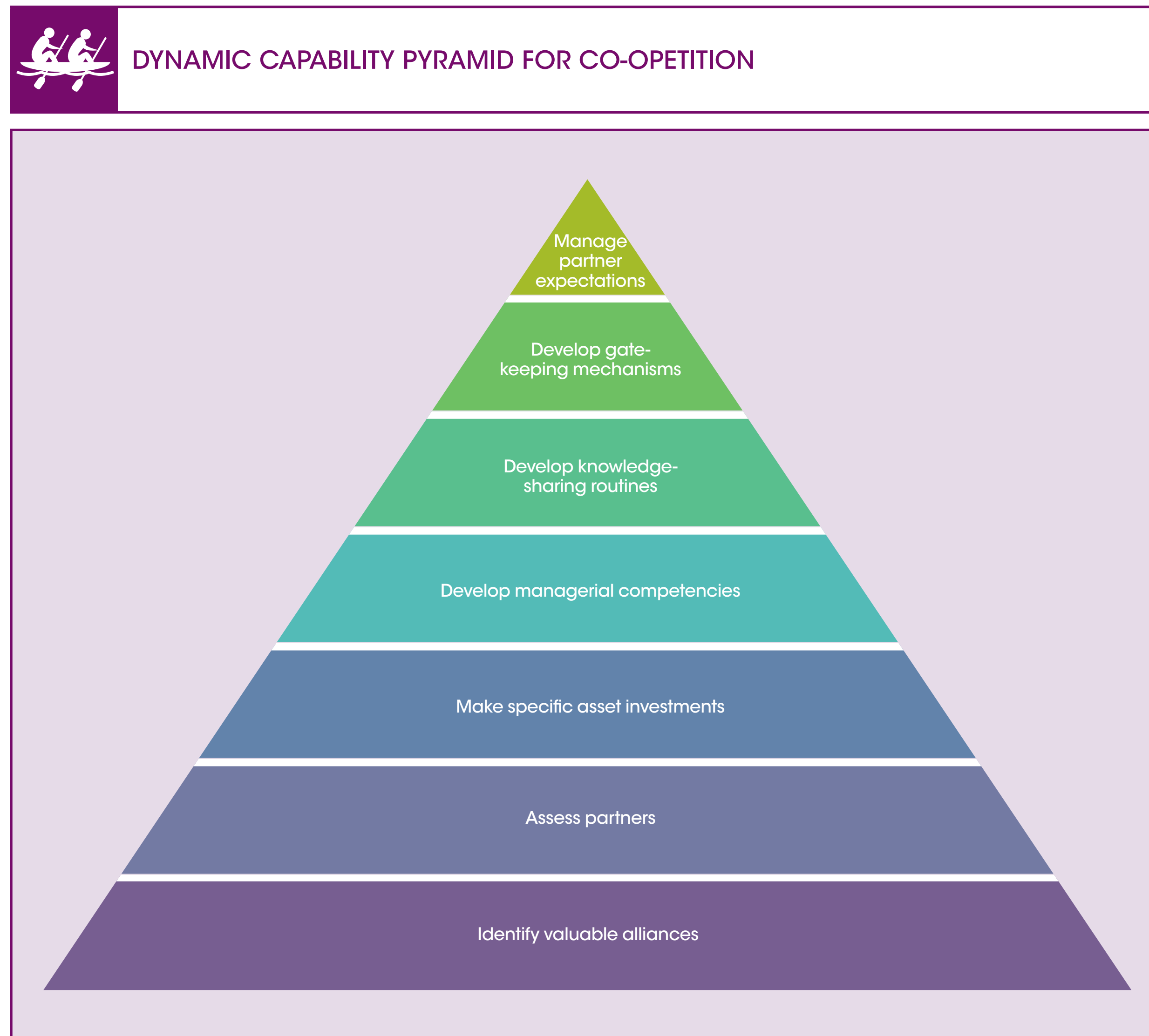


FIGURE 4

Figure 4 illustrates the seven critical dynamic capabilities that a firm needs to build. The first couple of capabilities focus on building a firm's ability to identify the right potential partner. Just as in any relationship, all eligible partners may not be the best suitors. More so in the case when the relationship entered into is fundamentally not on cordial terms. With the firm's strategic objectives in mind, there is a need to sift through different competitors, understand their competencies and ensure a match that brings about favourable outcomes. More importantly, the softer aspects of the relationship need to be understood at a deeper level. Aspects such as power and status equations, equity and fairness issues, and expectation mismatches should be identified as they can pose a serious threat to the functionality of such relationships.

The next couple of capabilities focus on the firm's ability to make the best out of such a partnership. Firms need to identify and invest in the right managerial skills such as negotiation and leadership, which are often lost in the din searching for technological breakthroughs in start-ups. Capability-building investment is also required in assets for driving innovation or working with partners. Firms that will do this best are those that develop skills in identifying, attracting, engaging, contracting with, managing, and monitoring potential co-opetition partners.

The final three capabilities in the pyramid cater to the finer dynamics of managing the partnership for maximum benefit. While the knowledge sharing mechanism among partners needs to be established, there should be a focus on gatekeeping mechanisms to ensure that the boundaries of competition are respected. The partner's expectation also needs to be managed carefully. This is of prime importance as the firms could be competing in open market fiercely and such partnerships are drastically different from mergers or strategic tie-ups. The success of the co-opetition strategy depends on the partners' ability to adapt, integrate and reconfigure competencies developed through collaborative experiences.

The way forward

While the strategic implications and directions required for successfully executing co-opetition have been understood by managers, there are some obstacles in executing this strategy which need to be accounted for. The major challenge relates to ensuring regulatory compliance. Antitrust issues such as cartel formation may raise eyebrows if the partnership is not well thought out. Typically, such issues can be taken care of if the partnering firms develop the top three capabilities of the capability pyramid adequately before entering into the partnership. Dedicated special purpose vehicles, joint ventures and specialised joint R&D units are some of the ways to manage the gatekeeping versus knowledge-sharing conundrum. Equally, investments, contributions, as well as the benefit sharing mechanisms need to be well established and dispute resolution procedures agreed upon for a successful partnership.

Almost all strategic choices come with their own caveats and co-opetition is no exception. However, it needs to be stressed that firms can unearth substantial potential from such partnerships, if leveraged successfully. The developing economies of the world expect New Age start-ups to use minimal resources to solve hitherto unresolved problems whilst showing non-linear growth. Pooling of resources through co-opetition can be a very efficient method to achieve these goals, while maintaining a high degree of competitiveness in the market.

The developing economies of the world expect New Age start-ups to use minimal resources to solve hitherto unresolved problems whilst showing non-linear growth.

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From Rags to Riches

By Shantanu Bhattacharya

What governments and firms should know before following the East Asian blueprint.

There is a well-trodden path towards economic development in Asia—first blazed by the Japanese, then followed by the Four Asian Tigers and, more recently, repaved with Chinese characteristics. Hailed as the quintessential roadmap for progressing from third world to first, this approach towards development has yet to catapult would-be tigers in other emerging markets to the same levels of prosperity. Has the East Asian blueprint failed to deliver results elsewhere?

Not necessarily. The export-oriented success of East Asia depended on a confluence of interactions amongst a country's factor endowments, that is, the land, labour, capital and technology needed to exploit latent manufacturing capabilities. The East Asian blueprint requires the right mixture and sequence of interaction of these factors of production in a way that secures a competitive position in the global value chain. A simple mix of some elements of good governance and the dogged/indiscriminate replication of policy without the associated labour readiness and infrastructural investment is simply not enough.

Globalisation

Whether it is elsewhere in Asia, such as India and Vietnam—or further afield in Africa and Latin America—the lessons remain the same. An export-driven economy relies on the ability of local firms to integrate into a global value chain. In almost all cases, a country's development and its wealth are derived through the manufacturing prowess of its firms. It is a process-driven undertaking. This is an important point; all too often economic development literature focuses on a set of macroeconomic principles and policies. In practice, there is a confluence of macroeconomic and firm level issues that influences development at the firm level and moves from the bottom up to the level of the economy.

COST

Manufacturing firms in most countries begin by making low-value components—ball bearings, crankshafts, nuts and bolts—and then, as they develop expertise in a particular area, they scale up in volume and quality. Historically, it has been found that a good indicator for tracking such development is the intensity of steel production over time. When examining how certain East Asian countries developed their manufacturing industry, it is useful to contrast how Japan, Korea, Taiwan and China improved their own manufacturing capabilities. Again, this tracks well with steel production, which can be used to benchmark how well these countries have industrialised in relation to one another. Vietnam's steel production, contrarily, has continued to languish. But as it continues to industrialise, this indicator should begin to rise.

Countries that perform well with regard to ongoing development demonstrate a key commonality: a careful focus on quality and cost at the firm level. In developing countries, low-cost production is achieved through minimal variable costs, that is, labour and material inputs. Conversely, fixed investment costs, such as those in technology, may be much higher than their developed counterparts, though other fixed costs such as plant and equipment tend to be low. Moreover, if government-borne infrastructure investment is lacking, logistical costs may be much higher too.

Firms in developing countries stand to benefit by taking advantage of the fractured and decentralised nature of globalisation. In other words, there are gaps in the globalised industrial ecosystem, which hark back to David Ricardo, where a comparative advantage can often be achieved through proximity to certain resources and markets in a supply chain.

> Hailed as the quintessential roadmap for progressing from third world to first, the East Asian approach towards development has yet to catapult would-be tigers in other emerging markets to the same levels of prosperity.

For instance, firms in advanced economies outsource their manufacturing to Asia because their costs can be reduced by a factor of three. This is due to labour and the multiplier effects of information technology and reduced shipping costs, driven by containerisation, which have made complex logistics much more affordable. For decades, emerging market players have been able to plunge into a global supply chain and serve clients from half a world away.

QUALITY

Quality control is equally important. In the 1950s, Japan re-emerged as a manufacturing economy with a focus on statistical process quality control—a technique that is relevant to both manufacturing and services. Briefly, statistical process quality control is the application of statistics to reduce the variance of risk to within an acceptable level in the production process. The idea is to design the production process so that risk can be assigned to specific causes. If properly measured and controlled, only random defects will occur in the production process, making quality assurance possible. Six Sigma, for example, earns its name by introducing a mechanism to reduce process variation such that the chance of a defective product is less than six standard deviations from the mean batch size, or 2 defects per billion products in a single production step.

This opens the door to partnering with or supplying to multinational corporations (MNCs) operating at global volumes. Still, MNCs will not work with a supplier unless they can be confident in their quality control. Certifications like ISO 9000, which guarantee standardised processes and controls, are essential for firms in industrial hopefuls like India and Vietnam. If quality can be maintained, rapid scaling through high volume supply contracts enables a firm to gain even greater efficiencies as its marginal cost curve falls below its average production costs.

Once a critical mass of firms, or a sufficiently large firm, emerges as a global supplier capable of serving global clients; their country of origin begins to transition from a developing manufacturing economy to a developed one. A successful transition demands more infrastructure support, which then requires government involvement.

GOVERNANCE

Rule of law, standardised legal contracts, and the enforcement of the legal system, are essential for international commerce. But even the best performing firms will find it difficult to acquire clients without proper governance of buyer-supplier contracts. This has become a significant hurdle for Indian firms, not because the rule of law in India is weak, but because the time needed to resolve a dispute can be lengthy, expensive and burdensome.

Favourable industrial and banking regulation, and free trade agreements, when properly applied, can also open the door for foreign direct investment. This has historically been a huge boon for nearly every rapidly developing country in East Asia.

Specialisation and country development

Contrary to Western dogma, authoritarian governments can also be beneficial. Needless democratic wrangling can be bypassed in favour of economic development by unilaterally targeting strategic growth industries for the export market. Mandatory (or forced) domestic savings, for example, can be used to funnel investment into infrastructure aimed at specific sectors. For example, Malaysia relies significantly on project financing based on local currency bonds that are typically used for energy and transportation projects. However, without the right monetary transmission mechanisms in place, even countries with high rates of domestic savings may not experience efficient capital allocation.

Indeed, Japan, China and Taiwan have all maintained targeted government policies to support infant industry development. However, such targeted policies must be geared towards the export market. India, for instance, gave certain companies monopoly rights through required licensing schemes. This killed domestic competition, but the monopolies never went global because they already had a large consumer market in India.

One point to remember is that, with the East Asian blueprint, manufacturing for the export market comes first. Domestic markets, or at least developed domestic markets, typically only arise after a sufficient amount of wealth has flowed in via trade balances. It is the influx of foreign money that drives up wages to the point that local populations have enough income and wealth to support local consumer markets.

Education policy is another lever that can be used to align workforce skills with industry needs. This can potentially accelerate higher-end manufacturing capabilities and make foreign direct investment attractive.

Moreover, it should be noted that a local consumer market might not develop if income and wealth are not adequately distributed. Unlike resource rich countries like Saudi Arabia, others like Japan, Korea and Taiwan had a reasonable level of income equality to spur a healthy consumer economy.

Plugging into the global value chain

Specialisation at the firm level should occur organically. Japan's automotive industry and Korea's consumer electronics industry are both homegrown. As firms like Toyota and Samsung specialised, gained competence and began to scale through a global value chain, other enterprising firms began to rise up as suppliers and market complements. This becomes the foundation of an ecosystem that can support a cluster of both cooperating and competing firms.

Industrial ecosystems built around these clusters are typically home to two to three large anchor firms. The Chennai automotive cluster in southern India sprung up around companies like Hindustan Motors. Once Hindustan Motors and its counterparts established an industrial cluster, more and more suppliers began moving in and foreign firms like Hyundai and Ford also began to set up shop. A chain reaction takes place once an ecosystem such as this is established, where local manufacturers become global suppliers with a means to move up the value chain. Again, a mastery of low-cost and consistent quality production is essential to reach this stage.

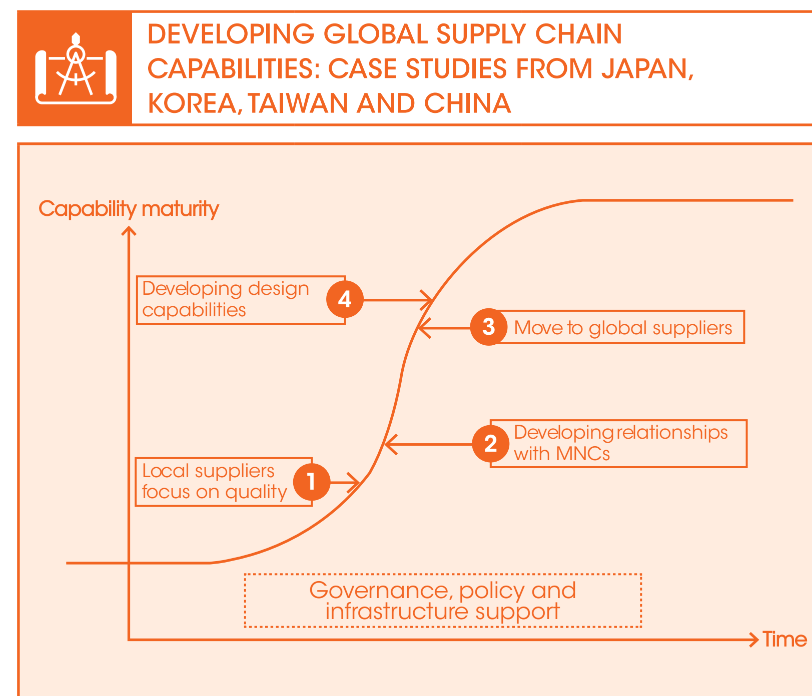
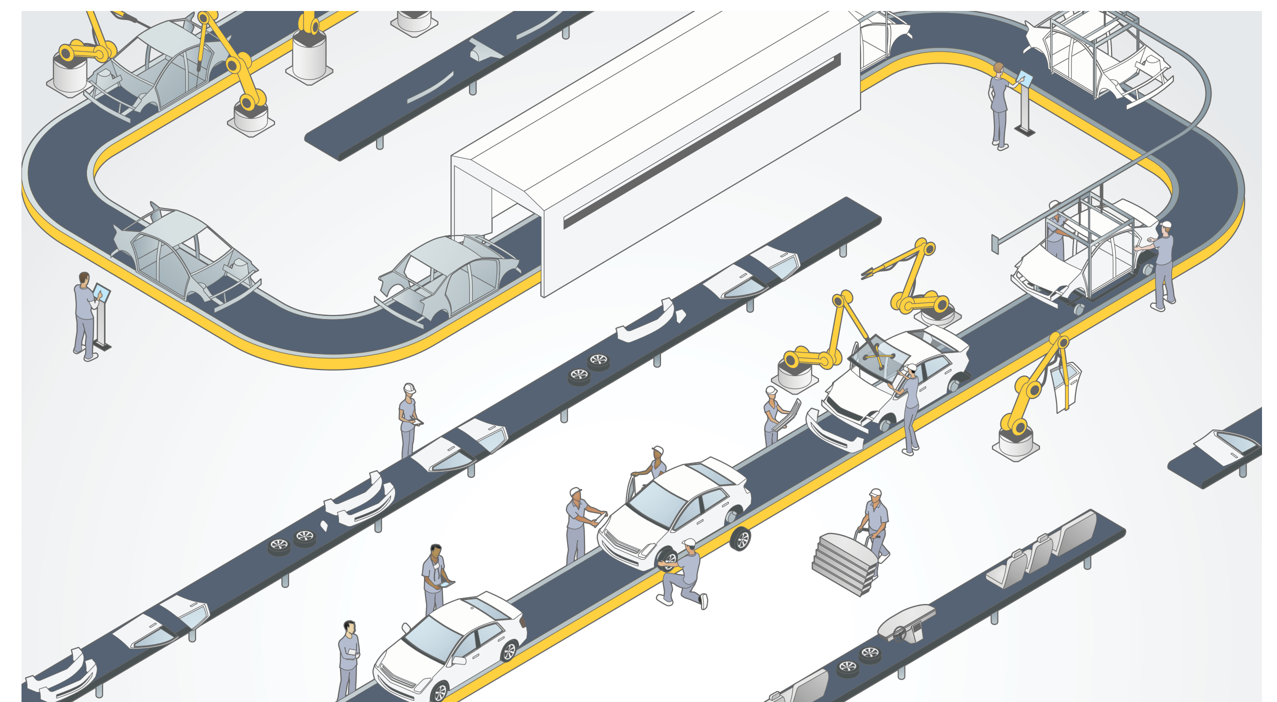


FIGURE 1

Source: Author's framework



Markets

GLOBAL MARKET ORIENTATION AND VALUE CHAIN POSITIONING

There are various paths to moving up the global value chain. Some local manufacturing suppliers begin by focusing on a low value chain position. These firms double down on low-end manufacturing with ever-increasing volumes until they reach a massive scale. As they scale up, they are more able to meet the volume needs of their global clients and evolve to critical suppliers. At this point, a firm can move up the value chain by doing one of two things: they can either continue to make low-end components but in greater variety; alternatively, they can vertically integrate and focus on higher-end components until they begin competing with the same MNCs they used to supply to.

It is at this point where a firm may transition from being a supplier to offering the complete package, i.e. becoming a brand.

BECOMING A BRAND

Indian automaker and heavy machinery manufacturer, Mahindra, began as a local supplier in the automotive sector and then developed an integrated supply chain, moving up the value chain to become a local brand. Technology companies often move in this direction. For example, Samsung got its start as a supplier, before becoming a locally-branded consumer durables and electronics company. As it matured, it began investing more in design and R&D, eventually becoming a global brand that competes head-to-head with Apple in the smartphone market.

At the other end of the spectrum, Japan moved from a low-rung global market orientation but with complete manufacturing capabilities. When Sony built its first smartphone, it had focused mostly on meeting local needs. The company's global market orientation was low despite having a 'complete package'. No longer a low-cost producer, Sony re-evaluated its position and pivoted towards a design focus by outsourcing the production of subcomponents.

Currently, some of China's firms are on the verge of potentially becoming what Samsung and Sony already are: fully realised high technology brands. Mobile phone manufacturers, Huawei and Xiaomi, are currently at the early stages of this development. Eventually, they may move from being low-cost, economical phone makers to spearheading cutting-edge R&D with releases of new generation phones hitting the market every year. Nonetheless, a reputation as a low-quality producer may be hard to shake, at least with consumers in wealthier countries. There is every reason to believe that China can successfully market its brand to poorer and middle-income countries; first enhancing its reputation in developing markets and hoping it will be attractive in higher-value markets.

This is by no means certain. Taiwan had begun stagnating before ever fully reaching the heights of Korea and Japan. Although it has always been globally oriented, Taiwan never quite took off on its own. For instance, it is still one of the largest chipmakers in the world, but only as a supplier for QualComm, the U.S. semiconductor and telecommunications equipment company. Although suppliers in Taiwan produce the chips, Qualcomm designs them.

The East Asian blueprint

At the macro-policy level, the East Asian blueprint rests on four primary factors working in concert[1]:

1. High gross savings as a percentage of GDP that are funnelled into strategic investments targeting export-oriented manufacturing capabilities;
2. Enforced export-oriented policies, such as free trade agreements and favourable industrial regulation;
3. A balanced budget as a percentage of GDP in order to take on debt to support key growth industries; and
4. A low GDP per capita, i.e. low labour costs. Once GDP begins to grow, new wealth must be funnelled back into strategic investments—not just in infrastructure, but also in education and healthcare.

So why have Vietnam and some other ASEAN countries not been able to replicate the success of Japan, Korea, Taiwan and other East Asian countries? The answers to this question lie in their infrastructure, governance, education and financing paradigms. Data from the 2016 World Economic Forum reveals that some of the most problematic aspects of doing business currently in Vietnam are access to financing, policy instability, corruption and complexity of tax regulations (related to governance), an inadequately trained workforce and poor workforce ethic (related to labour readiness and a lack of capability for applying rigorous quality methodologies), as well as a lack of high quality logistical infrastructure (related to the cost issues mentioned above)[2]. As improvement takes place in governance, labour readiness and infrastructural dimensions, Vietnam will make rapid strides towards economic development.

Much has been said about the impact of the breakdown of the Trans-Pacific Partnership (TPP) on the economic development of Vietnam and other rapidly industrialising Asian countries. While the TPP does have a significant impact on the ability of Vietnam to woo MNCs to partner with and gain access to international markets, the fact is that the breakdown of the TPP is being replaced by a higher degree of cooperation in Asia. Asian countries have verbally committed their resolve to continuing with a higher pace of cooperation intra-regionally.

As trade ties with Asia get stronger, there will be a requirement for partners, from firms in countries where the manufacturing sector has moved up the value chain and are no longer cost competitive. For instance, Chinese firms that are facing a higher cost base in China because of increased labour costs may look to their Vietnamese partners for supplying lower level components that are hitherto being provided by firms in China. This provides a platform to Vietnamese firms and firms in other countries to set off on the journey of industrialisation. So, while the TPP may have been beneficial for firms in these rapidly industrialising countries, they can still look for opportunities for economic development by partnering with firms in countries with large markets like Japan, Korea and China, which have the need to develop an extended supplier base for cost competence.

Ultimately, emerging market firms with high aspirations must begin with a strong focus on consistent quality and low prices with the infrastructural means to get one's product to market. This must be followed by firms placing an emphasis on process control and international certification. Then, these young firms must partner with other local firms to build an industrial ecosystem around a specialised product. Finally, the government has to support this ecosystem through the right set of policies and investment in infrastructure as the ecosystem of these firms grows.

With quality consistency and scale, MNCs can then be courted and, with the right policies in place, they may seek local partnerships. For local firms, it is very important to develop design capabilities and partner with other firms to become part of a global supply chain or develop vertically to become a global brand. With enough luck, you could be the next Samsung.

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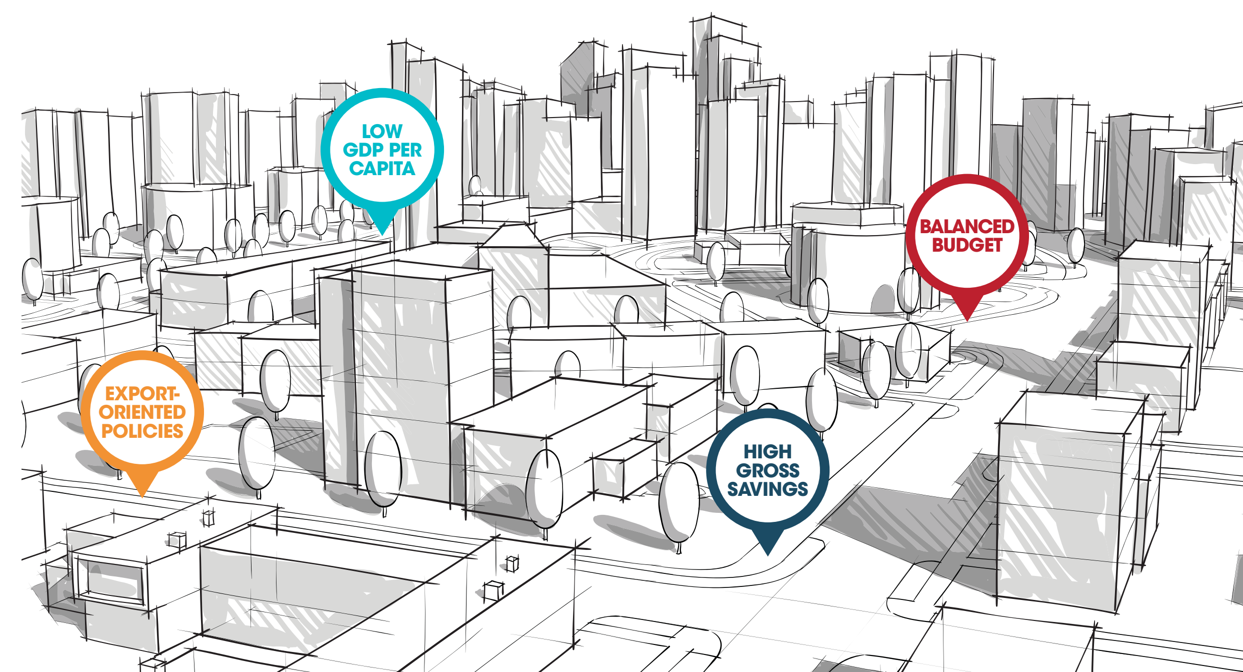


Exposed and Under Pressure

By Saumya Sindhwani, Jerry Connor and Howard Thomas

Why mid-level leaders aren't prepared for today's challenges.

When speaking to HR leaders, one often hears them say, "My middle management is not stepping up, I need them to be ready for bigger roles, but how?" On the other hand, a closer look at the middle manager reveals a different story—they are already feeling stretched and overwhelmed. As responsibility is delegated downwards, middle leaders are taking on tasks that used to be done by people far more senior. At the same time, they are being asked to play an increasingly important role in shaping and developing the organisation's talent and strategic positioning.

But are middle leaders prepared for the roles they are expected to play? Are they coping well? Are businesses preparing them? These are critical questions and if the answer to one or more of these questions is a 'no', then they have to brace themselves for deep problems.

So how do we know if middle managers are coping? Probably the best perspective on this comes from the middle managers themselves. But not in a set of interview questions when their guard is up and much of what they tell you is politically correct. In order to understand what is really on their minds, we explored these challenges in one-on-one coaching sessions. And unfortunately, the news isn't good. These most valuable, critical, potential leaders simply aren't being prepared adequately for the pivotal roles they are taking on.

Behavioural shifts

Leadership and coaching literature suggests that there are multiple shifts an individual goes through during the journey from junior to senior management; some stop making those shifts and become comfortable where they are, and hence restrict their growth.[1] We focused our analysis on two critical behavioural shifts, which we call 'empathy shift' and 'resourcefulness shift'.[2]

The empathy shift refers to the challenges associated with learning to influence others and being able to adapt. It is about being able to step into the shoes of the other person and influence them to do what they should do or, are otherwise reluctant to do. The resourcefulness shift addresses the issue of self-awareness, confidence, and understanding your own impact on people and situations.

We focus on these shifts because of the impact they have on a manager's work and success, and also because leadership literature suggests that these are the first few shifts a person needs to undergo in order to better understand themselves and their purview of influence. The key reason why these shifts are the most critical is that, as managers advance in their career, the most significant impact they have is on the people they work with, and how they work with them. These shifts together capture that transition.

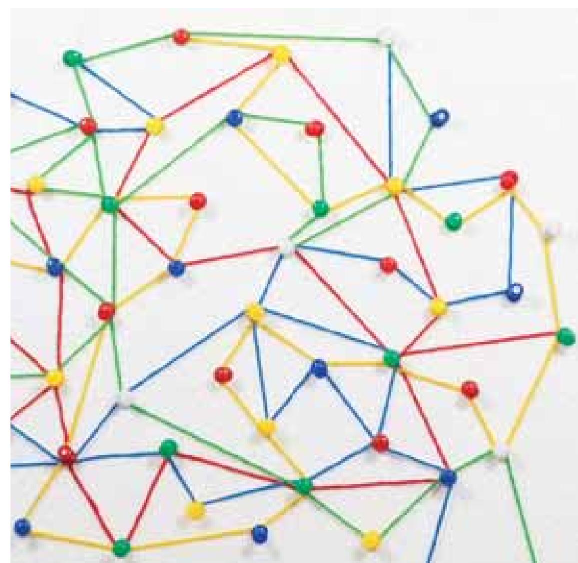
Empathy shift

Some of the common challenges that people go through when struggling with the empathy shift are demonstrated in the following situations:

Person A is worried about having a conversation with a colleague about the impact of their behaviour. He had been avoiding it in the hope that the top managers would deal with the issue and had assumptions about how the colleague in question would react.

Person B was seeking to be more influential. She recognised the need to listen more and take a broader perspective, or, in her own words, to "worry less about being interesting and more about being interested".

The most valuable, critical, potential leaders simply aren't being prepared adequately for the pivotal roles they are taking on.



Our conclusions are based on a thorough analysis of an extensive dataset of ongoing coaching interactions of over 600 one-on-one coaching conversations. The middle leaders came from over 25 countries spread across Asia, North America and Europe, representing 15 companies.

For each individual, we looked at four anonymised coach-coachee interactions over a period of time ranging from six months to a year. In each interaction, the coachees told their coaches what they were struggling with and what they felt they needed to change. Focusing on inter- and intra-personal concerns, we identified 'shifts' (changes in mindset or attitude) that the managers see as being most critical.

Person C wanted to engage a diverse team. He recognised that he needed to slow down, especially under stress...when his temptation was to *"deflect and answer" rather than "reflect and ask"*.

Nearly 36 percent of middle managers surveyed were struggling with such issues. These challenges were all about learning to influence others. Time and again, the coaches' notes made it clear that the leaders were entering into these conversations with their own lens and paying too much attention to the things that would motivate them. They weren't getting into the shoes of others and adapting to them. In conversation after conversation, the insights about not having assumptions, listening more, and becoming curious about the other person sat at the heart of the change the leader needed to make.

Is the empathy shift really a problem that needs to be fixed actively? An interesting perspective on this issue comes from comparing this data with insights from coaching first line managers. Do first line managers face similar or different challenges? Is there any evidence that middle managers have learnt and are dealing with issues in a different way? Or are we seeing middle managers making the same mistakes as first line leaders? We found that the empathy shift is the most common problem amongst first line leaders. In our sample, 52 percent of front line leaders were struggling in this area. While it is still the most common challenge, it is at least less prevalent—36 percent—in middle leaders.

Literature would suggest the issues we are seeing as part of the empathy shift are typically encountered when one first becomes a manager.[3] By mid-level, leaders should be dealing with different challenges such as influencing across the business, promoting collaboration and building other leaders. These challenges require a higher level of emotional intelligence. And yet, while 36 percent of our sample is still struggling with the more basic empathy challenges, only seven percent are facing them. In fact, our data finds that when exposed to such challenges, middle managers tend to avoid them or procrastinate in dealing with them. When we take equivalent data for senior leaders, the percentages have flipped with nearly three times as many focusing on these challenges as the empathy type ones. Thus mid-level leaders don't seem to have made the step change in their ability to influence, lead and engage that senior leaders have.

Resourcefulness shift

The second most common challenge facing mid-level leaders was about self-awareness, confidence and understanding their own impact. Here are some examples:

Person D realised that impatience was the key obstacle to his effectiveness. He was responding to the pressure of the role by moving fast and becoming impatient and demanding. He needed to control this impatience and spot opportunities to stop, ask and plan.

Person E spoke about the need to share ideas more with her peers and superiors. She'd been brought up to believe that one's work should speak for itself and tended to under-communicate as a result.

Organisations have moved accountability down but haven't matched this by building the right capabilities at the right time.

Person F talked about the stress of the role. He was allowing the achievement of results to have too big an impact on him and because others were noticing his emotional reaction, his team members were also becoming anxious.

The striking thing about these examples is that the leader is relatively unaware of their impact. During a coaching session, the coach helps leaders see the impact of their reaction and then helps them to see that they (not the situation) are in control of their response. This ability to recognise your response and to stay resourceful regardless of the situation or context is a core coaching shift. From a coaching perspective, it is one of the most fundamental insights in leadership development and unlocks new levels of performance, influence and personal growth.

Over 40 percent of middle managers brought this challenge to their coaching conversation. This is almost identical to our first line management sample where 37 percent of first line leaders brought up the same shift during the conversations. It appears that any learning and development activity that is being focused on first line leaders or in preparing mid-level managers is having almost no impact in this area. Mid-level leaders' levels of self-awareness and capability to manage their impact is more or less the same as first line leaders.

This is particularly striking given the context we have described. On the one hand, organisations are putting increasing pressure onto middle managers. They are asking middle managers to do more, to do it faster and to do it with less. On the other hand, the one skill that would arguably most help these managers to deal with this appears to either be neglected or improperly skilled.

Where does the problem lie?

We believe that something is missing in the way organisations are managing their leadership pipelines. They have moved accountability down but haven't matched this by building the right capabilities at the right time.

In our experience, creating the necessary mindset shift is a highly personalised activity and is best supported by quality coaching (either internal or external). So it may be that a shortage of coaching or exposure to personalised development at the first level leadership is impacting the experience mid-level leaders have. Of course this may, in part, be a function of how increasingly stretched leaders are feeling in today's flatter, leaner organisations.

Another perspective on this comes through the concept of learning agility, which is defined as the ability to derive meaning and learn from all kinds of experiences, and applying that learning to new and different situations.[4] Learning agility has been shown to have a higher correlation to both job performance and 'promotability' compared to traditional IQ. Learning agility and the ability to make the shifts in mindset described here appear highly correlated and hence, we would argue that either learning agility isn't being developed early enough, or organisations aren't promoting leaders with an innate level of learning agility into mid-level roles.

Like learning agility, empathy and resourcefulness shifts warrant a change in mindset and a new way of seeing

the world. In most organisations, the ability of line managers to guide their subordinates in order to bring about these attitudinal changes is lacking and external coaching is usually too focused on senior levels. Junior leaders attend training programmes that aren't set up to create the kind of deep attitudinal changes that are required. For a tennis player, learning to hit a top forehand may take hundreds of hours of concentrated practice. But we seem to think an eight-hour session in a class of 40 is all we need to prepare our leaders to guide their troops.

As leaders move towards the top of their organisations, this is rectified either through coaching or expensive, high potential leadership development programmes, or the selection process itself. But if firms are to develop the talent pipelines they require, these methods are no longer adequate. Organisations need to find ways to build these capabilities earlier and at a much larger scale. Rethinking the way we support leaders from the beginning will keep junior leaders from facing the same problems that are recurring with our mid-level managers today. The empathy shift and the resourcefulness shift are two of the most critical steps in the development of managerial talent. A one-size-fits-all training programme does not work. Alternatively, deliberately introducing deep interactions with senior leaders and coaching experiences sooner appears to be much more impactful. Unfortunately, unless we get the mindset right early on in a leader's career, they will continue to struggle later, unable to deal with the pressurised, dynamic world they are in—stemming from an inability to influence, engage and motivate those around them.

How?

Our research suggests that by focusing on these two shifts, and by developing them either before an individual becomes a middle manager or as they become one, has significant impact on an organisation's performance. Furthermore, incorporating some of the following ways of thinking about middle management roles would also help the management development process.

CHANGING THE ORGANISATIONAL MINDSET

Change the way you think about first line leaders. Ultimately the best solution for this dilemma lies in changing the pipeline of leaders who make it to mid-level positions. Take a look at your first line managers and identify which of them show emotional maturity either by:

- Resourcefulness: Being open and self-aware. When things get challenging, do you see them first look at themselves and how they can learn and change? Are they honest with themselves and quick to adapt to new situations?
- Empathy: Being flexible with people and being able to tap into a range of approaches to fit different individuals. Do they seem curious about, and interested in, people, their perspectives and what makes them tick?

For those that seem to have a basic mastery of these capabilities, think about how to encourage them. They are demonstrating mindsets that will enable them to thrive in senior roles. Consider recommending them for the next promotion. For those who aren't there yet but are showing interest in these capabilities, can you coach them and help them get over their hurdles and inhibitions?

HEED THE CRY FOR HELP

The newly appointed mid-level leaders often find that they have a number of new tasks, day-to-day pressures and personal gaps that they must overcome. The chances are that many are struggling but they may not be clear or feel confident enough to say it, as they fear that their boss will feel as though they made an error in promoting them. The organisation can help them by explicitly asking about and coaching in these two areas:

- Resourcefulness: Support critical self-reflection by asking questions. Consciously focus on the emotional side as well as the rational. Encourage leaders with concerns or complaints to reflect on their own behaviour and to make a positive choice to act on an issue.
- Empathy: Ask questions to uncover your managers' experience of, and beliefs, about others. Consciously create opportunities for them to experience working with different types of people or in new cultures.

RETHINKING THE HR FUNCTION

HR managers need to critically evaluate their first line leader training. Is it more mass production, i.e., putting everyone through training sessions? Or is there a serious attempt to develop emotional maturity early on? Consider coaching earlier in the individual's career. Look hard at your criteria for promotion. Put emotional maturity high on your list of criteria.

Looking ahead

We have shared data that shows that an individual's learning is lagging at least one level behind the one at which they are currently operating. Middle leaders are learning lessons they should have learnt as junior leaders and senior leaders as middle leaders. Without these capabilities, it is no wonder that middle leaders are struggling. A global bank recently refocused its talent development activities to focus less on spending a lot on a few senior people and more on spreading their investment to benefit the many who are starting their careers. It is perhaps no great surprise that they have recently begun turning in excellent returns for the first time in years.

If organisations don't rethink their priorities and build these critical mindsets for when they are most needed, they must brace themselves for problems—their middle leaders, who will fundamentally undermine the growth potential of their organisations. But if companies can change their mindsets and invest wisely in leaders early in their careers, they can move on to ensure their middle leaders become the backbone of business success.

For a tennis player, learning to hit a top forehand may take hundreds of hours of concentrated practice. But we seem to think an eight-hour session in a class of 40 is all we need to prepare our leaders to guide their troops.

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GLOBAL GARBAGE CANS

Towards better household hazardous waste management in developing countries in Asia.

By Kustini Lim-Wavde and Robert J. Kauffman

World-renowned oceanographer Jacques-Yves Cousteau once said, "Water and air, the two essential fluids on which all life depends, have become global garbage cans."[1] A report by the World Health Organization estimated that, in 2012, more than one in four deaths of children under the age of five were caused by the unhealthy environments in which they lived.[2] These adverse environmental exposures include air pollution, unsafe water, poor sanitation, and hazardous contaminants (refer to Figure 1). While it is quite well recognised that a large concentration of hazardous pollutants comes from industrial waste, there is a general lack of awareness about the rapidly growing amounts of hazardous waste generated by farmers, households and residences.

Household hazardous waste in our midst

Household hazardous waste (HHW) comprises leftover household products that contain toxic, flammable and corrosive materials.[3] These include used computers and monitors, mobile phones, electronic appliances and devices, fluorescent lamps, batteries, mercury-containing thermometers, motor oil and paints, pesticides and insecticides, chemical cleaning products, and materials containing polychlorinated biphenyl.

A study conducted across 20 European countries, Mexico, Canada, Greenland, Japan, India, Pakistan, Hong Kong, Nepal and several states in the United States estimated that the amount of HHW generated per person between 1992 and 2013 increased from about 0.4 to 7.9 kilogrammes per inhabitant.[4] This amount is growing rapidly, and a report by the Institute for the Advanced Study of Sustainability at United Nations University predicts that the generation of global electronic waste may reach 49.8 million tonnes, or around 6.7 kilogrammes per inhabitant by 2018.[5] Electronic waste, in particular, accounts for a major part of the waste stream. As mobile phones and other electronic gadgets become more affordable, Asia, with its large populations, now contributes the most waste—to the order of 16 million metric tonnes annually as of 2014 (refer to Figure 1).

Tragically, some of the waste is being dumped in the developing countries of Asia, where the public infrastructure for recycling is poor and ineffective. Reliable facilities and

Tragically, some of the waste is being dumped in the developing countries of Asia, where the public infrastructure for recycling is poor and ineffective.

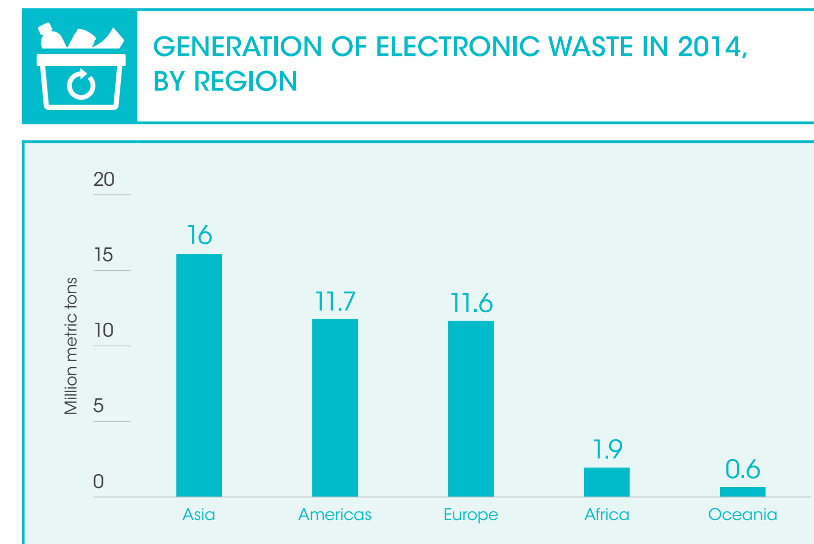


FIGURE 1 *Source: United Nations University, Statista 2017*

HHW collection systems often do not exist in these emerging markets.[6] Besides, with endemic corruption and widespread poverty, environmental management is often not at the top of the policy agenda in these countries. There are currently no overarching legal frameworks for governing HHW management. And the general public has very limited knowledge and information about the adverse risks associated with HHW on people's health, as well as on the environments in which they live and raise their children.[7]

Unaware of the risk of contamination, households often pour liquid HHW down the drain or spill it on the ground, and solid HHW is routinely mixed with regular trash. In countries like Indonesia, the Philippines and Vietnam, water contamination increases when HHW substances are flushed down the drain due to the lack of proper wastewater treatment facilities, solid waste management infrastructure, and sewage systems.[8] These substances also corrode plumbing and can cause failure in septic systems before they are finally released into waterways and seep into the water table. Additionally, if HHW materials end up in conventional landfills, they can leach out and contaminate the soil and the groundwater.

So the pressing question is: How can HHW be better managed in developing countries in Asia?

Learning from California

To answer the question, we studied how the state of California in the U.S. has developed and implemented its HHW collection and recycling programmes. California successfully collected approximately 100 million pounds of HHW in 2016, of which 79 percent was recycled or reused.[9] The secret behind California's success is the collaborative involvement of state and local governments, businesses, as well as local communities and residents. In 2006, the California state government banned HHW in trash.[10] Local governments across the state established hundreds of HHW facilities, drop-off locations, curbside pickup services, and other collection programmes. Random load checking at landfills and facility inspections were conducted to catch unacceptable waste.

In addition, separate laws were passed to regulate the collection of specific HHW materials by retailers and manufacturers. Examples include The Electronic Waste Recycling Act of 2003 that requires retailers to collect electronic waste recycling fees from consumers at the point of purchase for some categories of electronic products; the California Paint Stewardship Statute of 2010 that regulates the recycling of leftover oil-based and latex paint; and the California Oil Recycling Enhancement Act of 1991 which requires oil manufacturers to pay fees to the Department of Recycling for lubricating oil sold to consumers.

> The secret behind California's success is the collaborative involvement of state and local governments, businesses, as well as local communities and residents.

Since 1990, the California Department of Recycling, or CalRecycle for short, has provided annual grants to help local governments and waste agencies establish or expand their HHW collection and recycling facilities and provide educational information to the public. Along with state-sponsored schemes, legislative measures and regulations, the success of HHW collection in California has relied heavily on the participation of local communities and households in identifying, separating, storing and transferring HHW safely to waste collection and recycling systems.

The next question is: What motivates California to undertake such committed actions?

HOUSEHOLD INFORMEDNESS

Our research focused on household informedness, i.e., the degree to which households have the necessary information to make utility-maximising decisions in their daily activities. Household informedness is influenced by two factors—public education about HHW and information about environmental quality.[11]

Public education about HHW typically provides information on the best practices for handling HHW, know-how about the dangers of not disposing of such waste properly, and how to gain access to various HHW collection and recycling programmes. The information made available to the public is intended to guide households in identifying, storing, separating, and transferring HHW appropriately, all of which goes towards increasing the amount of HHW collected and recycled. The impact of public education on HHW is multifaceted. When households are well informed about alternative household products, they switch to those that have no hazardous materials, which further mitigates the amount of waste that results in contamination of the environment.

Information about environmental quality also influences household decisions related to their waste disposal. For example, the number of maximum contaminant level (MCL) violations in the drinking water at the county level is likely to inform households about the quality of the environment in which they live. A higher number of violations represents worse environmental quality, all else being equal. Our study confirmed that higher MCL violation counts resulted in a higher amount of HHW collected, but only when information about MCL violations was sent directly to households via mail. This result suggests the importance of the direct channel for information sharing. This may have had more impact on household informedness and their subsequent recycling behaviour compared to other indirect channels, such as public notices and newspaper announcements.

We also found that location matters in HHW collection activity. The waste collection programmes seem to have had a more positive effect in Northern California, where the residents are known to be more aware of and engaged in pro-environmental behaviour. This finding indicates that governments should consider locality (in terms of awareness and engagement levels) when planning their HHW programmes and policy instead of following a one-size-fits-all approach.

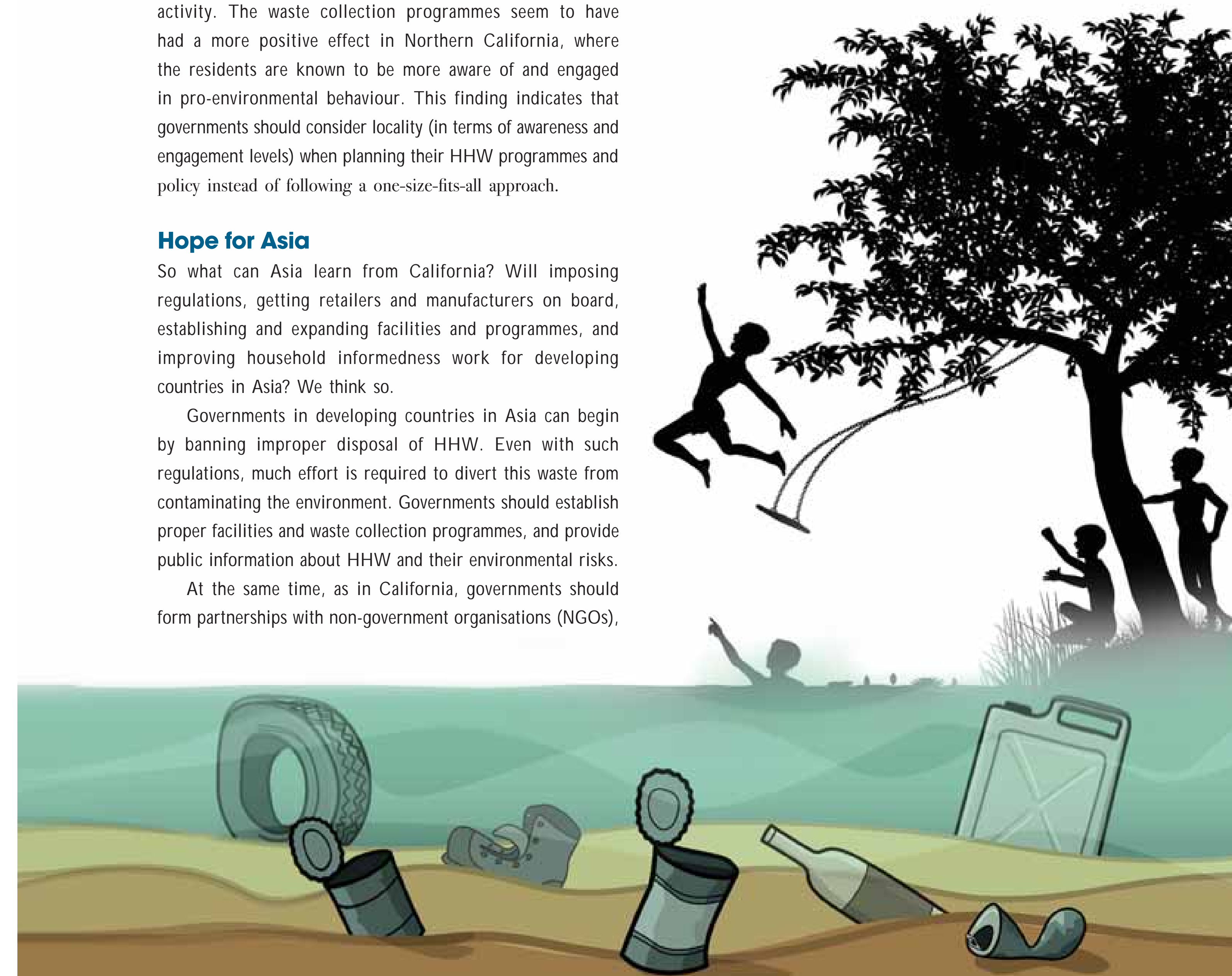
Hope for Asia

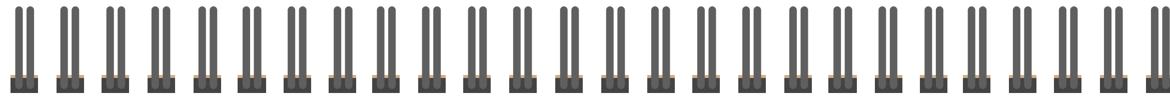
So what can Asia learn from California? Will imposing regulations, getting retailers and manufacturers on board, establishing and expanding facilities and programmes, and improving household informedness work for developing countries in Asia? We think so.

Governments in developing countries in Asia can begin by banning improper disposal of HHW. Even with such regulations, much effort is required to divert this waste from contaminating the environment. Governments should establish proper facilities and waste collection programmes, and provide public information about HHW and their environmental risks.

At the same time, as in California, governments should form partnerships with non-government organisations (NGOs), businesses, and individuals to promote product stewardship and extended producer responsibility for products that contain hazardous materials. This will lead to the sharing of more responsibility for managing post-consumption waste with businesses and residents. The World Economic Forum's Grow Asia and Indonesia's PISAgro are successful examples of such tri-sector collaboration in agriculture.[12] Grow Asia, for instance, brings together companies, governments, NGOs and other stakeholders to help smallholder farmers improve their production and livelihood through access to information, knowledge, markets and finance.[13]

A household's level of informedness matters for the amount of hazardous waste collected and recycled. Thus, it is worthwhile to invest more in raising the level of household informedness,





Research approach

Our research developed an economic model to explain the relationship between the amounts of HHW collected and recycled, and the household informedness variables that characterise different counties in the state. For this part of our work, the data for analysis came from CalRecycle and various other public data sources, including California's Department of Public Health, and the U.S. Census Bureau's American Community Survey.

Using data on historical HHW for 39 counties from 2004 to 2012, related county demographics, projects involving HHW-related public education, and environmental violations in drinking water in California, we estimated the simultaneous effects of household informedness on the amounts of HHW collected and HHW recycled. The estimates enabled us to calculate the *household informedness elasticity of HHW collection and recycling output* in California over the study period. This estimate enables policymakers to gauge the responsiveness of households in terms of the amount of HHW collected and recycled as more public education and environmental quality information are provided to them.

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particularly in Asian countries, where the current level of household informedness about HHW is still relatively low. As society becomes more informed about the risks of household hazardous waste to the environment and people's health, this will lead to better management of this waste by policymakers, producers, retailers, and households.

Having said that, what works in California may work in Asia, but would need far more effort. The developing world faces some unique challenges alien to the developed world. Pollution is on the rise in developing countries such as China and India. Some countries are still struggling to eradicate corruption and political instability. Weak policy design, implementation, and enforcement have further degraded the environmental quality. So a solid and effective legal framework for managing HHW may take time to realise.

If governments do not take action today, environmental quality will worsen and the cost of environmental improvement will be even higher. To jump-start the initiative, businesses in Asia need to take on a bigger role than those in the developed world. Established multinational companies (MNCs) operating in Asia can help by creating used product and waste take-back programmes for recycling. One example is Unilever, an MNC with a strong distribution network that extends from major cities to remote villages.[14] The Unilever Sustainable Living Plan states that the corporation's commitment is to move towards a circular economy by reducing, reusing, and recycling packaging waste. Based on its success stories, other corporations may follow in Unilever's footsteps.

Low income and less-educated households in remote villages may be more concerned with putting food on their plates. Some of them have worked as waste-pickers and unknowingly live in hazardous environments. One such example is the village of Sangrampur, located south of Kolkata in India, which has become a dumpsite for electronic waste. Fortunately, local NGOs, such as Toxics Link, have helped spread a new level of awareness about the dangers of electronic waste.[15] Similarly, Microsoft and GIZ, a German organisation, have developed a partnership programme to support safe recycling of electronic waste in Kolkata and Ahmedabad.[16]

It is also crucial to provide information on air, land and water pollution to people to increase their awareness of the quality of the environment they live in. Information empowers people to improve their quality of life and demand regulatory change from their governments.

Given the impact of location on the success of HHW programmes, we recommend that Asian countries start their campaigns in large cities or regions where pro-environmental behaviour is understood and encouraged. This will take advantage of the spillover effects of good pro-environmental behaviour. Good behaviour is, in fact, just as contagious as bad habits.

The application of environment-focused data analytics should be even more beneficial to policymakers in developing countries in Asia. Due to their critically limited budgets though, it is necessary to allocate resources efficiently to achieve feasible waste collection targets. To meet this need, data analytics initiatives have spread fast in Asia. The United Nations Global Pulse, an initiative to adopt big data analytics for sustainable development and humanitarian action, established an analytics lab in Jakarta in 2012.

As the cost of sensors and information technologies decreases, more comprehensive data, such as data on waste, environment and household behaviour, will become available for policy research in Asia. Recent advances in data management and monitoring technologies also allow more intelligent management of processes in countries.[17] We expect that future research will involve more complex data analytics methods combined with deep learning via artificial intelligence and cognitive systems that are applied to analyse the vast data and transform it into meaningful information for policymakers and the public. They may even perform some automated tasks for improving the management of waste and pollutants in the environment. With falling technology prices, it is hoped that frugal and effective solutions will be possible.

Leading NGOs and MNCs are increasingly taking the initiative to achieve sustainable living environments in cities and villages in developing Asian nations. We encourage local government leaders to jump on the bandwagon, and encourage other organisations to follow suit.

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BanKo: Reshaping the Philippines Rural Banking System

Using ecosystem advantage to deliver timely social innovation.

By Peter Williamson and Havovi Joshi

In 2009, eight out of ten Filipinos did not have access to a bank. A few informal moneylenders provided about 40 percent of small-scale business lending in the market, at interest rates that could touch around 240 percent per annum. Additionally, the population living in 40 percent of the Philippines' municipalities did not have easy access to a physical bank branch. It was then that the Ayala Group, the oldest business house and one of the largest conglomerates in the country, identified and explored an opportunity to develop a business model capable of meeting the needs of the unbanked in the Philippines.

The senior management of the Ayala Group and its subsidiary companies, Globe Telecom (Globe) and the Bank of the Philippine Islands (BPI), understood intuitively that there were synergies that could be enjoyed in the Ayala ecosystem. Globe had a product, GCash, which was basically a micropayment service that transformed a mobile phone into a virtual wallet. But the GCash license could not be used for any other banking activities. And while BPI had the banking license, it did not have the reach or access of Globe. Resources were combined, resulting in the formation of the new bank, known as BPI Globe BanKo (BanKo).

From genesis to innovation

BanKo, the Philippines' first mobile phone-based microfinance savings bank, was first conceived in 2007 when Jaime Augusto Zobel de Ayala, the chairman of Ayala Corporation, came up with the idea of leveraging mobile money to address the challenge of financial exclusion, one of the key social problems in the Philippines. Established in 2009, BanKo's cumulative customer base had reached 966,000 customers by October 2014—putting it well on track to achieve its stated mission of building a business by 'banking the unbanked'.

The bank's mandate to promote financial inclusion by leveraging its combined assets in banking and telecommunications was originally carried out through a joint venture among three partners. The Ayala Corporation, which held a 20 percent share, was the oldest business house and one of the largest conglomerates in the Philippines with a track record in leading innovation and identifying disruptive trends in telecommunications and utilities. The second partner, Globe Telecom, an Ayala subsidiary and a major provider of telecommunications services in the country, held a 40 percent share, while the third, the Bank of the Philippine Islands, the oldest operating bank in Southeast Asia, also held a 40 percent share.

BanKo is acknowledged as a game changer, with its ecosystem conveying an exceptionally strong value proposition to the community that included gaining access to financial products, particularly microloans, allowing account holders to improve their living conditions, build small businesses, or address emergencies. At the time, incoming BanKo President and CEO, John Rubio, emphasised the new bank's intention to provide access to its services, especially credit, at any time and in the most efficient and convenient ways. An initial short-term goal of one million account holders was set. Access, he said, would take place by leveraging key strategic partnerships with organisations and institutions, "that share in our vision of promoting financial inclusion, and giving access to people who need it most."

BanKo aimed to ensure that its services were available throughout the community and were well integrated with the daily routines and realities of target customers' lives. This enabled the bank to meet its service aspirations to the community while remaining commercially viable, creating an altogether new business model in the process. It proved beneficial not only for the bank's internal and external partners, but also provided a social good for the wider community.

It first sought to build a large retail operation and an organisation that would serve individual and small business customers with a mobile phone-based, microfinance-focused savings bank, providing the delivery of a range of banking services supported by a network of partner outlets (refer to Figure 1).

Ayala Innovation

The Ayala Group strongly believed in developing innovations that were disruptive, and sought market impact by being affordable, accessible, simple, and/or convenient for a significantly wider population. It managed its various innovation initiatives through its Group Innovation Council. The Group also recognised that given its size, it may not be nimble and agile enough to see through truly disruptive innovations, an acknowledgement that has seen it hive off units into smaller and separate start-up entities like BanKo. This strategy provides start-ups with a safe space to run and grow with such innovative experiments.

"There is a consciousness of disruption and change," says Minette Navarrete, a member of the Ayala Group Innovation Council who serves on the managing committee of Globe Telecom.[1] The Council, a dedicated innovations group, led transformational initiatives across the new bank, leveraging on-going learning from its partners. As the new bank had the backing of Ayala's resources and experience, it could more easily and decisively enter a new industry than a start-up or smaller competitor.

Ayala Group recognised that given its size, it may not be nimble and agile enough to see through truly disruptive innovations.

Business model

BanKo aimed to offer financial inclusion through affordable banking catering to the base of the pyramid, with the bank providing a platform for a range of value-added services, including paying utility bills and receiving remittances from abroad (refer to Figure 2).

The new bank's revenue streams were drawn primarily from the interest it received on different retail loan products such as value chain loans and multipurpose loans. And while there were transaction commissions from bill payments, prepaid load purchases, and remittances, these (and also other sources of income such as ATM card revenues) were at a very low margin.

BanKo's cost structure aimed at containing costs and ensuring profitability by keeping capital costs low with a high proportion of variable costs, and an efficient spend on technology, premises, and marketing. Management expenses too were kept low, with a small core management team of only nine key staff, rigorous tracking of performance, and a culture of equality, engagement and drive engendered among bank employees.

The commercial pillars

BanKo's business operations were based on three key commercial pillars: access to savings accounts, access to credit, and an extensive partner outlet network:

ACCESS TO SAVINGS ACCOUNTS

BanKo's vision was to provide a bank account for every Filipino, wherever they may be located. To open an account, a minimum deposit of only PHP 50 (US$1.1[2]) was set, with a minimal requirement of just one valid identity card. To ensure convenience in making deposits and withdrawing cash, the bank set up mobile booths that were run in busy areas such as markets, schools and town squares. And rather than waiting for customers to open accounts, the sales teams went directly to the community, partnered with retail outlets and formed strategic partnerships with organisations to acquire depositors in groups.

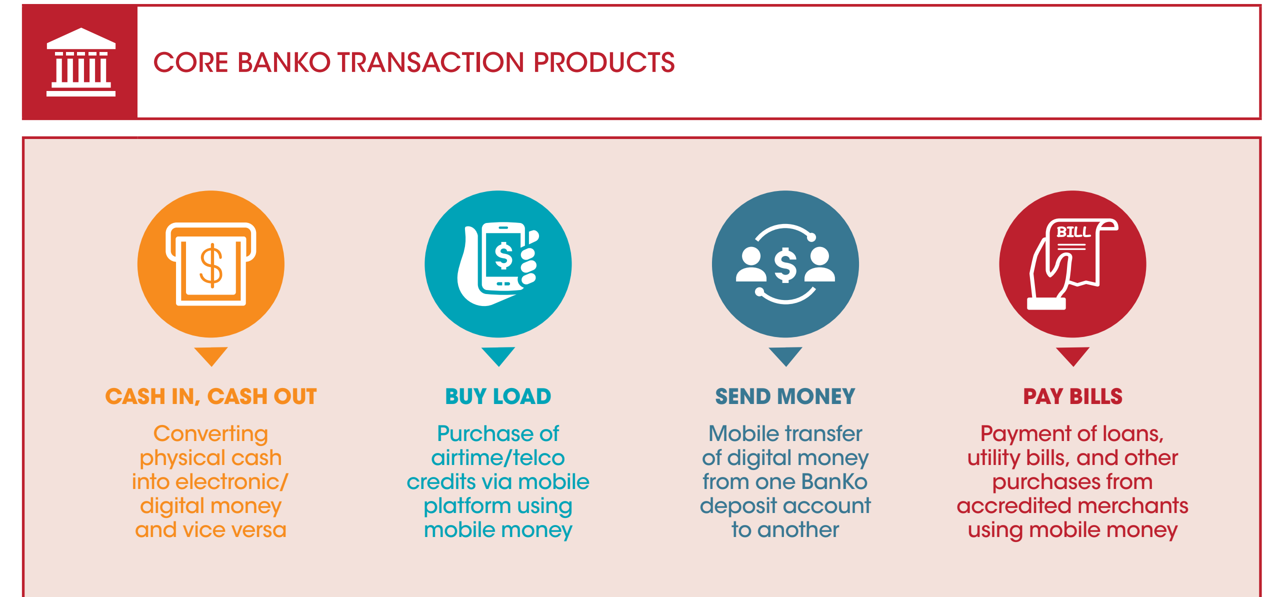

FIGURE 1 Source: BanKo

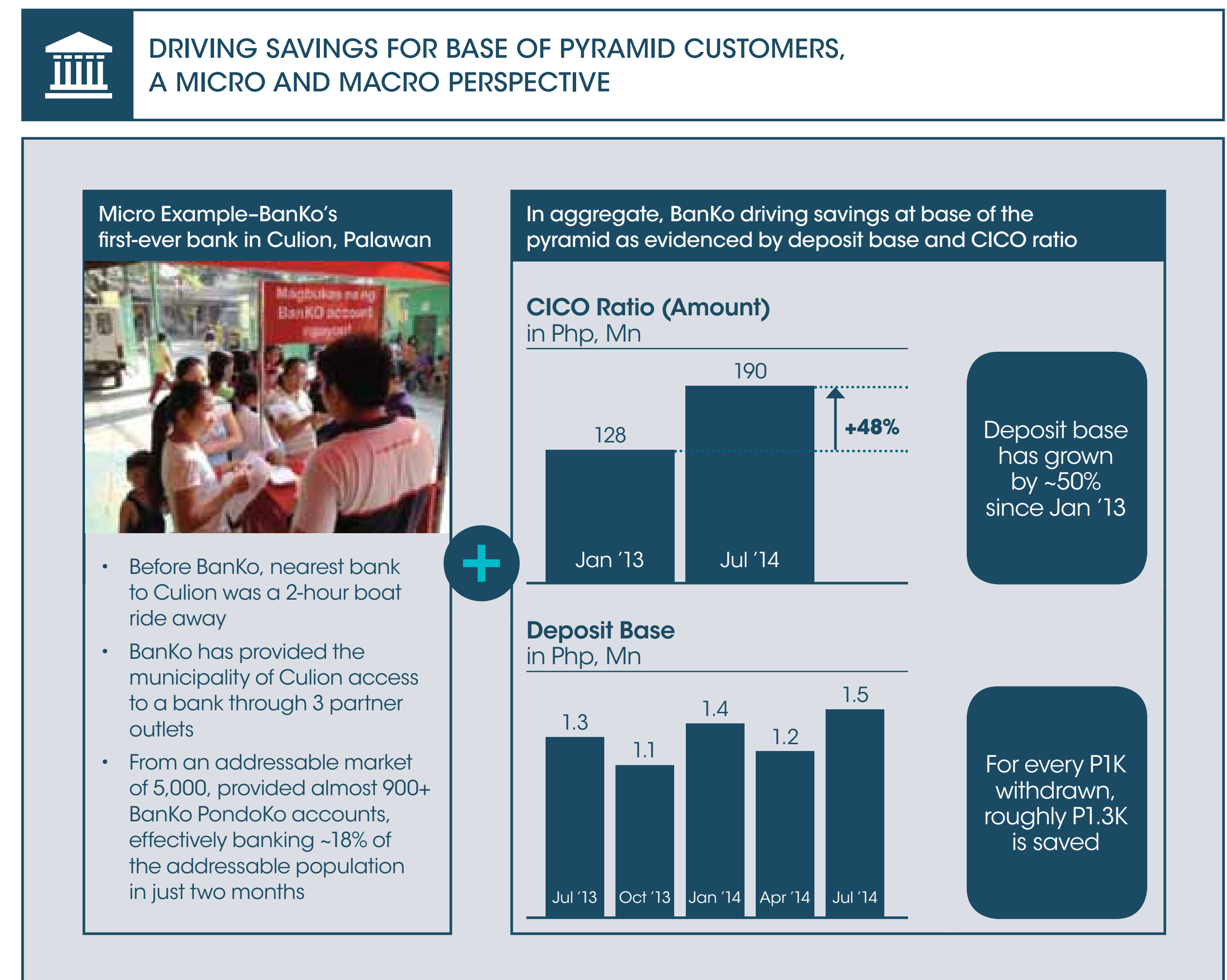

FIGURE 2 Source: BanKo

The core transaction services offered included remitting money, paying bills and converting physical cash to electronic cash and vice-versa. By the end of 2014, BanKo had grown its total cumulative customer base by 108 percent. As the number of depositors grew, the transaction volume and value also increased, which was important given the typically low average balance held by each depositor. By July 2014, the deposit base had grown by about 50 percent over the previous year. Of the customer's digital wallet, one third was cashed out, another third was used for transactions, and the remaining third was kept as savings.

ACCESS TO CREDIT

Under the second pillar, the bank's retail loans business offered three key product lines: value chain loans, commercial loans and consumer loans. Leveraging its strong distributor partnerships with leading fast moving consumer goods companies (FMCGs), BanKo could offer value chain loans that were able to provide additional working capital for sari-sari retailers, the mom-and-pop stores of the Philippines. By mid-2014, this yielded 12 value chain loan partner principals, tapping into over 600,000 sari-sari stores. Value chain loan payments were credited directly to the distributors' accounts. But while distributors earned a commission on referrals for the bank's multipurpose loans from each available amount, value chain loans themselves did not entitle them to a commission. This reflected a mutual objective to provide financial assistance to retailers that would then pave the way for them to achieve higher turnover and a more sustainable business.

The bank also offered commercial and consumer loans to microfinance institutions, such as rural banks, NGOs and cooperatives in the form of wholesale institutional loans and capability-building developmental loans.

At the same time, BanKo facilitated Globe's business by providing pre-approved credit lines to Globe's top retailers, thus expanding their business. It also funded one percent of all Globe's monthly prepaid sales, a portfolio worth PHP 100 million (US$2.23 million[3]) as of July 2014. This was expected to grow as the depth and breadth of offerings was expanded.

ACCESS TO AN EXTENSIVE PARTNER OUTLET NETWORK

While acquiring deposits and providing credit are always key to any bank's commercial operations, it was with the third pillar that BanKo truly distinguished itself from a traditional banking model. It was clear the bank could not achieve its goals and deliver the services it offered without attracting an extensive network of suppliers and partners into its ecosystem, notwithstanding its strong partners from within the Ayala Group and their in-house capabilities. However, synergising an ecosystem with different partners, each with their own interests to protect, required not only leadership and a building of trust among the parties, but also a clear articulation of the value the partnership brought to each party.

Building an ecosystem advantage

BanKo needed partners to gain access to customers and scale up its operations, without investing in more outlets. These partners included social media providers, governments, cooperatives and aid agencies. The external partners, or Business Partner Outlets (BPOs) were a critical link in bringing banking services to the financially excluded communities. Along with a sound selection of outlets and partners, BanKo needed to develop a clear value proposition, and it had to find a solution to the lack of user credit history.

ARTICULATING A CLEAR VALUE PROPOSITION

The bank offered a clear value proposition to its partner outlets. It enabled BPOs to expand their business by becoming an end-to-end financial services provider that received commissions and incentives from remittances/deposits. There was almost no cost to joining the system and no ongoing costs thereafter. All that the BPOs needed was a mobile phone (which they could also use for other services such as telecom retail), and to confirm there were sufficient funds in their digital wallets to carry out transactions. They had an opportunity to cross-sell products, so their core business could benefit from the partnership. As an indirect benefit, the range of potential consumers could also be expanded. There were no franchising fees; and resources were allocated for accreditation, training and signage/merchandising. BanKo's business development specialists were on hand and starter kits were made available to help acquire customers, monitor transactions, and to assist BPOs to kick-start their own BanKo business.

Initially, the bank approached major chains of pawnshops and drugstores in the Philippines and then partnered with the FMCG distributors like Nestlé, Procter & Gamble and Unilever as value chain loan partner principals. In May 2014, BanKo partnered with Puregold, one of the biggest retailers and wholesalers in the Philippines, which had the largest membership base among owners of sari-sari stores. BanKo provided a member-based credit line that could only be used with Puregold and would provide retailers with access to working capital.

Overcoming the lack of credit history

The bank also used its partnership capability to provide an innovative solution to overcome the lack of credit history among potential borrowers, and enable the loan portfolio to be scaled up, as well as expand its consumer loan business further, by partnering with start-up company Lenddo. Together, they piloted consumer loans using Big Data approaches that included using Facebook profiles to compute a credit score. This was the first of its kind in the world and resulted in a fully automated customer experience, in which loan approvals were received within an hour (refer to Figure 3).

SELECTION OF OUTLETS

As business grew, the focus turned to expanding the number of suitable outlets in unbanked municipalities, aimed at fulfilling the overall objective of providing every Filipino access to a bank within ten minutes' travelling time from their home.

This saw strategic partnerships forged with organisations to acquire depositors in groups. They included cooperatives in hard-to-reach barangays (villages), which also became partner outlets providing the community with access to formal banking services. Partnerships extended to local governments in Pulilan, Bulacan and Quezon City, where BanKo offered its disbursements facility for salaries, allowances and stipends of government employees, teachers and students. For instance, customers in Pulilan Water district were able to pay their water bills using their BanKo accounts.

The bank also partnered with 25 aid agencies such as the USAID and World Vision, providing financial and mobile solutions to help them meet the organisational and social challenges of

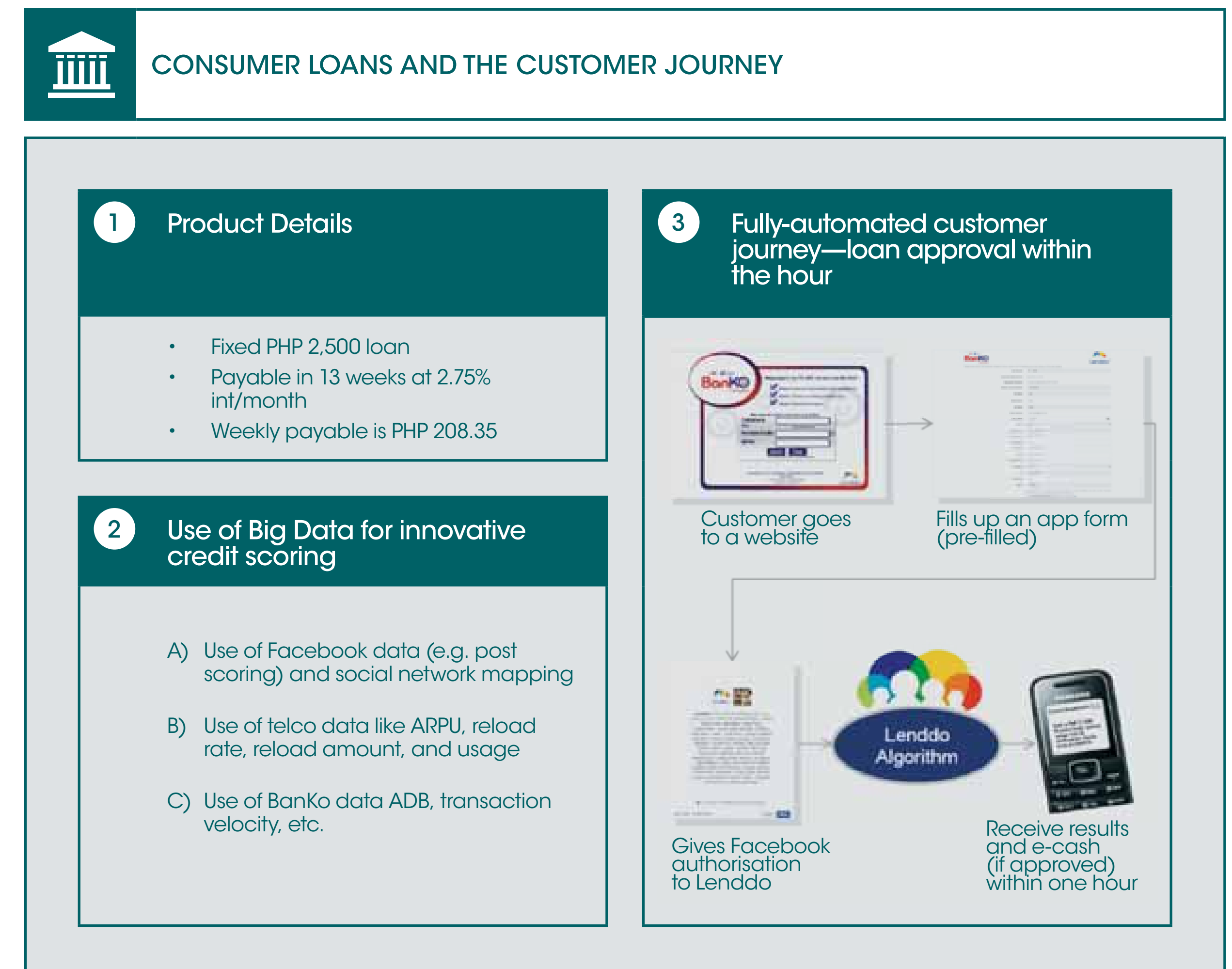

FIGURE 3

Source: BanKo

their target group of individuals. In 2014, it facilitated emergency cash transfers through international aid agencies Mercy Corps and Goal International to citizens hit by Typhoon Yolanda (Haiyan).

SELECTION OF PARTNERS

The criteria for the selection of BPOs included the BPO's ability to serve the market and having the inherent liquidity to complete a minimum number of BanKo transactions. Once they became partners, the BPOs were trained and accredited to conduct customer identification for account opening applications, and perform cash-in and cash-out transactions. By 2014, there were a total of 3,415 BPOs.

Overcoming the paradox of 'free riders'

Ecosystems are susceptible to risks where the network architecture established by the lead firm creates value for participants but fails to capture value for itself. To overcome this risk, the BanKo ecosystem delineated very clear deliverables and responsibilities for its partners.

For instance, pinpointing clear and timely added value to its partner outlets was a key deliverable. The outlets could expand without having to shoulder fees as new products and customers entered the business. At the same time, the bank fostered its relations with its customer base, even the unbanked, to try out its simple, convenient and inexpensive offerings.

Second, the structuring of differentiated partner roles was essential to achieving the benefits of specialisation and focus for individual partners, as well as the promotion of cooperation over competition. Trust and cooperation followed integration with the partners' core businesses. Most did not view the bank as a competitor. Even pawnshops, which could otherwise feel threatened by BanKo, regarded the partnership as a means of evolving by exploring new financial services.

Other factors included the ability to stimulate complementary investments, which enabled BanKo to amplify the impact of its investment and create potential for increasing returns to scale. The continuous training given to partners supported the need for higher return on investment by pushing for innovative practices, while the reduction in transaction costs minimised an important cost disadvantage relative to vertically integrated structures.

The BanKo model also placed great emphasis on active monitoring, sharing of knowledge and adaptive feedback. It worked with its partners on mutual business development, and provided access to information not publicly available.

A defining factor in the bank's success has been the concept of service in its broadest sense. The bank's long-term goal of reaching out to as many Filipinos as possible by bringing banking right into their communities is now fully sustainable. At the same time, its focus on ecosystem advantage also provides a sound business model—ripe for replication—and one that could also prove transformational in other countries with a similar demographic and a large proportion of unbanked communities.

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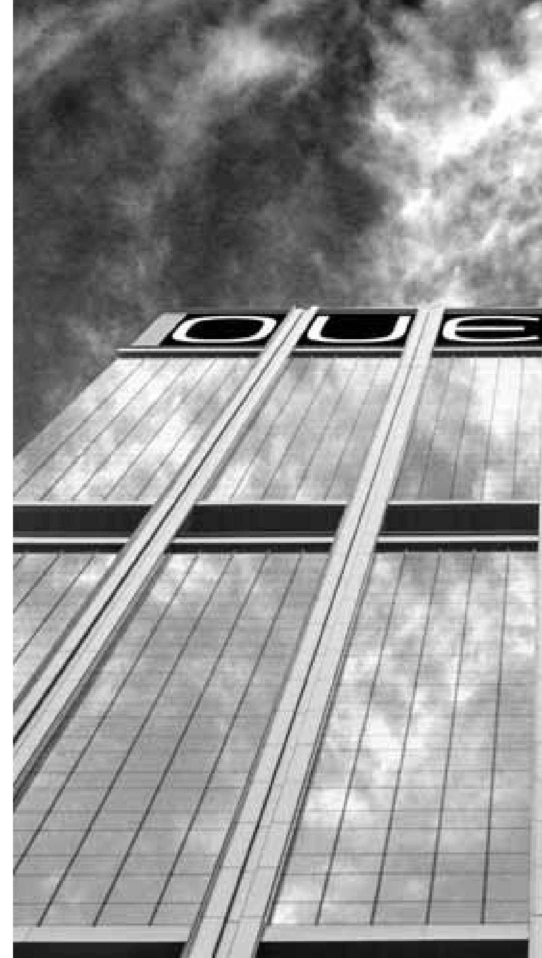

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Attaining the Peak

Three factors that inhibit performance.

By Marcus Marsden

Entitlement
Fear of Failure
Resilience

The willingness of individuals and teams to experience the 'discomfort of adaptation', as opposed to the 'comfort of learning', is the crucial meta-factor in the drive to increase performance. Too much time and effort is spent on strategy and knowledge. This is not to say that strategy and knowledge are not important. However, the focus on looking 'outside' rather than 'inside' for performance solutions, while it may be more comfortable for everyone concerned, does not quite cut it. As Grashow and Heifetz state in The Practice of Adaptive Leadership, "The most common error organisations make is to try and solve adaptive challenges with technical means."[1]

An adaptive factor is one that requires the individual (or team) to examine themselves and then adapt their mental models or beliefs, rather than simply feed new strategies and actions into the thresher of their existing mindset. Applying new technical factors is like pouring new water into the same vessel, whereas using an adaptive approach involves shifting the form and the shape of the vessel itself, so that the water can move in new directions.

Let's explore three crucial adaptive factors.

Entitlement

By entitlement, I mean "that to which I have a right". The assessment of your entitlement in an area usually involves either something that you are entitled to do or not do, or how you are entitled to be or not be, in a particular situation. Entitlement is a very common assessment that undercuts an individual's capacity for effective action.

There are many reasons why someone might start to assess themselves as entitled to a certain behaviour or status. The most common reasons come from a position held or a length of time served. For example: "I am a Director now, so...", "I have worked in this company for 10 years, so...", "I am the father/mother/eldest child/breadwinner of this family, so...", "I have been working hard all week, so..."

This sense of entitlement comes from an assessment that you have done something that has earned you the right to do, or not do, something else. The feeling is also comparative: "I have done something and you/they have not". For if the other person has done as much as me, then they too would be entitled to the same benefits. This is often linked to a sense of 'earning your stripes' or 'having paid your dues'.

Asian businesses, in general, tend to follow a command-and-control or top-down management culture (which is certainly not to say that it does not show up in Western businesses). As a result, longer-serving members who have endured this culture for many years and then get promoted to a position of power feel that it is now their turn to call the shots. They have been at someone else's beck and call for 20-odd years and now it is their turn to give the orders. Usually, when someone believes themselves to be entitled to something, they have a logical reason to justify that belief. After all, if you are a senior manager and have worked in the company for 20 years, should you not have rights and privileges that a new management trainee cannot share?

It may well be the case that your past history has earned you certain rights in the company (or family), but when you are faced with a choice between exercising those rights and being effective, which will you choose? A surprising number of people will choose the former option. They see that if they engage in a task that is 'below their pay grade', there is the possibility of success, maybe even a major one; but what gets in the way is their notion of entitlement and their idea of fairness. For instance, you might hear this: "Sure, I know I could stay back at the office to finish this report, but that is no longer my job. I used to do that when I was a junior manager, and now, I'm a senior manager. It is not fair to expect me to still do that, and I'm entitled not to do it—just look at my title."

The consequence is that results suffer, sacrificed on the altar of righteousness. It has become more important to be right about one's rights than to achieve the best possible result. The rights to which you believe you are entitled may be enshrined in a contract, or they may simply be unspoken expectations that reside in your head. Both are barriers to being effective, but the latter is especially difficult for others to work with, as people rarely have any idea as to what your unspoken expectations actually are. What makes entitlement particularly combustible is the mood of righteous indignation that often accompanies it. Such a combination can make a person very difficult to work with, as they are either likely to explode without warning, from the perceived injustice of it all, or simply clam up and take the attitude of, "Well if you can't figure out the problem here, then I'm not going to tell you."

So, what is the alternative? The first step is to recognise the appearance of entitlement in yourself when it arises (and it surely will, at some point in your life). Once you become aware of it, then you have the possibility of adapting and making a different choice. You cannot change something that you are not aware of. Coaches and clients both have things to which we are blind; it is part of the human condition. This is why powerful leadership development initiatives generally begin by asking you to look at yourself—learning to see things in yourself is a necessary but often overlooked first step that needs to be taken before you can learn to work with others. This is the adaptation of which we spoke earlier.

The second step is to ask yourself what you want to achieve in the situation that you are facing: Do you want to be right about your assessment of entitlement or do you want to be effective? Are you willing to take a responsible attitude with regard to the results around you, or are you instead going to focus on your rights in the situation? If you are currently experiencing any frustration in life with regard to your results or your relationships, check in with yourself and see if there is a notion of entitlement lurking somewhere in there. It is one of the biggest barriers to being effective.

Conversely, it is equally possible to develop a pattern of feeling unentitled, an assessment that often sounds like this: "I do not deserve happiness, success, love, etc." While it might look like the complete opposite of a sense of entitlement, a belief of unentitlement can be equally disempowering, equally constraining, and just as sticky. The assessment of being unentitled is also a common barrier in Asian businesses and is again attributable to the long-established top-down culture in the business and/or the family unit. It creates the feeling of, "I am not entitled to speak up with a different opinion to my boss or my parents."

Interestingly, in our leadership development and top team workshops, very often the team leader actually wants to hear dissenting voices and would welcome some healthy debate. However, even when they articulate their desire for this, their team members are very reluctant to speak up. This suggests that the issue is really less about culture (because if they were victims of culture, then they would do what the leader wants and speak up) and more to do with the discomfort that the team members themselves would feel if they did speak up. This love of comfort is, in itself, a major barrier to peak performance in today's world and if one believes oneself to be entitled to comfort, then a new level of performance is highly unlikely.

> The consequence of having certain rights in the company is that the results suffer, sacrificed on the altar of righteousness. It has become more important to be right about one's rights than to achieve the best possible result.

> This love of comfort is, in itself, a major barrier to peak performance in today's world and if one believes oneself to be entitled to comfort, then a new level of performance is highly unlikely.

Fear of failure

The second barrier to peak performance hides in plain sight. Do you believe you have a fear of failure? If so, you are in very good company. When we ask this question in our leadership development workshops, invariably almost every hand in the room goes up. Surprisingly though, 99 percent of the time, this belief is not what is getting in the way of performance. This fear of failure is a total mirage—smoke and mirrors designed to obscure the real issue from view. In Asia, this often has a cultural angle of 'losing face'. This concept of 'face' is a very commonly cited issue in Asia and is closer to the truth of what is going on.

Imagine your comfort zone as a box with you inside it. The box contains all the results that you already have and those that you could achieve (if you chose to) without taking a risk. There are, however, other results that are outside the box; ones that you would need to take a risk to achieve. The results that involve risk-taking never miraculously show up inside your comfort zone on their own accord—you need to make them happen, and you make them happen by expanding the boundaries of your comfort zone.

Let's say the goal that you want to achieve is to spend more time with your family during the week. However, in order to achieve that, you need to take the risk of delegating your work. No one is going to give you that result; you need to make it happen. But you don't do it because you think it will not work, because you do not want to 'fail'. However, a closer look reveals that the logic does not add up. By not taking a risk, you are guaranteeing failure! When you don't take a risk, you stay in your comfort zone and that is the one place where the new result will never show up. So, if you really have a fear of failure, then you would be taking risks all the time!

Something else is going on. You are not really afraid of failure. Instead, you are afraid of being judged as a failure by others (and/or yourself). In classic Asian cultural terms, you are afraid of losing face. You are more interested in protecting your image than you are

in creating the results that you say you want. Your image wants you to believe this: If you fail, then you are a failure. However, that is not at all the case. If it were true, then Steve Jobs would be a failure because he got fired from Apple, Roger Federer would be a failure because he has lost in 10 Grand Slam Finals, and Thomas Edison would be a massive failure because it took him 1,000 failures before he invented the light bulb!

The truth is that successful people fail way more often than unsuccessful people. Failure in itself is not the issue; rather it is what happens after a failure that makes the difference. Do you run back to the safety of your comfort zone and produce self-defence justifications or do you brush yourself down and go again? It is a misconception to think that one can avoid people's judgements and save face by staying safe and hiding in your comfort zone. Human beings are judgemental machines and you will be judged just as much for playing safe as you will be for taking a risk. The only difference is that taking a risk carries with it the possibility of creating a new result in your life, whereas playing safe will keep you stuck in your current results.

I very often encounter this fear of failure when I am coaching middle and senior managers. They have done well in their careers and then they stop and look around. They realise the stakes are higher so they start playing safe, waiting and holding back. They achieved their early success by 'playing to win' and then they begin to play 'not to lose'. This is a very big shift in attitude that generates different results and also different experiences in life.

If you have ever taken part in a ropes course or climbed a high ladder, you will have experienced the same phenomenon. While you are climbing up and focusing on the end goal, you are exhilarated, but when you stop climbing and look down to see how far up you have come, fear kicks in and you cling on for dear life. The longer you stay stuck, the greater the fear gets. The only way around this is to keep moving.

Many people whom I coach will only 'play to win' and participate 100 percent when they know (or are very sure) that they will win. When they hold something back, the internal logic is, "If I lose this game, I can always say to myself (and to others) that I didn't go 100 percent." An alternative justification is, "When I feel confident, then I'll take that risk." What they fail to realise is that life actually happens the other way around: "After I take the risk, then I feel confident." These kinds of logic are a great way to protect your image and save face, but they are also a great way to ensure that you never experience peak performance and win the big ones, the ones that you really want to win!

Resilience

The idea of resilience as an important factor in performance and leadership is not a new one; indeed it has developed a great degree of traction in the last decade. Resilience is most easily and simply defined as 'the ability to bounce back'.

The modern world is obsessed with comfort—virtually every innovation in the last 20 years is aimed at making us more comfortable, from Deliveroo and Uber to smart fridges, there is an app for almost everything out there that you want to do. At one level, this is great news. We no longer need to experience the pain of discomfort in order to achieve the result that we desire. However, this reduction in discomfort has another consequence; it makes us soft in the face of difficulties, so when setbacks occur (as they inevitably will), we are not equipped to deal with them. Our ability to 'bounce back' is compromised by our love for comfort.

Resilience is developed in the face of discomfort, not comfort. The recent tidal wave of comfort-generating innovations has created a 'resilience deficit' and so it is no great surprise that resilience is now such a hot issue in leadership development and performance management. Ironically, the preferred 21st century answer to building resilience is to develop it in the most comfortable way possible, i.e., sitting in a classroom. Unsurprisingly, the results are usually less than stellar.

The Five Pillars of Performance

Most approaches to resilience focus on giving you knowledge about how you should think and feel, and what you should do in order to become resilient. They may even look at inspiring stories regarding how other people have shown great resilience.

We use a wider approach—that of the Five Pillars of Performance (refer to Figure 1). This takes into account the fact that, in order to develop new capacities and create peak performance, you need to embrace not only your mental (what you think/know) and emotional states (what you feel) but also your physical state. Then, in order to sustain that new level of performance, you need to pay attention to the two external pillars of support and practice.

THE PHYSICAL STATE PILLAR

Let's look at what happens when all three of the internal Pillars of Performance are aligned, beginning with the Physical State Pillar. This approach is founded upon what happens in cardiac health tests: the doctor puts you on a treadmill and gradually increases the speed/incline, noting the time it takes for your heart rate to reach a certain level. He then reduces the speed/incline and notes how long it takes your heart to return to its resting rate. A healthy heart takes a long time to reach its stress point and a short time to return to its resting rate. In other words, a healthy heart takes a long time to get stressed, but then, when it does reach a certain level of stress, it is quick to 'bounce back' to its normal rate.

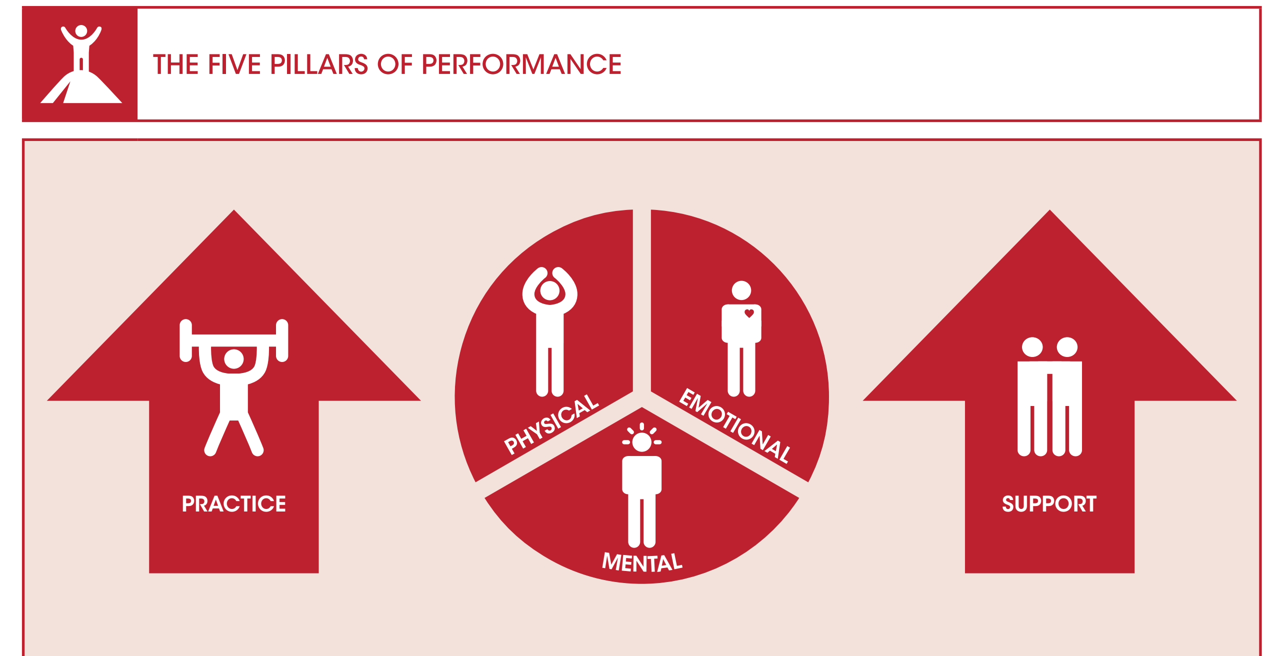

FIGURE 1

Source: Marsden & Marsden, "Fit to lead: Transforming your leadership with the 5 Pillars of performance" (2017)

High Intensity Interval Training (HIIT) repeatedly mirrors the cardiac test pattern to test the Physical State with short periods of high intensity activity, followed by a rest period. The learner is no longer sitting in an air-conditioned training room, talking about resilience. Instead they are physically building the neural connections that are critical in the body's stress and recovery system. Such an exercise creates and sustains the first key belief that underpins resilience: I know I can bounce back.

There are two factors at work in HIIT—the initial stressing period and the subsequent resting period. It is the combination that is important if you want to boost your capacity for resilience. We have noticed that most leaders favour one over the other. Some are addicted to going flat out and see resting as an evidence of weakness. Some are addicted to comfort and see 'going for it' as dangerous. If you consistently favour one over the other, you undermine your capacity for resilience. Trying to sprint forever wears you down and leaves you exhausted, with no energy to bounce back. Trying to stay comfortable forever reduces your confidence and leaves you lacking the experience of bouncing back.

THE EMOTIONAL STATE PILLAR

However, we are not advocating for a purely physical approach. The Emotional and Mental State Pillars also have their roles to play. When what you are working on is important to you, not just intellectually ("it's a good idea") but emotionally ("I am genuinely passionate about this idea"), then it is far easier to 'bounce back'. People often lack resilience because they are working on things that they are not emotionally connected to or, more often, things that they are afraid to emotionally connect to. The Emotional State Pillar can help to create and sustain the second key belief that generates resilience: It is vital for me to bounce back.

When you allow yourself to be vulnerable to your commitment, then you start to believe that, "It is critically important for me to bounce back". This is a critical belief to have if you are going to be resilient.

THE MENTAL STATE PILLAR

The Mental State Pillar is also important, but maybe not in the way you think. Knowing theories about resilience and how to build it is great, but on their own, that knowledge will not make you resilient. Instead, you need to prove to yourself that you are able to bounce back. You can create and sustain

this belief about your ability to bounce back by fuelling yourself with energy, and energy comes from effective nutrition. You need energy if you are to consistently exhibit resilience. The third key belief that underpins resilience is: I am able to bounce back.

PRACTICE AND SUPPORT

While the internal Pillars are critical in supporting you to create new results, you will not sustain those results without paying attention to the two external Pillars of Practice and Support. Unfortunately, neither of these Pillars are particularly fashionable today. The desire for immediate results is a very strong pull. "Practice is boring. I want the result and I want it now", is a very common, often internal refrain. The other barrier to practice is that, especially initially, it involves failure and discomfort, two factors that we have already seen to be very unpopular.

The Pillar of Support is very often one of the biggest barriers to taking your results to a new level. There are two common images that get in the way. One is the 'superhero image', where someone is driven to prove their worth by taking on everything themselves. The other is the 'nice guy/gal image' where someone is unwilling to ask for support because they fear being a burden on someone else.

The most successful sportsmen/sportswomen in the world have coaches, because they are more passionate about winning than they are about looking good and protecting their image. These two external Pillars work most powerfully in tandem: Practicing with a well-chosen member of your support network. For instance, if you want to sustain your capacity to be resilient, then simply reading this article will not cut it and neither will using the ideas one or two times. Similarly, if you try and do it all by yourself, you are far less likely to succeed than if you enlist a support network. Constant practice with a support group is a critical factor to make this work.

> "Practice is boring. I want the result and I want it now", is a very common, often internal refrain.

No pain, no gain

Taken together, entitlement, fear of failure and lack of resilience form a very powerful trio of barriers to people achieving peak performance. To overcome them, we ask you to consider three powerful questions:

1. Am I willing to experience discomfort–physically, mentally and/or emotionally?
2. Am I willing to develop effective practices?
3. Am I willing to engage effective support?

If you can honestly answer all three questions with a "Yes!" then you are on your way to taking your performance to a new level.

Marcus Marsden

is Managing Partner, Facilitator and Executive Coach at TWP, Newfield Asia and Sarius Performance

The material in this article is derived from the book, "Fit to Lead: Transforming Your Leadership With The 5 Pillars Of Performance," authored by Marcus Marsden and Sari Marsden, published in 2017.

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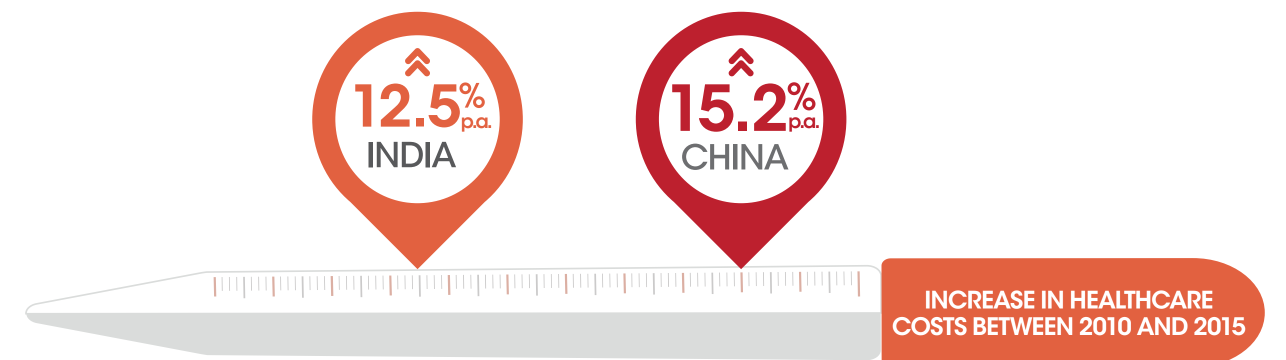
DELIVERING HEALTHCARE IN ASIA

Is high-end innovation in medical technology a blessing or a curse?

By Elisabeth Staudinger

Demographic shifts and changes in population age structure are changing global dynamics in healthcare. World population is expected to grow by 2.4 billion between 2013 and 2050, touching 9.6 billion by 2050. More importantly, a massive 96 percent (2.3 billion) of this increase will be seen in emerging and developing countries alone, as population growth levels off in industrialised nations.[1] There is also expected to be an increase in global life expectancy, which is estimated to rise from 69 years (for those born in 2005-10) to 76 years (for those born in 2045-50).[2] At the same time, the world will see a growing burden of chronic diseases such as cancer, diabetes, and cardiovascular and respiratory diseases; and the World Health Organization (WHO) has predicted that over 50 billion people will succumb to chronic diseases by 2030, up from 38 billion in 2012.[3]

The larger population pool, combined with more people living longer but not necessarily healthier lives, has a direct impact on worldwide healthcare expenditure, which currently stands at 10.6 percent of global GDP.[4] In the United States, spending on healthcare accounts for 16.2 percent of GDP, while health expenditures in developing countries are growing at a rate well above the global average. Between 2010 and 2015, healthcare costs in China and India have risen by 15.2 percent and 12.5 percent per annum respectively.[5] And, based on trends in global demographics, these numbers will continue to rise at an alarming rate in the foreseeable future.



Healthcare systems around the world have to find new ways to keep costs down while improving the reach and quality of medical services. The demand for professional, affordable, entry-level healthcare solutions is intensifying. While developed countries face the challenge of controlling costs and raising quality of care, developing countries need to improve access to healthcare while avoiding the implied cost trajectory.

The question that I address here is: How can innovation in healthcare contribute to solving these challenges? The medical field is a frontrunner in developing new devices and innovative procedures, and coming up with breakthrough technologies. But can these make a positive impact on the health of the world's population? Is investing in high-end innovation in medical technology a blessing or a curse?

> Healthcare systems around the world have to find new ways to keep costs down while improving the reach and quality of medical services.

Better outcomes at lower costs

Let's take an example of how innovation has been shown to improve health outcomes and reduce costs at the same time. Ten years back, a patient requiring aortic valve repair would have to undergo open-heart surgery. If for some reason the surgery was not successful, or if there were other complications, the procedure would most likely have to be repeated, or the prognosis for the patient would have been bad. Today, the same procedure can be done using sophisticated imaging and minimally invasive technology, with a positive outcome for the patient just from a minor cut.

What is more, real-time information from multiple imaging systems can be used, simultaneously, to detect abnormal tissues, and correct it immediately—without the need for a second procedure. And as the procedure is minimally invasive, the patient can usually be discharged sooner than before, sometimes even the next day. The multi-imaging system approach and minimally invasive surgery are expensive. However, when compared to the cost of one, or possibly two open heart surgeries, weeks of hospitalisation and post operative care, time lost away from work and home—not to mention the discomfort of the patient—it is actually a very good deal.

Technological advancements have also been made in the field of diagnostic testing. Seventy percent of all clinical decisions are, in one way or the other, influenced by diagnostics. In order to determine the right treatment, an accurate diagnosis is essential. There are two ways of going about them. First, there is in-vivo medicine, where clinical images of the body are generated, for example through a computed tomography (CT) scan. Based on the images, a radiologist is able to make a diagnosis. The second method is in-vitro testing, where samples of bodily fluids such as urine and/or blood are taken from the patient and then analysed in a lab. Both aim to identify diseases early, to guide treatment and therapy, and to reduce cost of healthcare delivery.

It is said that up to 75 percent of cancer treatments are ineffective.[6] Comprehensive cancer diagnostics are now able to meet this challenge. The liquid biopsy test, for example, is used to diagnose lung cancer, one of the most common types of cancer. The test is able to determine the specific treatment-relevant mutations in the cancer from a single blood sample, making it a non-invasive, painless and low-risk alternative to a biopsy. Once the type of tumour is ascertained from the blood sample, the treatment can be focused and effective. So the more we invest upfront in understanding the medical condition through diagnostic testing, the better it is. Otherwise the treatments that follow can end up being ineffective, repetitive and quite costly.

Two ways to determine the right treatment

Innovation in healthcare is not only about the high-end. It is also about improving access and reducing the cost of high quality healthcare, and to have as many people as possible benefit from technology. This is particularly relevant for Asia.

> Innovation in healthcare is not only about the high-end.

The uniqueness of Asia

Asia, with the vast majority of its population residing in emerging markets, is in dire need of better healthcare delivery to its large and remote populations. Therefore, it is a region with tremendous opportunities for technological innovations to enable accessible, affordable and quality healthcare. While developing basic healthcare infrastructure calls for common strategies across countries, there are inherent differences between developed and emerging markets (and also within each of these categories). The needs and means in countries such as Indonesia and Thailand are certainly different from, say Singapore or Japan—which fundamentally changes how companies work with patients and healthcare providers.

Access and affordability are two key issues in Asia. Many people in this region live in remote areas and have to travel long distances to get access to and receive medical treatment, a journey which is hard to take when one is really sick. Look at the coverage of Southeast Asia when it comes to modalities such as CT scanners. In the Philippines, we find only one scanner per one million population—compared to around one to 40 in Germany or the United States. And there, not only is the coverage greater, infrastructure is also more advanced, which shortens travel time considerably.

And accessibility of healthcare also comes down to a matter of who can actually afford it—for many people, an X-ray scan will practically cost an arm and a leg. While basic healthcare is provided for under public healthcare schemes in some Asian countries, many additional treatments must be paid out of the patient's own pocket. In India, for example, 75 percent of treatments are being paid privately by the patient.

FINANCING OPTIONS

Many developed countries, such as Germany, offer a completely state-financed system, with a very well-structured reimbursement scheme, eliciting the highest standards in productivity from providers. Countries in Asia, in contrast, mostly exhibit a fee-for-service type model, depicting environments more akin to supply and demand dynamics. Premiums are afforded to those who can differentiate their service offerings and provide augmented value propositions through better technology, better qualifications, or even more convenient locations. There is also still a lot of room for entrepreneurs in the private segment, constituting many of the hugely successful private hospital chains in this part of the world—these types of opportunities simply don't exist to the same extent in highly regulated and developed markets of Western Europe.

When looking at emerging markets, the discussion then shifts to other considerations such as establishing basic healthcare systems and moving towards a more insurance-based framework that is subsidised by the government—a transition that is currently underway in Indonesia. But even if the economic outlook is good for many countries in Southeast Asia, it won't be possible for governments to fund a comprehensive insurance system, as the financial burden would simply be too great. Just think of chronic diseases such as diabetes and the treatment costs per patient! This is the case even when the cost of care and the subsidisation rates are often low due to young populations and low levels of care.

Singapore is a mature market and characteristically closer in comparison to developed markets like Australia, New Zealand, or even Europe. As a wealthy country with an advanced healthcare system, Singapore sets the standards for the rest of the region. It serves as a reference point for many countries in terms of the regulatory environment and the infrastructure of healthcare delivery systems, especially for Southeast Asia.

So how do some of the global key trends translate into the unique Asian environment?

Consolidation and industrialisation

Industry-wide, we notice shifts towards consolidation and industrialisation. What do I mean by consolidation? Healthcare providers are merging to gain competitive advantages by achieving economies of scale and offering more specialised

care. Within Asia Pacific, Australia is a very extreme example of a highly consolidated market, which has only a handful of healthcare providers that run very large-scale operations. Other countries in the region are moving towards consolidation, too. In India, for example, currently about 80 percent of the healthcare providers are unorganised. As the market starts getting served by more organised and bigger players, the patients can expect more professional care becoming available at reasonable cost.

The second trend is towards industrialisation in healthcare, which specifically addresses the need to lower costs while improving outcomes, and doing so in a repeatable manner. Look at laboratories, for example. The way they work has changed a great deal over the past years—a lot more is being achieved with fewer resources. Nowadays, it is like looking at a factory: There are centralised, highly productive labs, managing up to 100,000 tests a day.

In line with those developments, Siemens Healthineers, the medical technology arm of Siemens, has designed a new automated laboratory solution which combines immunoassay and chemistry testing. It utilises a magnetic transport system that works ten times faster than conventional tracks. And by producing over 400 immunoassay tests per hour, it boasts the industry's highest productivity per square metre. Due to the high degree of automation and clever routing of test samples, urgent results can be provided more quickly—which in some cases can be crucial for the survival of a patient.

Solutions for remote areas

For remote areas, point-of-care testing is ideal, as it can be done on the spot, using urine test strips to detect any kind of inflammation. Blood samples can be taken at decentralised collection centres and then sent to central hubs for analysis in larger cities. This field is currently unfolding. There are a few centres in India, such as Thyrocare, and in Southeast Asia, such as Prodia in Indonesia and Medic in Vietnam.

The case looks different for medical imaging. Here, the patient needs to be where the scanner is and vice versa. But what about the highly-trained radiologists who are reading the images? They can actually deliver their diagnosis remotely, a process that is called teleradiology and is a great means of improving the quality of healthcare in remote or rural areas.

Another option is to develop products that address the particular needs of healthcare providers in remote areas. To give an example, Siemens Healthineers has come up with a new CT scanner with simplified features and small footprint, which comes at a fraction of the price of its high-end machines—an important consideration when budgets are limited. Patients in India already benefit from one of the first three installed systems worldwide—and there is more to come. This shows how pioneering innovation is not only about serving the high-end segment, but also has accessibility and affordability in mind.

Future priorities

Global healthcare needs will continue to grow, be it in industrialised nations or emerging markets. The pace of technological innovation will also continue. So what can healthcare businesses do to leverage innovation to find more suitable ways to support healthcare needs, especially in emerging countries?

First, partnerships are key. Technology is a great enabler to link healthcare providers, health solution providers and patients, as well as their data and knowledge. Such an integrated ecosystem can pave the way for the digital transformation of healthcare. For example, when it comes to product development, companies that are leading the market are co-creating solutions by working with hospitals, universities and research institutes.

Second, I believe localisation can drive business success. Siemens Healthineers, for example, has set up a factory in Goa, India, to design and produce basic X-ray systems that are also sold in the country. This ensures that local market needs are met and products are readily accessible. In addition, Bangalore, India, is a fantastic example of how local knowledge can influence the global business of companies. Siemens Healthineers has around 1,500 software engineers employed onsite whose vast knowledge has a great impact on product development on not just at a local but at a global scale.

Overall, in order to be successful, medtech companies have to make the move from product-centric towards value- and patient-centric business models: Healthcare is not only about the latest and greatest products. It is first and foremost about understanding the needs of healthcare providers and their patients here in Asia, and working together to answer those with great care. I would also like to mention the potential of IT in this regard. Already today, we see what artificial intelligence and deep machine learning can do to support clinical decision-making—and for sure, these capabilities when developed will have a major role to play in the future of healthcare.

Where does this leave us in terms of high-end innovation in medical technology? There is no black and white. Even if sometimes one can get the impression that the field of medical technology may at times be overengineered, high-end innovation does not necessarily mean expensive machines—it can also mean an investment paying off in the long-term. Or it can mean innovation trickling down to the lower end of the price spectrum, which is great because this is where many people can actually benefit from such technology, especially here in Asia. Thus, it can ensure that every penny used for pioneering in the field of healthcare is money well spent.

Elisabeth Staudinger
is President of Siemens Healthineers *in Asia Pacific*

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To Work or Not to Work?

By Yong Hsin Ning and Jochen Reb

Examining the paradox of part-time employees working overtime.

It is 3 pm in the office. Mary, a part-time tax accountant, is still trying her best to wrap up for the day. As a permanent part-time employee, she has an agreement with her employer to work till 1 pm each day. However, it is the third time this week that she has worked overtime.

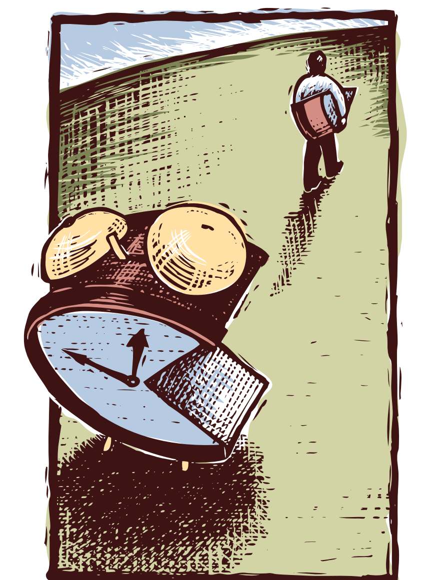
This scenario is not unique. Many studies have revealed that employees on part-time work arrangements are voluntarily working either longer hours or more intensively than what they had contracted for. So why do part-time employees work overtime? And why is it important for organisations to understand the rationale for such behaviour? Despite the increasing relevance of part-time employment, there is little research on how to structure the work, engage, develop or retain part-time employees. For organisations to effectively manage these relationships, they need to first understand what drives part-timers to work above and beyond their contracted capacity.

Growing importance of part-time employment

Part-time work is becoming more prevalent across the world. In Singapore, it is the most common form of flexible work arrangement offered by local companies. The latest survey from Singapore's Ministry of Manpower involving 3,800 private and public companies shows that 35.3 percent of local companies offer part-time work arrangements in 2016, up from 20.1 percent in 2007. This statistic is likely to continue to rise as the Singapore government aims to make flexible work arrangements, including part-time work, more available to address the challenges faced by working women who juggle between work and family.

Elsewhere in Asia, we see the Japanese and South Korean governments advancing their support of part-time work arrangements through the institution of legislative frameworks and the provision of a wide spectrum of tangible support for both companies and part-time employees. At a global level, the 2013 Workplace Flexibility Survey by WorldatWork shows that the trend continues to be strong, where 81 percent of the 457 firms surveyed offered part-time work arrangements.

This trend of increasing part-time employment is likely to become even more relevant in the face of emerging shifts in the workforce, demographics and technology. Currently, the bulk of part-time work arrangements is adopted primarily by women who seek to balance work and family, but the profile of the part-time employee will likely change in the future. First, it will comprise millennials who are inclined to having 'portfolio careers', combining permanent jobs and freelance gigs. Second, it may include older workers with valuable skills, knowledge and expertise, who choose to remain active in the workforce, but at a slower pace through alternative work arrangements like part-time work. Finally, companies are likely to hire more part-time employees to plug the skill gaps in rapidly evolving jobs and job markets.



The part-time overtime paradox

A common experience in many part-time arrangements is the 'part-time overtime paradox' in which part-time employees work above and beyond their contracted capacity. This phenomenon is inconsistent, at least for those voluntarily on part-time employment, as the overtime incurred can bring their total number of working hours closer to full-time hours. In our research, we first examined the causes behind this paradox: Is it due to the design of the part-time role? Is it a lack of competency or planning on the part of the part-time employee? Or is it a personal characteristic that causes these employees to exhibit a great willingness to work beyond their contracted hours? Second, we attempt to develop some practical suggestions for what organisations and part-time employees can do to manage this paradox. We do so through the lens of queuing theory.

QUEUING THEORY

We conducted a series of interviews with 12 professionals across various functions, industries and levels of seniority to understand why part-time employees work longer hours than they have been contracted for. The interviewees comprised former and current part-time employees who were initially employed as permanent staff in their companies. We also sought the perspectives of a business unit manager and a HR leader to obtain a holistic view of the phenomenon.

The data revealed a striking similarity between a queuing system and the phenomenon of part-time employees working overtime. Queuing systems, based on the queuing theory, are typically used to model customer and traffic flow, network data packets, etc., to determine the optimal waiting time for the subject under investigation. An illustration of a simple queuing system in a commercial bank can be found in Figure 1. In such a system, the units (e.g. bank customers) arrive at the service facility (e.g. the bank) and are served by one or more servers (e.g. bank tellers), after which they leave the system.

The elements of a queuing system can be mapped into the context of a part-time arrangement in three stages as follows:

(1) Work 'arrives' from a source to the desk of a part-time employee who works on it. The work can arrive in a deterministic or random pattern.
(2) Work enters a 'work queue' and waits for the part-time employee to act upon it based on his or her available capacity.
(3) When the work is completed, it 'leaves' the hands of the employee.

How does the notion of queues help organisations gain insights into this paradox? Through the lens of a queuing system, part-time employees work beyond their contracted hours for two independent but related reasons. The first relates to the demands of the work. The nature and design of the part-time work arrangement may increase the likelihood of work building up beyond the contracted capacity of the part-time employee. The second relates to the response of the employee towards the built-up work. Their choice to go beyond the contracted capacity stems largely from individual personality and value differences. It is also heavily influenced by the work environment, which includes situational factors like organisational culture, and relationships with colleagues and business partners (refer to Figure 2). With these research-driven insights, organisations have the levers to better manage, engage, develop and retain part-time employees.

The demand side: Factors driving a build-up of work

We identified three factors that drive the build-up of work beyond the contracted capacity of the part-time employee. Firstly, it is driven by a higher than expected volume of work over the duration of the part-time arrangement. This may be due, in part, to the fact that the supervisor cannot accurately estimate the workload to fit within the contracted capacity. This, in turn, may be because the supervisor is ill-equipped to design the part-time arrangement and therefore did not anticipate that the volume of work will exceed the employee's capacity.

Secondly, there may be a build-up because the rate and timing at which work arrives cannot be accurately estimated. For example, in some part-time roles, work continues to arrive even when the part-time employee is not working. The demands from internal or external customers continue regardless of whether the part-time employee is present at work. To exacerbate the problem, the lead time to respond to these demands may be very short and therefore cannot wait till the employee returns to work.

> A common experience in many part-time arrangements is the 'part-time overtime paradox' in which part-time employees work above and beyond their contracted capacity.

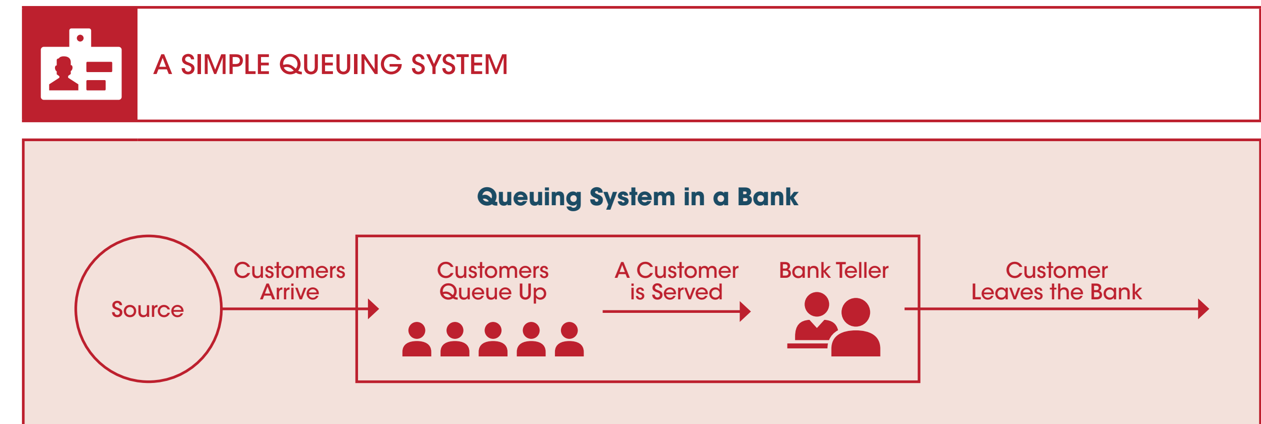


FIGURE 1

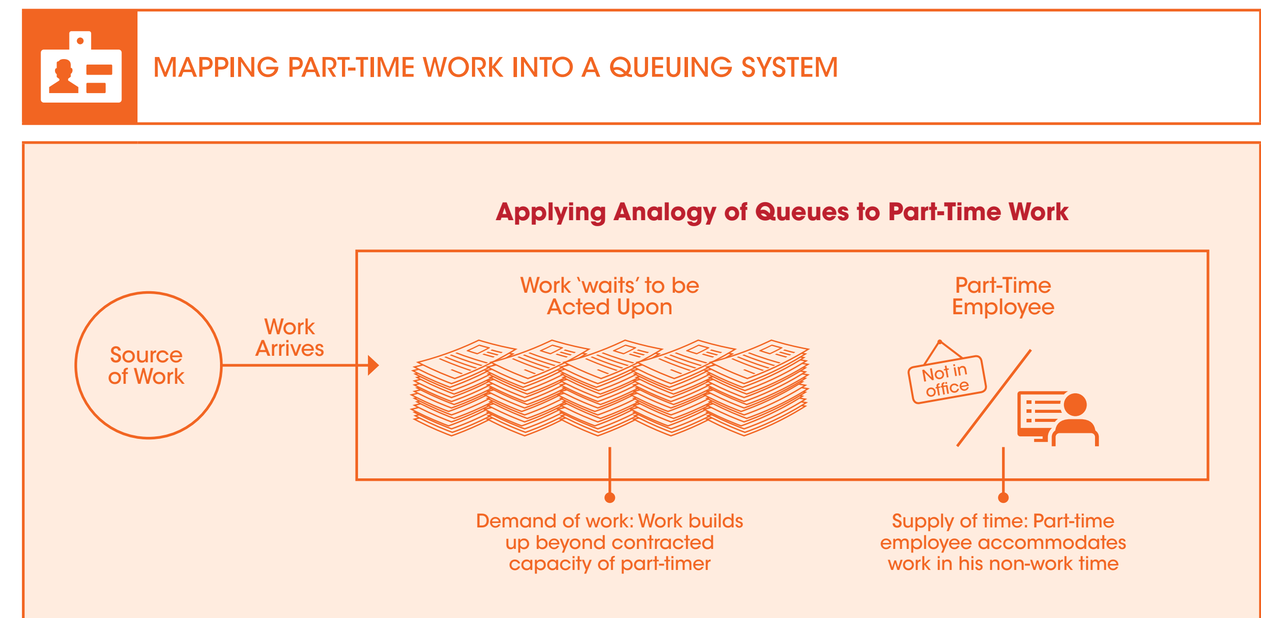


FIGURE 2

From the interviews, we also observed that people who reported many overtime sessions are typically involved in work that is characterised by high variability. For example, a business consultant from a consulting firm shared that although he was originally assigned to undertake business development during his part-time stint, he would sometimes be required to support project implementations when the need arose. Due to the high variability of the work and the timing at which the work presented itself, he worked approximately 30 percent more than his contracted hours.

However, fluctuations may also mean that there is a likelihood that the amount of work may be below the contracted capacity of the part-time employee. We observed that many interviewees took actions to adjust their own working hours to compensate for overtime incurred earlier. However, it seemed that not all employees enjoy such flexibility. According to one HR leader in a consulting firm, flexibility is usually more easily exercised by senior employees, as no one will typically be keeping tabs on what they are doing.

The third factor driving a build-up in the work can be attributed to an unanticipated increase in the processing time required. From the interviews, we identified that the processing duration of work depended on two factors. The first is the extent to which the work is well-defined and the second is the expected competency of the part-time employee.

When a job is well defined, it is more likely that one will know the amount of resources and effort required to complete the work. Conversely, where the solution is ambiguous, it is difficult to estimate the effort required, and therefore the time required to complete the work may overrun the part-time capacity. Consulting work is an example where the solution is often ambiguous. As one interviewee elaborated, "Consulting work is knowledge work and fluid in nature. Therefore, there cannot be a strict start/stop time. The person performing the work will need to spend time thinking and be in discussions with other people."

The duration of processing time is also dependent upon the competency of the part-time employee relative to the role. In this context, competency is defined as a function of the effectiveness as well as the efficiency of a part-time employee in undertaking the job role. If a part-time employee is more competent, the processing time would be shorter. In the same vein, many interviewees indicated that, over a period of time, they got better at managing the work within the contracted time frame, although it was inevitable to still incur some overtime.

The supply side: Factors driving response of part-time employee to incur overtime

In a queuing system, regulating the flow of subjects to maintain stability of the system is only half the story. The other half lies in the response of the part-time employee to the build-up of work. Through the interviews, we find that there are four factors influencing a part-time employee to accommodate work into their non-work time.

Firstly, we found that where the employees had more spare capacity in their non-work time, they would be more likely to accommodate work. This is in line with a fundamental assumption in queuing theory whereby all available capacity of the server will be used. When the available capacity has been consumed, the work must stay in the queue unless there is additional capacity to be utilised. One interviewee acknowledged that this factor might have applied to her situation, "I found that the scheduling of my work was pretty flexible, and the scheduling of my non-work became pretty flexible…I didn't commit to yoga class, I didn't commit to lunch with friends, because I didn't know if I had to work that day."

This factor was subsequently validated quantitatively in a separate study that involved 31 part-time staff who were permanent employees in their respective organisations. It was found that the more uncommitted or discretionary time the part-time employees had during their non-work time, the more likely were they to incur overtime. However, it was also found that overtime increased at a decreasing rate whereas the time allocated to family and personal activities increased at an increasing rate.

The second factor is the perception that there will be penalties for letting work remain in the queue. From the interviews, the penalty manifested as customers, co-workers and supervisors forming negative perceptions about the individual if the work is not completed within an expected timeframe. We noted that these expectations were mostly self-imposed by the interviewees, and shaped from the organisational culture or their own work ethics and beliefs, rather than explicit demands from an external party. The part-time employees' concern about the perception of their work may be at its peak at the beginning of the part-time arrangement as the individual would like to establish credibility, having recently transited from a full-time to a part-time role. As such, confidence against perceptions of co-workers or supervisors is important if the individual would like to reduce the amount of overtime worked. One HR manager interviewed told us that the part-time arrangement would work out, "…if you are not bothered about what others might think and if you do not respond to work during off-days."

The third factor is the explicit prioritisation of work over other non-work commitments. This scenario is analogous to the multiple-class model in the context of queuing theory. This means that part-time employees consciously undertake overtime work because they accord it higher priority than other non-work commitments. However, not all work is equal. Different work can be accorded different levels of priorities. The more granular the tasks, the easier it is for the part-time employee to tackle only what is critical and hence avoid incurring overtime for all backlog. For example, one interviewee recounted an incident where she was working on a specific piece of work during her holidays, but the rest of the work that came in during that period was put on the backburner.

When a job is well defined, it is more likely that one will know the amount of resources and effort required to complete the work.

The final factor relates to individual differences. Many interviewees said that the decision to work overtime boiled down to the individual's personality and values. One interviewee said that her decision to work overtime was due to her values and preferred way of working. Another interviewee said that it depended on the working style of the individual. "Some people can just 'switch-off', others are natural worriers and cannot 'switch-off'. The latter group of people have the most difficulty adjusting to a part-time arrangement."

Addressing the paradox

Organisations can do a lot to proactively manage the paradox. For demand-side factors, an intuitive response would be to redesign the part-time work within the boundaries of organisational constraints so that the likelihood of build-up is reduced. For example, one interviewee re-crafted her role such that it became project-based and she had a longer lead time to deliver the output. However, in many cases, both the company and the individual are new to setting up such an arrangement, and it may be unclear at the onset how it will unfold along the way. As such, it is important that the organisation has some form of mechanism to monitor and adjust the nature of the work when the arrangement is already ongoing. Alternatively, the organisation can empower the individual to exercise some flexibility to adjust their workload over a period of time.

Although the supply-side factors above are primarily about the individual's responses, and therefore it is up to the individual to regulate, companies can also play a significant role in influencing them. For example, companies can develop an environment that is conducive to the part-time nature of the work. This may include giving guidance and support to part-time employees to shape the work arrangement, as well as educating fellow workers to develop new ways of working. More importantly, companies can develop 'part-time role models' who can demonstrate how an individual can be on a part-time arrangement and yet progress successfully like their full-time colleagues.

The final insight that companies can draw from this model is the notion of 'fit'. In the factors that we have identified on both the demand and the supply fronts, there are levers that can be changed and those that cannot. As such, one alternative to redesigning the work is to select candidates who fit the existing nature of work. For example, work with high variability would suit an individual who has the flexibility to organise his or her non-work commitments.

Conclusion

As we progress into the future economy, the demand for part-time work arrangements is expected to increase. On the one hand, it has to meet the traditional needs of women in the workforce who want to balance family and work. On the other hand, it has to cater to the demands of millennials who will take on a portfolio of permanent and freelance jobs, and the older workers who choose to remain active in the workforce. Understanding what drives part-time employees to work beyond their contracted capacity is an important step in addressing the part-time overtime paradox and moving towards an evidence-based approach to manage, develop, and grow part-time employees.

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The flow of funds in ASEAN

By Philip Zerrillo

In his novel, Memoirs of a Geisha, Arthur Golden wrote, "Water can carve its way even through stone. And when trapped, water makes a new path." Something similar seems to be happening with the flow of funds in ASEAN.

A strong, healthy and robust financial system is the backbone of any business ecosystem. In contrast, financial systems and their supporting regulatory structures in many emerging market economies are works in progress–still developing, often rudimentary, and mostly fragile. It is here that businesses tend to adapt and develop unique structures and odd fixes–much like the new paths forged by trapped water.

I grew up in the 'Silicon Hills' of the United States, and there we have what can be considered a very democratic financial system. Meaning, if you have an idea, or a solid credit history, you can generally gain access to some form of funding. Unsurprisingly, banks are assumed to be the first point of call for any new, expanding or ongoing business. We also have a plethora of private equity and venture capital firms available to support start-up entrepreneurs. It is easy to take these systems for granted.

To an outsider, it is sometimes difficult to understand why such models exist in Asia and how they function. Let me give you a taste of some of these highly innovative techniques and some of the shortcomings that I have come across during my work in the region.

In Thailand

Earlier this year, when I met the former Prime Minister of Thailand, Abhisit Vejjajiva, he talked about the lack of support for the nation's start-ups. According to the U.K.-based business networking group, Approved Index, Thailand ranks second worldwide for its entrepreneurship, with 16.7 percent of the country working for themselves (in contrast, only 4.3 percent of the U.S. adult population are entrepreneurs).[1] Although Thailand is a nation of entrepreneurs, it doesn't have the support of a financial system that really promotes start-ups.

Similarly, when I interviewed Krating Poonpol, a partner in the 500 TukTuks start-up and founder of Disrupt University in Thailand, he enumerated the limitations of the Thai start-up ecosystem. Unlike other countries that offer tax exemptions or direct financial support to start-ups, Thailand's tax system does not support or incentivise start-ups.

Moreover, Thailand does not have a framework that enables private companies to offer Employee Stock Ownership Plans (ESOPs). Krating explained, "ESOPs serve as both a strong retention mechanism for employees as well as a way to motivate employees and align their goals with those of the company...Additionally, the ESOP is a non-cash compensation scheme, which can assist start-ups in preserving their precious cash. Thailand also does not have convertible debt, a common type of security for start-ups the world over. The lack of these financial options means that entrepreneurs have to take on additional costs and are unable to share risks, and are thus discouraged from diving into disruptive initiatives...Start-ups in Thailand also face challenges in terms of lucrative exit options for investors. There are very few mature start-ups that can successfully list themselves on the Thai exchange as the premiums are insignificant. Acquisition hence becomes the only exit option available."[2]

In Vietnam

More and more Vietnamese companies are locating their operations in Singapore. When I enquired why, they said that, for accounting purposes, the tax structure in Vietnam does not differentiate between revenue and investment. For example, if a company receives two million dollars in funding, and it does not have concurrent expenses to offset it, it gets taxed at a 20 percent rate on the whole investment–so US$400,000 goes into paying taxes. As a result, businesses prefer to register their operations abroad to avoid such taxation. And for those businesses that do not have the luxury of relocating to another country, there exists a thriving market for receipts–people will actually sell you their expense receipts so you can show expenses against your investment!

Vietnam is a hard country to gain credit in. The country is almost entirely banking-financed and all land is owned by 'the people' of Vietnam. More directly stated, all land is state-owned, and the inhabitants are granted a land use right. Hence, there has been very little collateral value attributed to land use licenses in Vietnam, resulting in limited access to credit.

In Myanmar

Peninsula Plaza, a mall located close to Singapore's central business district, serves as a home away from home for the Myanmarese living and working in the island state. Here, as elsewhere in Myanmar, the informal money transfer 'hundi' system (called 'havala' in India) is still thriving, whereby cash given to an agent in one location allows a payment to be made by another agent in a distant location. This is the most rudimentary and traditional form of remittances, but it is still very important in such nations.

Systems like the hundi continue to thrive because of tight capital controls restricting the movement of funds in and out of the country. The banking system in Myanmar is still so fragile that businesses are allowed to withdraw no more than US$10,000 at any given time and that too, no more than twice in one week. This makes it very difficult for businesses to operate–it can take up to three to four hours to withdraw cash, with numerous forms and approvals required. What this does is give rise to informal financial channels that circumvent the banking system. Speaking with owner operators across the country, it seems as though almost everyone keeps a safe full of money at home because of the unreliability of the banks.

Similar to Vietnam, start-ups in Myanmar also prefer to register their businesses in Singapore. When I visited the Phandeyar Incubator in Myanmar, its 16 to 20 start-ups were registered in Singapore. Reasons for doing so were also similar–favourable investment climate, better funding opportunities, the ability to move money easily and efficiently, and so on. Frankly, if the businesses need funding to get to the next level, it would be hard for international investors to want to commit their funds to a Myanmar-registered company: the restrictions on capital means the ability to liquidate their holdings and bring them back home would prove difficult.

Myanmar actively trades across the 6,522 km border that it shares with Thailand, China, India, Bangladesh and Laos. The Myanmar Kyat has limited appeal to foreign firms, thus driving an internal demand for hard currency. In popular tourist cities, currency changers own multiple outlets, and they will offer a premium ranging from two to three percent in order to get American dollars. In turn, these dollars are lent to traders and manufacturing or mining firms on the border. While the government-

suggested interest rate is around eight percent, the informal lending rate is roughly four percent a month!

In the Philippines

The Philippines is largely a banking-based financial system. Access to credit information and histories is limited and much of the country is underbanked. Indeed, 86 percent of Filipinos do not have a bank account.[3] The country tends to be collateral based and hence it is difficult to move social classes in a single generation. Unlike the United States where good ideas find capital, the Filipino entrepreneur may often be forced into unregulated credit markets. Additionally, there are tax advantages to bank-based lending that make this the predominant source of funds for all businesses, including the SMEs.

Dark money

It is widely estimated that over US$200 billion of Indonesian assets are sitting in wealth management accounts in Singapore today.[4] The efforts of Indonesia to offer a tax amnesty, or one-time fee programmes, is part of initiatives to bring this money out of the shadows and repatriate it. How much of it will be 'whitened' is still a matter of great debate as many investors are uncomfortable with either the tax rate or the restrictions on the capital once they repatriate. This latter issue is one of great political will as governments attempt to put these funds to work in priority industries that often do not capture capital easily. Moreover, policymakers are trying to bring these newly legal funds permanently back home.

The long history and existence of dark money will have effects and legal consequences for years to come. Often, the deeds and real estate titles in these countries are difficult to determine and decipher as black money deals took place decades ago. Such purchases were often transacted without proper asset valuations, taxes or even the recording of transactions. The historical use of these practices throws another layer of complexity onto the already fragile banking systems of some emerging markets. This is especially true for financial systems where credit information is scarce and collateral is the coin of the realm.

One thing is for certain, the Foreign Account Tax Compliance Act, or FATCA movement begun by the U.S. is catching on, and more governments in the region are cracking down on informal economies and tax avoidance on accounts and other financial assets held offshore. The ability of governments to provide services, protect boundaries and educate their populations largely depends on the implementation of these policies. For instance, Bloomberg estimates that less than one million Indonesians pay the taxes they owe, and with a population of 255 million, the country has fewer than 27 million registered taxpayers.[5] Whether these efforts will be successful or not remains to be seen. Where these contested funds go and how they flow will impact the fortunes of many.

Making new pathways

The fragility and state of development of the financial systems in Asia often lead to seemingly unique workarounds. Despite business getting done, these are not the most optimal solution for businesses as they come at a major cost, frequently require relocation to other countries, and may lead to sprouting grey markets.

I have touched upon a few financial nuances that affect the nature of doing business in specific countries. It is by no means meant to be comprehensive or complete as we could write at length about the Shariah-based financial considerations in countries like Brunei or Indonesia. Topics such as the sophistication of the money transfers and wealth management in Singapore or even the priority lending sectors that various countries have deemed vital are some other areas that could be discussed at length.

As a 20-year veteran of Asia, I still look for insights that can help me to better understand and explain why things are as they are.

It is my hope that this note will stimulate thought and encourage our readers to share their ideas. Tell us what you think. We would love to hear from you.

Email us at editorami@smu.edu.sg

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In Oct 2015, Jeff Tung Chi Fung and Benjamin Twoon, Chairman and Independent Non-Executive Director to Sheng Ye Capital respectively, jointly pledged SGD 1M to Singapore Management University via P.A.K. Entrepreneurs' Challenge Fund.

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Raising a fresh fund of HKD 370M, Sheng Ye Capital successfully went public in Hong Kong Stock Exchange Growth Enterprise Market (HKEX, GEM) on July 6, 2017, the largest IPO of the year. As of writing, Sheng Ye Capital has a market capitalization of over HKD 3 billion.

The Chicago Plan and the Question of Money

By Deepika Deshpande

The World Debt Clock is ticking away. The real problem is not how the debt is funded but whether it is sustainable.

The global financial crisis has provided much fodder for reflection and analysis into our system of money and finance. From banker salaries and capital adequacy ratios to accounting methodologies and the failings of the discipline of economics, there has been a good deal of thinking into areas that may need reform. There has been plenty of regulatory overhaul as well. Amidst the lively debate on potential solutions to economic crises, one idea stands out for its theoretical elegance.

Interestingly, this idea first came up in the aftermath of the crash of 1929 and, despite not finding its way into the various policy reforms under the New Deal, it has repeatedly featured in discussions during every banking crisis since then. More recently, against the backdrop of the 2008 Global Financial Crisis, the International Monetary Fund (IMF) released a working paper with an updated version of the same plan adapted to current economic conditions. And in his latest book The End of Alchemy: Money, Banking, and the Future of the Global Economy, Mervyn King recommends this solution as the ultimate answer to the structural flaws in today's system of money and banking.

So, what was this radical proposal? And would it be the ultimate solution that ends institutional temptations and addresses many economic woes?

The Chicago Plan

In the slew of bank failures that followed the crash of 1929, a radical resolution was put forward by a group of eminent economists from the University of Chicago. The 'Chicago Plan', as it was commonly called, appeared as a six-page limited circulation document titled 'Banking and Currency Reform' in March 1933, with a second revised version published in November in the same year. So radical was the recommendation that despite having the backing of prominent economists like Irving Fisher and Henry Simons, the first version was circulated as a confidential draft.

The central idea of the Chicago Plan was "to make money independent of loans; that is, to divorce the process of creating and destroying money from the business of banking"[1] and place money creation under full sovereign control. This is radically different to the fractional reserve banking system in place today, which requires banks to maintain a certain percentage of their customers' deposits as reserves with the central bank and lend out the rest. Bank loans are typically disbursed by crediting deposit accounts and therefore add to the total stock of money. In fact, over 90 percent of the money in modern economies is created by commercial banks through the lending process.

The Chicago Plan targeted this precise feature of the current banking system. It recommended the abolition of fractional reserve banking and required banks to hold 100 percent reserves against demand deposits, effectively ending all lending by banks. It suggested that the economy's lending requirements could be met through a different set of institutions that would be funded out of equity investments, similar to modern day mutual funds. Investments in such lending institutions would obviously not be guaranteed. Proponents of the Chicago Plan argued that this solution would improve the safety of banks, reduce the occurrence of recessions and improve the effectiveness of monetary policy by putting money creation where it belongs, i.e., in the hands of the state.

Restricting the ability of banks to alter money supply through the lending process may seem intuitively appealing, especially given their role in the most recent financial crisis. Risky investments, high leverage and indiscriminate lending all contributed to a debt bubble which, when burst, sent shock waves through the global economy, from which we have not yet recovered. In fact, separating money from debt seems like the perfect engineering solution to controlling the unbridled growth of leverage today.

However, a deeper examination of this model also leads to a provocative contradiction. While the Chicago Plan seeks to separate the creation of money from the creation of debt, history unambiguously suggests the inseparability of the two. In fact, money has been, and is even today, nothing but transferable debt. Its creation, destruction and quality are inexorably linked to the underlying debt and the quality of the debtor. The form of money and the nature of the lender are then just cosmetic embellishments. How odd then, that the Chicago Plan should try to separate the two.

Money as debt

The popular understanding of economic history places the evolution of barter, money and debt in chronological order. This view suggests that money came about as an improvement over the prevailing barter system and that the lending of money led to the birth of debt. In reality, barter probably had a very limited existence and money came about as a mechanism to record debt. If this is true, tackling the question of money should involve tackling the question of debt and not the other way round (refer to box story).

The early forms of state-issued money were either made of or backed by precious metal. With the introduction of paper money came a crucial difference—it was no longer backed by bullion. Today's monetary system of fiat money thus rests solely on trust in the modern state. In fact, fiat money attracts very high seignorage (i.e., profit made by a government by issuing currency, especially the difference between the face value of coins and their production costs) since it is not based on any precious metal. While the process of creating money may be far more sophisticated today than in medieval times, the effect is the same—excessive seignorage erodes public confidence in money and generates inflationary pressures.

Although money creation is today in the hands of central banks that are independent of the government, things don't always work that way. In fact, IMF research suggests that weak governments that cannot finance their expenditures through taxes or debt often end up relying on seignorage. According to an IMF report, "Greater political instability leads to higher seignorage, especially in developing, less democratic, and socially polarised countries with high inflation, low access to domestic and external debt financing, and with higher turnover of central bank presidents."[2]

Systemic risk: Too big to fail

The Chicago Plan assumes that lending by non-banks would put risk-taking squarely in the hands of the investors in those institutions. In other words, since they are not holders of guaranteed deposits, they can be made to absorb losses. This again may be theoretically correct but is not borne out by actual experience.

If lending goes dangerously awry and starts posing systemic risk, practical considerations often require governments to step in to contain the political and economic fallout. 'Too big to fail' does not only apply to banks. Two of the biggest bailouts during the Global Financial Crisis in 2008 were for the mortgage refinancing agencies, Freddie Mac and Fannie Mae, and for the insurance company, AIG. It is not difficult to find similar examples closer to home as well. One of the largest ever bailouts in India was not for a bank, but for Unit Trust of India, the oldest and largest mutual fund company in the country.

Even within the banking system, it is very unlikely that separation of losses between deposit holders and bond holders may be the perfect solution. A more recent event in Europe illustrates this point. The taxpayer-funded bailouts of large U.S. and European banks during the Global Financial Crisis sharply brought into focus the moral hazard of privatised gains and socialised losses in an industry that had indulged in excessive risk taking. The European Union's Bank Recovery and Resolution Directive (BRRD) was passed by the European Parliament to address this issue and all member states were required to implement the provisions no later than January 2016.

One of the key provisions of the BRRD is the 'bail-in' legislation that requires shareholders and unsecured creditors to be bailed-in before other forms of money can be accessed to

Separating money from debt seems like the perfect engineering solution to controlling the unbridled growth of leverage today.

While the process of creation of money may be far more sophisticated today than in medieval times, the effect is the same—excessive seignorage erodes public confidence in money and generates inflationary pressures.

THE HISTORY OF MONEY

The economic history of humankind can be legitimately traced back to an event that probably occurred some 10,000 years ago when Man, the hunter gatherer, began to settle down in agrarian societies. The arrival of agricultural settlements spawned the beginning of division of labour and specialisation and, therefore, the first forms of commerce. The popular view holds that barter was the original solution to support the exchange of goods. Hence, for instance, a butcher and a farmer may have exchanged meat for corn. While this may seem plausible, historical and anthropological evidence, as well as deeper reasoning suggest otherwise.

Among its many limitations, barter is based on a coincidence of needs and hence, while barter may have operated on the fringes, it is very unlikely to have supported any wider form of commerce. The butcher may have needed corn, but the farmer may not have needed meat. Therefore, the solution that these early Neolithic societies were trying to develop was a way to record the debt of the butcher to the farmer. Cowrie shells, cattle, dried cod and other early forms of money were most likely serving the functional utility of recording debt. So, the butcher handed over a couple of cowrie shells to the farmer to record his debt. The farmer, who may have needed vessels for food storage, in turn handed them over to a potter to record his debt.

Gradually the cowrie shells became separated from the original creator of debt by many orders and assumed their own life as 'money'. But the origin of that money was unquestionably linked to the creation of debt. And as long as the debtor was trustworthy, the money was good.

As societies evolved and settlements developed into kingdoms, the rudimentary forms of money were replaced by shining pieces of metal that we call coins. It was the same thing in a different form and with a crucial difference—the king, as the sovereign authority, assumed the power to issue and provide a guarantee for these coins and hence the coins functioned on the basis of trust in the king. A surrogate for sovereign risk was that the coins were created from or backed by precious metal.

save a troubled bank. This appears to be an elegant solution that significantly reduces the risk of taxpayer-funded bailouts while adding a potential obligation to the risk component, even if that component is dilutive. In fact, the Austrian bank Heta was quietly wound up via bail-ins in April 2016. This was possible because the relatively small size of the bank meant the political and economic impact was limited. That it would not work on a larger scale was borne out when the Italian banking crisis began to unfold a few months later. The steady rise in non-performing loans since 2008 led to the severe pummelling of Italian banks' share prices in the aftermath of Brexit and began to threaten bank solvency. Ideally, the bail-in provisions would be the solution to resolve the capital positions of these banks. However, according to an analysis by The Financial Times, retail investors happened to hold from half to a third of subordinated bonds issued by banks.[3] Penalising a vast base of small savers and pensioners would not just be politically unpopular, it could unleash a huge crisis in the country. Hence the reluctance of the Italian government to invoke these bail-in provisions.

This could be seen as a close parallel to a situation where small investors in a lending bank under the Chicago Plan face a significant default. While theoretically the investments in a lending bank are not guaranteed, any solution that involves widespread impact to a vast base of small investors is unlikely to work. The real problem is not how the debt is funded but whether the debt is sustainable.

The birth of private money

If issued under the correct principles, money can gain spontaneous acceptance irrespective of the issuer. In fact, private money other than commercial bank money continues to make its appearance when state-issued money becomes dysfunctional.

On 8 November 2016, when the Indian Prime Minister announced the demonetisation of 86 percent of the currency in circulation, there was, very expectedly, a significant level of disruption in economic activity. However, along with the reports of economic disruption were also others of the regeneration of private money—of small traders and vegetable vendors conducting trade using barter or other locally acceptable items for exchange. Within a week, alternate forms of exchange cropped up all over the country!

Another example is the Argentinean Peso crisis of 2002. The pegging of the Argentine Peso to the U.S. dollar in 1991 helped usher in a period of price stability and economic confidence. However, as the U.S. dollar began to appreciate, it became obvious that this arrangement was untenable. The rise of the Peso began to hurt exports and wreak economic chaos. In 2001, Argentina defaulted on US$93 billion of sovereign debt. Growth rate declined, and in 2002, the economy contracted by 11 percent, pushing over half the population below the poverty line.[4] The loss of faith in the Peso led to the spontaneous emergence of private money. An article in The Financial Times provided a rather entertaining commentary of the situation: "As they finish their tea and croissants, two elegantly dressed ladies at a Buenos Aires café ask their waiter how they might pay. As if reciting the day's menu from memory, the waiter gives them several options: pesos, lecops, patacones (but only Series I) and all classes of tickets—luncheon vouchers that circulate widely at restaurants and supermarkets in the city."[5] Voila!

The debt trap

The Chicago Plan required that banks maintain 100 percent reserves against demand deposits. This obviously meant that the volume of government liabilities would need to be sufficient to match the level of money. And as the economy expanded and trade grew, the level of government debt would need to grow in tandem. Informational constraints and lack of perfect knowledge on the level of trade could cause a mismatch in the level of available government debt and monetary requirements while mismanagement may allow the government to issue money to support its own needs.

The World Debt Clock, which measures gross government debt, stood at US$40 trillion in 2010 and is now past US$60 trillion. It would not therefore be out of place to ask how long this can continue and at what point will excessive leverage cause an economy to hit the skids. Satyajit Das, author of A Banquet of Consequences, points out that total public and private sector debt in major economies is now at 300 percent of GDP. Hence, with average interest rates at 2 percent per annum, economies need to grow at a nominal rate of 6 percent to cover just the interest.[6] How many developed economies today can we say are able to achieve close to that level of growth?

If money is so inextricably linked to debt, it is unlikely that we can have any meaningful and sustainable solution for money without factoring in a solution for debt. So, what then is that gold solution to debt, one that can end the unceasing cycle of economic boom and bust?

Therein lies the rub! Excessive leverage in itself is not the only kind of problem—property bubbles, fiscal imbalances, overcapacity in specific sectors and capital misallocation are just a few manifestations of the distortions caused by debt and each of these requires specific bespoke actions. There is no silver bullet and no one ideal policy prescription that can address all problems at once. In fact, the Chicago Plan, or for that matter, any other innovative model for money, may help reorganise the system and bring in greater discipline. However, none of these solutions alone can address the root of the problem.

> Retail investors happen to hold from half to a third of subordinated bonds issued by banks. Penalising a vast base of small savers and pensioners would not just be politically unpopular, but could unleash a huge crisis in a country.

Markets often find diverse ways to wend around policy and regulation, irrespective of how well-thought through or comprehensive they are. In fact, even some of the newest innovations in money, such as cryptocurrencies, do not satisfactorily address the fundamental question of how much money an economy needs. The Bitcoin ecosystem for instance, creates new money (read, new Bitcoins) based on an algorithm to reward Bitcoin miners for writing transactions onto the digital Blockchain ledger and has an arbitrary cap of 21 million Bitcoins. The issuance of new Bitcoins is in no way connected to the volume of underlying trade and debt, and at some point in the future, when the 21 million Bitcoin cap is reached, their value is bound to appreciate, thereby causing a deflationary economic impact.

What is required then is a continuous assessment of market conditions and the implementation of timely and targeted measures to address specific issues. The economy is in fact a dynamic living organism and managing it requires a good understanding of not just the physiological processes internal to the various economic sectors, but also their interactions to achieve stable equilibrium. There is no one cure for all ailments. Policy measures need to be tailored and continually adjusted. For example, countries like Singapore and Hong Kong have been very effective in controlling property bubbles through macroprudential policy actions like modifying loan to debt ratios, minimum down payments, and stamp duties on second purchases. Other relatively long gestation initiatives like financial literacy and credit bureau reporting are extremely valuable in building a healthy lending ecosystem. While each of these measures may not individually look like a solution to the problem of money, they all go towards creating a healthy and well-functioning economy, and it is only in a healthy economy that a healthy system of money can survive.

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The views expressed here are the author's personal views and not that of her employer.

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