ASIAN MANAGEMENT INSIGHTS

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Vietnam's Transformation
An interview with Vietnam's former Deputy Prime Minister Vu Khoan

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Making your brand priceless

Building Asian Business Schools
Hindsight, Insight & Foresight

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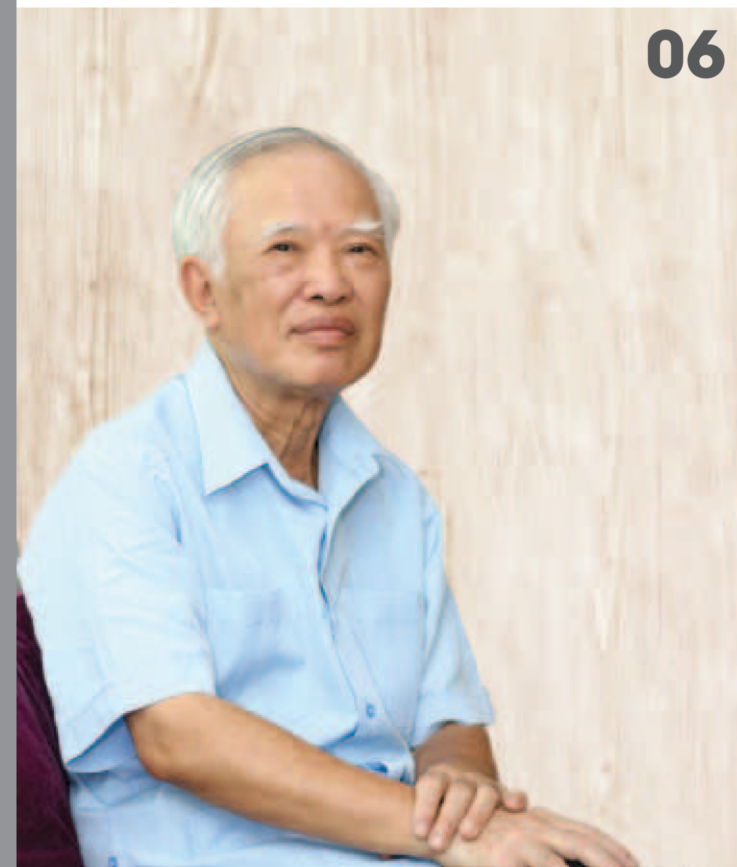

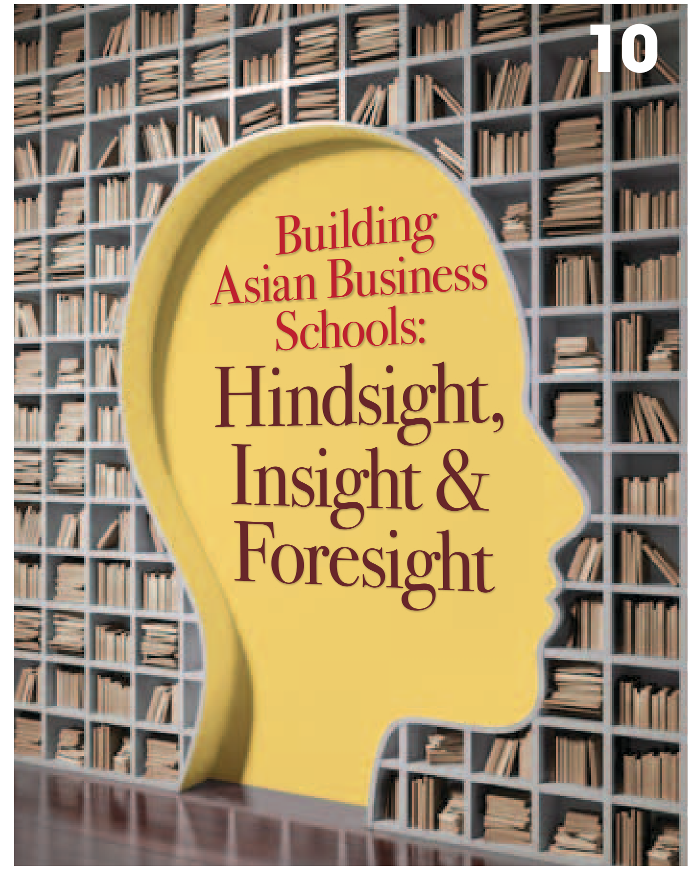

> Today, we are focusing on economic growth based on technology and skills.
>
> *- Vu Khoan, former Deputy Prime Minister of Vietnam*

AT THE HELM

VANTAGE POINT

> Although it is true that learning never stops, the *way* we learn is changing every day.
>
> *- Philip Zerrillo, Editor-in-Chief, Asian Management Insights*

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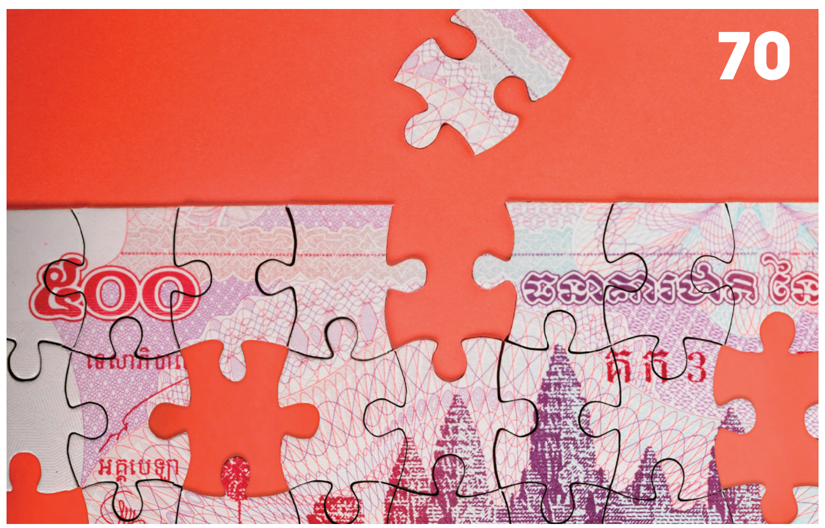

ASIAN MANAGEMENT INSIGHTS

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FROM THE EDITOR

On inspiration, aspiration and innovation

Although it is true that learning never stops, the *way* we learn is changing every day. The time has come, says Dipak C. Jain, for an Asian model of management education that focuses on Asia-based research and thought leadership. Schools should cross-pollinate and create Asian case studies that can be taught in both western and Asian schools. And the same can be said for nations. I talked to the former deputy prime minister of Vietnam, Mr Vu Khoan, about the transformation of the country from economic isolationism to its current economic strength. His advice to future generations is to constantly adapt and learn as, in 40 years, the world will be a very different place.

Equally instructive is the current Millennial or Gen-Y dialogue, in which the idea of having a purpose in everything–or 'doing good'–is paramount. Our authors Wolf Schaefer and JP Kuehlwein highlight these same ideas by explaining how companies are creating 'Ueber-brands', which make customers buy into a cause, balancing inclusivity and exclusivity by keeping customers 'longing' as they experience a sense of 'belonging'.

In the face of these challenges, says contributor Geoff Tan, players in the media industry are currently pulling out all stops to reach their target audience of choice in the most engaging and cost-effective manner. While the usual analogy of a rock and a hard place might spring to mind, it is clear that sitting under a digital sword of Damocles is not going to be much fun.

Echoing the millennial perspective is author Sam Pitroda, who notes that Asia is now at the forefront of innovation. If we are to continue the lead, he says, we must take another look at the use of technology for the greater good. And while innovation has long been on the agenda of public and private policymakers, especially when combined with technology, its use as a tool for profound social change is often not given its full due.

At the forefront of technology, we see that functioning digital economies also contain the potential to transform industries, enrich lives and propel progress. Naveen Menon explores ASEAN's digital divide, noting that the bloc has the potential to enter the ranks of the top five digital economies in the world by 2025. Yet only three countries–Singapore, Malaysia and the Philippines–have a comprehensive digital strategy in place. The reality of the digital era is reflected in a case study of Grab, the highly successful on-demand taxi hailing smartphone application, using a business model steeped in the 'sharing economy'.

Aspiration leads to innovation. SMU's Jonathan Chang met with Serey Chea, Director General of the National Bank of Cambodia, to discuss the Kingdom's efforts to achieve greater financial inclusion. Meanwhile contributors Suparna Dhar and Indranil Bose explore Blockchain–a contender for the next biggest technology disruption since the advent of the Internet–as a solution to India's non-performing loan related banking woes. Akira Mitsumasu offers a perspective and learning points on how leading Japanese corporate groups manage their extensive subsidiaries by getting parent and subsidiary relationships right. And finally, Tan Kar Way, Marcus Ong Jiong Kai, Sijie Ho and Michelle Kan from the Green Transformation Lab, a DHL-SMU industry-academic research collaboration, rethink the linear economy, and propose a circular economy as a practical solution to the massive amounts of waste generated in global communities and as an answer to current resource problems in developing countries.

Our issue is evidence that growth–be it that of an individual, a company or a nation–can only take place if we are open to new ideas. It also requires inspirational leadership, and this leads me to note with great sadness the passing on August 22, 2016 of S.R. Nathan, the sixth president of Singapore, a patron of SMU from 1999 to 2011, and our own distinguished senior fellow at the SMU School of Social Sciences. Mr Nathan, whose 'At the Helm' interview graced the pages of the second edition of Asian Management Insights, was a firm believer that learning never stops. In 2014, at the age of 90, he received an honorary Doctor of Letters from SMU in recognition of his many years of distinguished public service to Singapore and Singaporeans.

One of the generation that helped to mould and guide the modern Republic of Singapore, his was a life well lived and a stirring story in its own right. Mr Nathan became President when he was 75, at a time when he was about to retire after a distinguished 40-year career. An inspiration to us all–the young as well as the not so young–Mr Nathan, you will be missed.

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VIETNAM'S ECONOMIC TRANSFORMATION: EMBRACING CHANGE

The former Deputy Prime Minister of Vietnam from 2002 to 2006, Mr Vu Khoan, talks about the transformation of the country from economic isolationism to its current economic strength, in this interview with Philip Zerrillo.

It has been 30 years since Vietnam introduced the 'Doi Moi' or economic renovation policy—a commitment to increased liberalisation and structural reforms necessary to modernise the economy. Would you say this has been successful? What are the continuing challenges?

Let me recall for you what it was like in 1986. We were suffering from a massive social and economic crisis at that time. Inflation was then 587.2 percent. There was a trade embargo and we were economically isolated from the rest of the world. Our key sponsor at that time was the former Soviet Union, which was itself in a deep crisis. We were a low-income country–the average annual per capita income was about US$86. Today, in 2016, the average income is about US$2,300 (US$2,111 in 2015) per person per year, and Vietnam is recognised as a middle-income group country.

And we are no longer isolated. In 1986, our exports were barely US$800 million–but by 2015, this had grown to US$162 billion. Back then, we had almost zero foreign investment and official development assistance (ODA). Since then, we have accumulated US$230 billion in foreign investment and US$30 billion in ODA. What is perhaps the most rewarding part is that the poverty rate has decreased substantially. If we calculate poverty as a daily income of less than US$1.5 to US$2 per family, then back in 1986 almost 50 percent of Vietnam's population fell in this category, and today it is about 3 percent. To me, these numbers are the real reflection of the success of the reforms.

Let me explain more about the challenges today by providing some context. Thirty years back, we were focused on improving quantity and did not look as much at the quality. But the situation these days is that we are now more focused on quality rather than quantity, and are hence switching from extensive horizontal growth to vertical growth. To clarify, back then we relied mostly on cheap labour and a lot of capital investment, as well as the exploitation of natural resources, primarily oil and coal, for our growth. But productivity was really low. It was about one-fifteenth that of Singapore. Today, we are focusing on economic growth based on technology and skills rather than exploiting natural resources or relying on foreign investment. To give an example, if we look at our rice exports, we are second in the world–but the quality of our rice is not that good–and so our key focus today is to restructure our agriculture.

Today, we are focusing on economic growth based on technology and skills rather than exploiting natural resources or relying on foreign investment.

Finally, we have been wanting to privatise and reform our state-owned enterprises (SOEs), but that has not been as successful as the government has hoped. There are several reasons for the delay. The real situation is much more complicated than we expected. First, there are several leaders and executives in those SOEs who do not want to give up their power. The second, and more difficult, is how do we value those SOEs? For example, the value of the land or equipment is very different from one SOE to another. Third, several SOEs are reporting losses–so how do we 'IPO' them? After all, it is common sense that people will only buy companies that make profits. At this moment, the companies that are much wanted by foreign investors include companies like Vinamilk, Saigon Beverage Company and Hanoi Beer, which are performing well.

As Deputy Prime Minister in charge of Foreign Economic Relations from 2002 to 2006, you have greatly contributed to the negotiation process of various free trade agreements (FTA), and also to Vietnam joining the World Trade Organization in 2007. How has Vietnam benefited from this global integration? And what are the challenges ahead?

The most important characteristic of the economic reforms of 1986 was that we opened our doors to the world and began to integrate with the global economy. Even today this policy is not only maintained, but also strongly pushed. We are currently the country with the sixth highest number of FTAs; we have agreements in place with all the strong economies of the world, including the EU, the U.S. and the ASEAN nations. Why are we doing this? It's because we recognise that FTAs give us access to a larger market and increase our exports considerably. Back in 2000, when I was the Minister of Commerce and wanted to sign a FTA with the U.S., our exports to the U.S. were about US$760 million. Today they are worth approximately US$45 billion in bilateral trade. Another benefit from signing FTAs is that we receive a lot more foreign investment. It also provides Vietnamese companies the opportunity to learn to do business on a global scale. Additionally, the price of imported goods into Vietnam is much cheaper–which is very important to the country, because prior to this, it was primarily a manufacturing and outsourcing nation. Finally, because we have integrated with the world, our thinking on economic policy in Vietnam has developed a lot, which has also improved our position in the world. The key focus of our foreign affairs policy is to diversify our relationships, and integration helps us with that.

But of course there are a lot of challenges. The first is that the competitiveness of our economy is still low, and so we are concerned about how we can compete with our partners. We are also facing fierce competition for foreign investment from neighbouring ASEAN countries. Second, both the government and our companies do not have much experience in competing globally, and we have a lot to learn. Many of the restructuring processes in Vietnam have not been able to catch up with the pace of change in the world. Third, it is very difficult to manage 55 different partners. How do we maintain the balance between the domestic economy and global integration? So while Vietnam's exports are really large at US$173.32 billion, about 70 percent comes from foreign direct investment companies.

As I observe the world, I believe that nations tend to follow two paths. First, there appears to be an increase in protectionism in some form in many countries. Those countries now want to protect their local markets. The second tendency is that they want to carry out free trade through FTAs. While these seemingly opposing trends exist in parallel, they also complement each other. I personally believe that it is imperative for us to open up to the world. If you want to only focus on your local consumption, it is a closed circle which is also getting smaller. Moreover, you cannot develop it as fast, especially if you are a developing country.

In your opinion, what role have the politicians and administrators played in the economic development of Vietnam?

There is a common misunderstanding among foreigners that Vietnam does not reform its political policies. That is totally wrong. From Doi Moi days, we have not only focused on restructuring economically, but also on political reform. The Vietnamese have a saying that before you decide to follow any ideology, you need to first fill your stomach. So we had to first focus on economic reforms. However, at the same time, we were observing conflicts in other nations like the former Soviet Union, and we realised that these conflicts or civil unrest do not bring any benefit to the people. So to restructure our economy, we needed to maintain a certain amount of political stability. But the truth is that the ideology Vietnam wanted to follow was without precedent–we have never seen it in any other country. So we have to observe how it goes.

The second characteristic is that when we wanted to restructure the government, we wanted to revamp the party. We wanted to switch the Vietnam government to one that is ruled by law. Prior to 1986, when we, the bureaucrats and party members, used to go to a parliament session, there was almost no discussion. Everything was decided by the government, that is, by the ministers. Now it is completely different. The parliament has great influence and power. It has to sign off on key initiatives such as the budget and proposed FTAs. All parliamentary sessions are shown live on television. Members of parliament are now able to challenge members of the government, and that too is broadcasted live. Similarly, before our reformation, we had only four to five newspapers. Today we have over 5,000 newspapers. There are also approximately 175 television channels, including several that are privately-owned. Around 50 percent of the population has access to the Internet, and for every 100 Vietnamese people, there are 145 mobile phones. Society is much more open now.

And finally, while the government observes and learns from the general human rights situation in different parts of the world, we believe we have to adjust those observations and learnings to fit our situation. So for instance, we realise that the literacy level of our people is still low, but we do note that over 70 percent of Vietnamese are farmers, and that we have had 30-40 years of war.

How can Vietnam avoid falling into the middle income trap?

We have actually recognised that we are at risk of falling into that trap, and that is why we are focusing on restructuring the economy and changing the model to focus on quality instead of quantity.

> From Doi Moi days, we have not only focused on restructuring economically, but also on political reform.

That's going to be our focus for the next several years. This is a key topic being discussed today at the Central Committee meetings as well as in the parliament.

We are also facing a new challenge that we have not faced before–climate change. Vietnam is a country that will suffer a lot from this phenomenon. Already, our economic growth in 2016 is forecast to be below expectations because of this. Climate change in the Mekong Delta, which is located in our southern provinces and is the region that provides rice for the whole nation, has changed everything. This region can no longer focus on rice production, as the ocean has taken over, salinisation has increased, and it is now short of fresh water. The other key challenge associated with climate change is that the vast majority of farmers are soon going to start moving to urban areas in search of a livelihood. Hence, we have to push for the development of industries so that we have jobs for those farmers, or else larger social issues will arise.

Education too will play a big role here, and is currently a great challenge. Up to now, our education system has had a lot of issues. We teach a lot of theory but provide hardly any practical experience. We are also focused on training a lot of university students to get a degree, but there are not enough skilled workers. It should actually be the other way round, because now we are concerned about unemployed university students, and at the same time, a lot of international companies can't find enough skilled workers. And with the ASEAN Economic Community, the market will soon open up and we will be flooded with skilled workers from these countries. So we are concerned about this. In fact, the situation is very similar across many ASEAN countries that follow Confucianism, where the ideology is to focus on becoming government officers and highly educated professionals, instead of being skilled workers.

What do you see to be the most pressing challenges and greatest opportunities for Vietnam's economy in the coming five years?

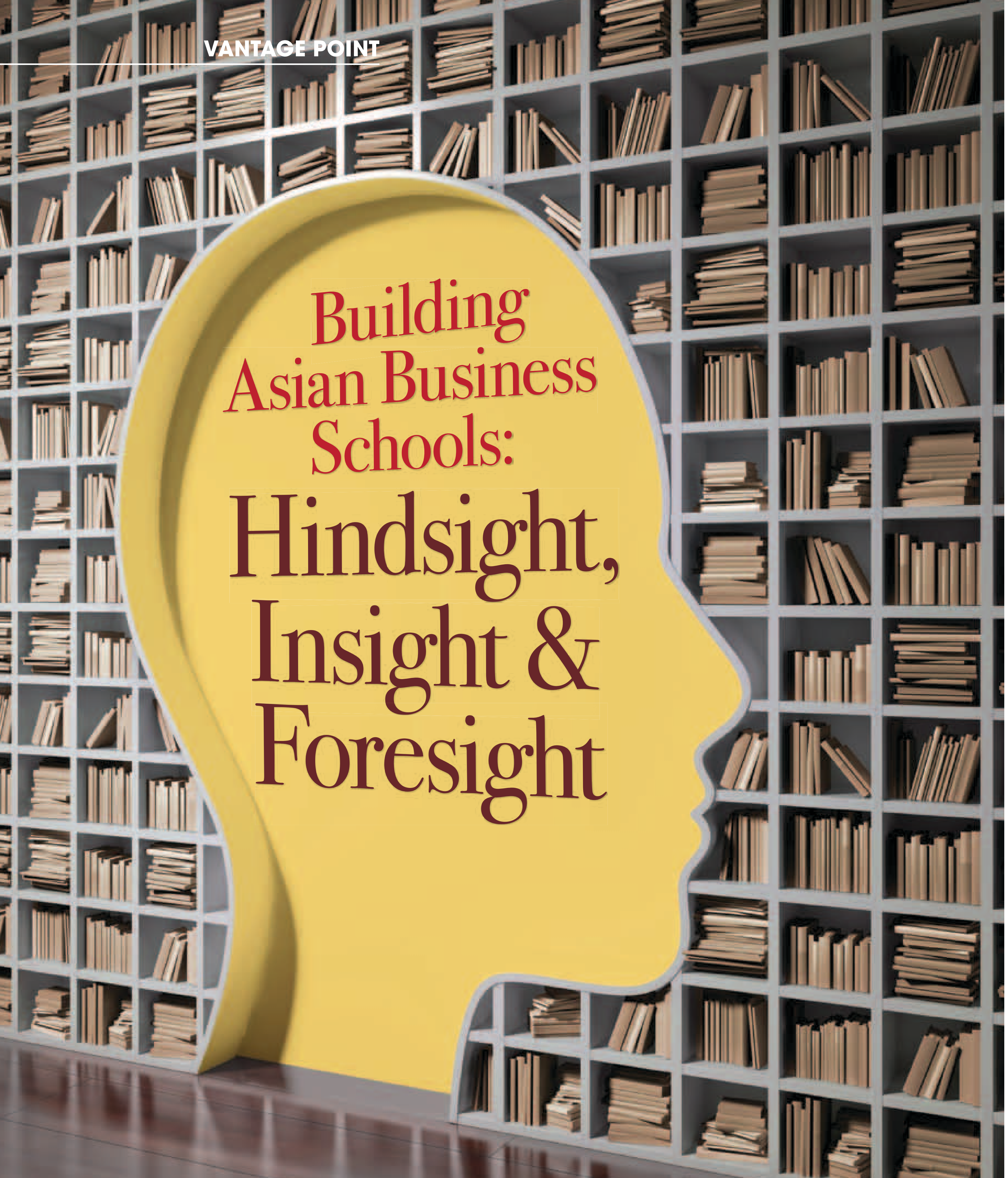
There are three key challenges that Vietnam's economy is facing today. The first one is that we are still battling the consequences of the last few years that had their origins in the 2008-09 financial crisis, manifested in the high budget deficit and soaring public debt. There is also the slower economic growth rate taking place the world over at a time when Vietnam is trying to integrate with the world. To my mind, the second challenge is climate change, which is really affecting us, particularly when we are restructuring our economy. It's similar to how one has to lower the speed of a car when making a U-turn. And the third challenge is Vietnam's relationship with other countries, which is taking place at a time when the fourth–digital–industrial revolution is happening.

But I am very positive, and if I had to write a letter to the next generation, I would tell them not to be as foolish as we were. Because 40 years from now, the world will be totally different. At 80 years of age today, I have experienced writing with pen and ink to typing on laptops, to smartphones–and maybe one day, who knows, there will no longer be any phones? But while everything *will* change, *how it* changes is more important.

> Climate change is really affecting us, particularly when we are restructuring our economy. It's similar to how one has to lower the speed of a car when making a U-turn.

Vu Khoan
was the Deputy Prime Minister of Vietnam from 2002 to 2006

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



Building Asian Business Schools: Hindsight, Insight & Foresight

Management education for the 21st century.

By Dipak C. Jain

Management education has been through many changes since the first graduate business school was established at the beginning of the 20th century. Pedagogical tools and methodologies have changed; student profiles are much different than they were one hundred years ago; and even the focus of management education has shifted from North America and Europe, to Asia, South America and Africa.

Global trends

Global business has also changed. Throughout the 18th century, global business was focused on land and natural resource acquisition (colonialism), the players were countries, impact was measured by strength relative to other colonial powers, and the metric of success was power. From the 19th century through to the 20th century, the focus shifted to free market competition (capitalism). During this era, countries gave way to corporations as the major players, and impact was determined by financial success, which in turn was measured by profits.

Today's global economy has undergone a dramatic change in a relatively short period of time. Technology has enabled us to change the way we live, the way we work, and the way we communicate. Hyper-competition across markets and industries has become extremely complex, while business, government and society in general have become more integrated. Transparency, aided by our unprecedented 'fingertip-access' to information, has become a maxim of modern society as well as increased public scrutiny of most aspects of our lives.

So far, the 21st century has been an era of entrepreneurship. Human capital, or talent, is now the focus. Citizens, armed with the tools of modern technology and constant connectedness, can be major players in global business. Anyone, anywhere, can launch a viable global business from their living room, their local coffee shop, or like the Mark Zuckerbergs of the world, from their dorm room.

But for today's global citizens, impact is no longer just about success and performance. It is now measured by significance or purpose. Entrepreneurs and business leaders, especially among the so-called Millennials, or Gen-Y, have embraced the idea of having a purpose in everything they do. The result is that many are now questioning the meaning of business and the way it's done. While previous generations may have accepted traditional or conventional ways of doing things, today, the most popular word seems to be: "Why?"

Technology has also affected the way that we work. Business has become more mobile, with 'digital nomads' working from anywhere around the world. Business travellers can now be in constant contact with their offices no matter where they are, and head offices can communicate with their satellite offices, with their suppliers and their customers in real time.

Corporations have also undergone significant changes and markets have shifted from local, to regional, to global, and especially to emerging economies. Supply chains have also become global, as communication and transportation advances

> For today's global citizens, impact is no longer just about success and performance. It is measured by significance or purpose.

Management education is still essential to business, to future business leaders and entrepreneurs, and to society. However, its current format may not match current and future market needs.

have made outsourcing production to emerging economies more efficient and cost effective, and more accessible to businesses, even to small and medium enterprises.

Demographic disruptions

Many countries around the world are facing significant demographic disruptions, in other words, ageing societies. Japan, the U.S. and many European countries have been dealing with falling birth rates for some time. And as the baby-boomer generation in these countries has approached and passed retirement age, politicians and business leaders have had to respond to this growing crisis.

These changes in developed countries have been more or less gradual, and predictable. Asia, especially its emerging economies, is seeing the same demographic disruption, but at a much faster rate. In 2011, the chief economist of the Asian Development Bank said that “Asia’s population is ageing at a speed unprecedented in human history.”

Thailand is a perfect example of an ageing, greying society. After explosive population growth before 1970, the Kingdom saw declines in fertility through to 1996, and since then, fertility rates have been lower than those needed to maintain its population numbers. According to the United Nations, by 2030, 17.4 percent of the population will be aged 65 years and over. Essentially, Thailand’s age pyramid will soon be inverted.

Demographic changes in Asia are the result of increased urbanisation, growing economies and increasing opportunities, as well as changing attitudes toward work and family in Asian societies. Having more upwardly-mobile women in the workforce also affects birth rates, as does the rising cost of raising a child. Combined with increasing overall longevity as healthcare becomes more effective and available throughout the region, these factors mean that many Asian countries like Thailand are facing significant demographic challenges.

In economic terms, this will mean a smaller workforce, shrinking tax bases and budgets (especially for education as fewer children will enrol in public schools), and an increasingly urgent need to care for and support the elderly members of society. Governments, in conjunction with business, will be forced to come up with innovative ways to deal with these social and economic changes.

What do all of these changes mean for management education, and especially for Asian business schools?

Adapting management education

Management education is still essential to business, to future business leaders and entrepreneurs, and to society. However, its current format may not match existing and future market needs.

Today, as business cycles have shortened dramatically, people have less time to take off from their careers. So the first shift is away from longer programmes like the traditional two-year MBA model to a one-year model. There is also a trend to bring in students with less work experience, so a bachelor’s degree plus one year of work experience is becoming a more common standard for enrolment. This is a tremendous growth opportunity for business schools around the world, and especially so for Asian business schools.

Content is the second area of change in management education. Standard pedagogies have expanded from case studies, to more analytical frameworks, to the 21st century tool of experiential learning. But these global methodologies can be used to solve local problems. By doing research into Asian business, creating Asian case studies, and developing Asian business experiences for our students, business schools in the region can create a unique identity and become a hub of knowledge for the region and for the world.

INSEAD thought of this more than 15 years ago when they set up a campus in Singapore. While some thought that it was a move to attract Asian students, the reality was that it gave the Europe-based school a geographical reach that resulted in students and faculty researchers from other regions going to Singapore to study business in Asia, and about Asia. If someone is interested in learning about the fastest growing economies and business environments in the world, why not study them at ground zero?

The third shift is away from the traditional MBA to more specialised, one-year Master’s programmes. While Asian business schools have created highly-ranked MBA programmes over the past 20 to 30 years, it was always going to be difficult to establish any significant differentiation between these programmes and the more well-established MBA programmes in the West.

Schools like Singapore Management University (SMU) and City University of Hong Kong (CUHK) have been pioneers in developing specialised Master’s programmes that meet their market needs. SMU’s Master of Science in Applied Finance and Master of Science in Wealth Management and CUHK’s Master of Science in Management of Real Estate and Hospitality Assets are examples of such innovative course offerings. They reflect the growing demand for specific, tailored curricula that meet the needs of today’s global business people.

The opportunities for specialists in both healthcare and wealth-care management will soar.

Growth segments

Considering the demographic changes in Asia that I mentioned previously, I see opportunities for business schools to grow in three specialised areas: consumer wellness, consumer engagement and consumer hospitality.

CONSUMER WELLNESS

Consumer wellness, specifically healthcare and wealth management, is probably the biggest growth opportunity for Asian business. As people live longer, their physical and financial wellbeing will become a major issue. The rise of medical tourism in countries like Thailand has resulted in significant growth in the overall tourism sector. This niche segment of the tourist industry will only increase as insurance premiums and healthcare costs in western countries continue to rise. And as pension funds and social security schemes begin to feel the strain of larger outlays combined with fewer workers paying into the system, alternative, more affordable healthcare will be encouraged.

Many retirees will also need to manage their wealth and finances for longer periods of time, and possibly privately rather than through the traditional channels. At the same time, younger workers will see opportunities to pay into corporate or government schemes decrease and will need to manage their individual retirement accounts on their own. Again, the opportunities for specialists in both healthcare and wealth-care management will soar.

CONSUMER ENGAGEMENT

A number of factors will affect the customer engagement, or media and entertainment, market. One effect of increased longevity is more leisure time. Ageing societies such as Thailand will have a larger percentage of the population who are over 65, and even if some of these people stay in the workforce longer, the majority of retirees will have a lot of free time to consume media and entertainment products.

Advances in technology also mean that more consumers have access to media and entertainment wherever and whenever they want it. They will also seek customised, niche products that match their specific interests.

CONSUMER HOSPITALITY

Global tourism is one of the growth industries in the world economy, and travel to Asia is especially trendy and popular at the moment. Many Asian economies rely on the tourism sector for economic growth, and this influences the hotel and restaurant industries in these markets. As travel becomes easier and more affordable, and as the populations of ageing societies enjoy more leisure time, tourism will continue to grow and expand in both traditional markets and to new destinations.

The rise and success of entrepreneurs like Facebook's Mark Zuckerburg, Airbnb's Brian Chesky, or Uber's Travis Kalanick show the tremendous growth opportunities in these sectors. By capitalising on the rapid advance of technology in recent years, they have built disruptive multi-billion dollar companies that focus on consumer engagement, hospitality and wellness. While Asian entrepreneurs have already begun to make their mark on the start-up world, the number of entrepreneurs in the region continues to grow, and it won't be long before a 'local' entrepreneur achieves the kind of global success that we are seeing from western entrepreneurs.

Collaborative opportunities for Asian Business Schools

For many years, I have been saying that the future of competition is collaboration. Over the past 20 years, we have seen a proliferation of Western-Asian business school partnerships. In 1982, my school, Sasin Graduate Institute of Business Administration, in Bangkok, Thailand, was one of the pioneers in setting up a collaboration between two established business schools in the United States (the Kellogg School of Management of Northwestern University and The Wharton School of the University of Pennsylvania) and Thailand's Chulalongkorn University. Today, programmes such as the Kellogg-HKUST Executive MBA in Hong Kong, the IE-SMU MBA, the UCLA-NUS MBA and others are among the top-ranked programmes in the world.

> The future of competition is collaboration.

But we need to take this collaboration model to the next level. Rather than just adopting the western model, Asian business schools should create an Asian model that focuses on Asia-based research and thought leadership. Schools should cross-pollinate and create Asian case studies that can be taught in both western and Asian schools. This would lead to better incentives for collaboration and deeper connections among academia, business and government.

And with the strong evidence of start-up ecosystems emerging in countries like Thailand, Indonesia and the Philippines, Asian business schools can focus on entrepreneurship and make it an integral part of their curriculum.

All business schools need to provide a balance among academic excellence, business relevance and social significance. But we should never abandon the fundamental management skills that future business leaders need: communication, decision-making, leadership and teamwork. And we should never lose sight of the importance of input (quality students), throughput (curriculum) and output (placement). And today, with the forces of migration affecting social make-up and hiring practices, business schools also need to cultivate diversity at all levels of the school (students, faculty and staff).

With all of these significant changes affecting the worlds of business and education, Asian business schools need to develop a leapfrog mindset in order to move away from traditional management education and corporate thinking. Today's global citizens and future business leaders want innovative, action- and project-oriented entrepreneurial programmes that match their needs and help them develop the skills required for the modern workplace.

Asian business schools are uniquely positioned to take advantage of the forces of advancing technology, changing cultures and evolving business models that are sweeping across the world. By creating a distinct Asian identity, business schools in the region can tailor their programmes to meet the specific needs of students in the region, while attracting students and faculty from around the world who have an interest in business in Asia. And they can help their graduates prepare to meet their career challenges and succeed in today's hypercompetitive business environment.

Dipak C. Jain

is the Director (Dean) of Sasin Graduate Institute of Business Administration of Chulalongkorn University in Bangkok, Thailand; the former Dean of INSEAD (2011-2013) and Dean of Northwestern University's Kellogg School of Management (2001-2009)

Connecting India

Great inventions will not be born in the absence of the will and intent to embrace change and solve wide-ranging societal problems.

By Sam Pitroda

Asia is now at the forefront of innovation. But if we are to continue the lead, we must take another look at the use of technology for the greater good, and its role as a means to bridge the social inequities that are visible in so many developing countries around the world. And while innovation has long been on the agenda of public and private policymakers, especially when combined with technology, its use as a tool for profound social change is often not given its full due. There is an urgent need for innovation to enable positive social and economic change.

Today, we are witnessing sharp discrepancies, even crises, in resources–be they food, water, oil or human capital–that, in turn, have led to an alienation of vast groups of people as well as squabbles over the limited resources available. In such troubled times, information, communications and telecommunications (ICT) can be a means of providing a better life for humanity through social and economic empowerment.

I view information as the fourth pillar of democracy, along with the legislature, executive and judiciary. Meanwhile it is Information *Technology* –and innovations stemming from it–that has played an indispensable role in promoting openness, accessibility, accountability, connectivity, democracy and decentralisation–all the 'soft' qualities so essential to effective social, economic and political development.

In the case of my country, India, the process of connecting the nation with telephones, knowledge and IT has been going on for more than 30 years. We started with nothing, and now in 2016, Indian software services bring in about US$150 billion or more every year. Without innovation, India would have simply been left behind.

We might now find ourselves at a crossroads, having reached the tipping point for expansion, excellence and equity. But to maintain the Indian growth story we will still need to continue building an innovative nation. For these reasons, the Indian government has declared 2010-20 as the 'Decade of Innovation'.

The connectivity revolution

For me, connecting India was a big dream. I strongly believed that a diverse and complex nation like ours could expedite the process of modernisation by linking people and places using telecommunications technology, which is the most basic form of modern connectivity. Until comparatively recently, telephones in India were only for the elite. I was 21 the first time I used one.

Back in the 1980s, the developed world had 800 million people and 400 million telephones, one for every two people. India had almost 800 million people and 2.5 million telephones, one for every 280 people, most of which did not work. Our system operated on a patchwork of outmoded exchanges provided by different companies originating from different foreign countries. Our technical resources to maintain this crazy quilt of a system were vastly inadequate. We had virtually no ability to expand service in a way that would meet the continually growing demand.

Meanwhile villagers, who formed the vast majority of the population, were isolated in stagnant social and economic enclaves. Introducing workable telecommunication technologies would help rural communities connect with their customers and suppliers elsewhere, so that they could expand and build their businesses–none of which were

I view information as the fourth pillar of democracy, along with the legislature, executive and judiciary.

possible with that generation of scarce and unworkable phones. I intended to break them free from their barriers and connect them with one another and the rest of the world.

TELEPHONE FUNERALS

When I returned to India from the U.S. in 1981, I was frustrated by not being able to call my family back in Chicago. It was then that I decided to help modernise India's telecommunications system. The next morning, I looked out of my window and saw a large funeral procession passing on the street below. But it looked a little odd—a funeral, but not an ordinary funeral. I went downstairs to see, and it turned out that this was a funeral for dead telephones. People were carrying a funeral litter, but instead of a body, the litter was piled with dead, old, non-functioning telephones. That was intriguing. A dead telephone demonstration. Telephones being paraded through the streets. When I asked the doorman what was going on, he said, "Oh, it's just the phone problem. It takes 10 years to get one, and then they never work. People get upset." The next day in the newspaper, I saw a long article on the dead phone demonstration.

ACCESS VERSUS DENSITY

All over the globe, higher growth had been correlated with increased telephone density, and the obvious approach to modernising India's systems was to import the western model, which focused on density. I questioned what this would do for India, where there were more than 600,000 villages, home to more than 70 percent of India's population, many of which had no phones at all. We needed to do it differently than in developed countries.

Our focus was to move towards providing *access* instead of *density*, starting with smaller rural exchanges that we designed ourselves, for our conditions, especially for a climate given to extremes. To transform the existing dilapidated system also meant we had to build it with the best modern digital technology.

Whenever I talked about public access, people immediately thought of the western-style coin-operated public phones. But coin-operated phones were expensive to make, install and maintain. What I wanted were public phones operated by a phone manager or phone entrepreneur, what came to be known as Subscriber Trunk Dialling/Public Call Offices.

AN INDIGENOUS DEVELOPMENT STRATEGY

My strategy for India's telecom development was based on indigenous development, accessibility, local production, ancillary industries, digitisation of networks, rural telecom and young local talent. Making things at home instead of importing them–that is the concept of 'swadeshi'–was the backbone of the Indian independence movement. It is a philosophy deeply ingrained in our history, and one I was determined to bring to telecommunications and technology.

For many reasons, existing telecommunications agencies could not be expected to accomplish this. Nor was it even desirable, as costs would be prohibitive if outsourced to foreign companies, and cash reserves would be spent on imports from multinationals. On the other hand, building indigenous equipment would see us establish local manufacturing, modernise our phone systems, provide access for the bulk of our population, and develop our own technology, entrepreneurs, human resources and industrial base.

Our engineers achieved a breakthrough. The resulting phone system assured access, met local Indian needs, was humidity-, dust- and monsoon-proof, and did not require air conditioning. This was a design breakthrough as (imported) switches built for high-temperature and high-humidity environments invariably needed air conditioning. Beyond that, the Indian electrical grid was notoriously undependable; we couldn't have the switches overheating every time the power failed.

At last we were on the way to connecting India from the bottom-up; and soon, everywhere you went in rural India, there was a yellow public phone. The telephone was no longer a luxury, but a necessity. Eventually the private entrepreneurs took over; large and small mobile operators entered all parts of the country, and by 2014 India had over a billion mobile phones in use.

The first phase of India's telecom revolution was a success. The foundation of that revolution was connecting rural India to the rest of the country and the world, and giving villages access to the grid of modernity. And once international standards had been promulgated, we opened India up to mobile telephony.

My strategy for India's telecom development was based on indigenous development, accessibility, local production, ancillary industries, digitisation of networks, rural telecom and young local talent.

The knowledge revolution

The ultimate goal, as I saw it, was to ensure that India would become a thriving democracy, and the key value at the core of that goal was inclusivity. A thriving democracy had to be an inclusive democracy. Growth had to benefit those at the bottom along with those flourishing at the top.

Around the world, poverty and lack of (social) progress is typically linked to a lack of knowledge. To me, that meant we needed two complementary efforts–one, to give people a way of accessing knowledge and, two, to make sure the knowledge they needed was useful, such as for personal, business, technical, academic, practical and social purposes.

Thus commenced the second phase of India's telecom revolution, which encompassed broadband, applications and locally relevant content. It required a blueprint for knowledge-related institutions and infrastructure. In order to accomplish these things on a *countrywide* scale, we needed to create a *countrywide* platform–and that platform was knowledge, something that had never been done before.

The next question was: What would a comprehensive knowledge platform look like? India's economic progress had been accelerating but we did not have enough educated, skilled people to maintain the growth we needed. We had shortages of expertise in every sector: teachers, doctors, scientists, engineers, nurses, plumbers and carpenters. Education and knowledge had to be the key for us, which meant that we had to develop what I began thinking of as a 'knowledge edge'.

But how did one take a country of 1.2 billion people and develop society-wide plans to bring education into the 21st century? I started thinking about university reforms. But universities were only one part of the picture. Vocational education was equally important. We didn't just need professionals; we needed skilled people occupying the trade and services sector. And we needed to excel too. Apart from the top five percent of the universities, the quality of Indian education was, to put it bluntly, just not good. Also, there was a need for equity. The poorest of the poor needed to have access to the best–or at least halfway decent–schools.

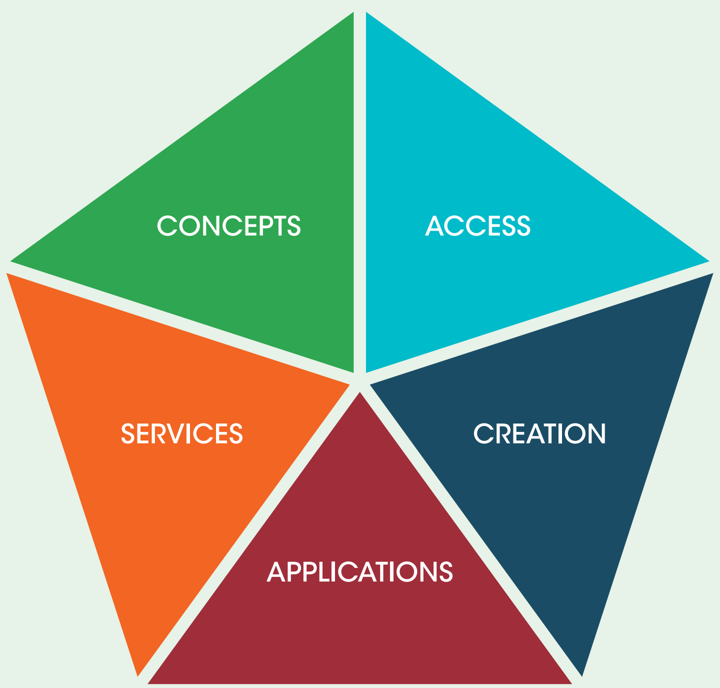
At the same time, the academic circles were challenged to continue to provide access to technology, a greater degree of connectivity among university teachings and industry desires, good innovation cultures that must be practised, as well as intellectual property protection. Today, we cannot afford to have our mindsets locked up in the past. We need to use technology and redesign everything around us.

NATIONAL KNOWLEDGE COMMISSION

Education cannot be geared just for the industry but the industry needs educated people. So while we need better interface between industry and university, we also need better interface between university and research institutions. Knowledge is continuously changing and as a result, if we don't train or re-train people, they will not be productive in the dynamic society.

As a way to induce the second phase of India's technology revolution, a National Knowledge Commission (2005-2009) was tasked with providing a blueprint of reform for the knowledge-related institutions and infrastructure for the 21st century India. This would enable the leapfrogging of social and economic development. The focus was on five essential areas: access to knowledge, knowledge concepts, knowledge creation, knowledge application, and knowledge services (refer to Figure 1).

THE KNOWLEDGE PENTAGON



Access	Making knowledge as widely available as possible.
Concepts	Where are knowledge concepts taught, and what do we need to do to upgrade our teaching institutions, to make more of them world-class?
Creation	To create jobs, modernise our industries and lift the masses out of poverty, we need to focus on science and technology.
Application	What are the most effective ways to make knowledge practical, useful and with the most impact? Education through the Internet and e-learning; agricultural improvement through new farming technologies and techniques.
Services	By this I primarily mean e-governance. India was a country where the citizens' interactions with the government were commonly a source of frustration, fear, and a door to corruption. The procedures for all kinds of interactions, ranging from driver's licences to birth certificates, business approvals, passports, pensions and other social payments, were antiquated, unnecessary and complex.

FIGURE 1

Today, the knowledge network is fully operational. It can instantly connect professors, students, researchers and others. But we cannot create a 'knowledge paradise' for tomorrow without looking at technology input related to open courseware, distance learning, and the rest. The entire model of education of how we learn, what we learn and why we learn is going to change. In the case of universities and colleges, I believe they should be centres of innovation.

Disparity, demography, development

Currently, there are three fundamental challenges that remain. Firstly, the disparity between the rich and poor, the urban and rural, and the educated and uneducated. This has to be reduced substantially by a commitment to inclusion and equity through democratisation and decentralisation. Young India must focus on an Indian model of development and solve the problems of the people at the bottom of the pyramid. Secondly, demography. There are 550 million people below the age of 25 who need to be skilled, educated and empowered for employment. This is the workforce for the world. And thirdly, development. Everything is happening in India, but perhaps not at the pace we want.

India is at a crossroads today due to fundamental challenges related to corruption, the black market, the status of women, security, employment, education, health, infrastructure, energy, and governance. The country needs major administrative, judicial and political reforms. It is believed, for example, that the modernisation of the railways would add up to two percent to the GDP, and that a revamping of the judiciary and the police would add the same amount as well. I believe it is technology-inspired innovation that can close the door on disparity and demographic issues. At the same time, it opens the door for development efforts.

TECHNOLOGY: THE GREAT ENABLER

Not too long ago, it used to take 10 years to get a telephone connection in India, five years to get a scooter and three years to get a car. Now, everything is available on demand, instantly, and also of international standards. India has also increased its export of products and services and built several Indian multinational companies with a presence in all the major global markets.

Technology clearly generates growth and is a pathway to alleviating poverty. I usually say that technology is the great social leveller, second only to death (I'm sure tax must figure in there somewhere as well). But technology needs the mechanisms and structures imposed by the government, academia, law and business life to allow it to flourish and unleash its power.

While technology, and access to it, are key enablers to social change, it is also important to question and focus on the applications and outcomes, rather than just investing in and conducting research. If innovation drives growth and the economy, as well as creates jobs, then it is important to develop not only an environment for innovation, but connectivity.

Nevertheless, it needs to be emphasised that development must be an Indian model of development, with traditional Indian values and incorporating wisdom for Indian solutions. Needless to say, this will require political will and national consensus.

We have, today, the ability to bring about generational change. The question is: Will we squander this crucial moment away? And what we do here is not simply an Indian affair. India's population is the youngest in the world, and it's getting younger, while the workforce of other nations is ageing. Our young people will comprise the world's talent and upcoming workforce.

India's needs are immense. But her talent pool is deep and bountiful. The world is looking to India to find affordable, scalable and sustainable solutions for basic needs: food, shelter, infrastructure, education and health.

India's place in the game is to make sure that its talent is used properly to solve the problems of the poor. This is the Indian model, essentially, because the country is a democracy. It is the laboratory for the democratic world, and also the democratic world's potential engine for growth. But for this to come about, India must change. And for that, she needs nowhere else to look but within.

> While technology and its access are key enablers to social change, it is also important to question and focus on the applications and outcomes, rather than just investing in and conducting research.

I remain very optimistic about India because of my faith in the strong Indian family system, the young talent pool, the heady successes of the recent past–and the potential of new technologies of the future.

Yes, there are other greater challenges ahead, but as I discovered in my 50-year journey from Orissa to Chicago to Delhi, innovations happen at the edge. We need to cross boundaries, and accept and respect those who are different.

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Ueber-Brands

How to make your brand priceless?

By JP Kuehlwein and Wolf Schaefer

What do Tesla, Nescafé, Patagonia, Cirque du Soleil and Red Bull have in common? They form part of a new breed of modern prestige brands that we call Ueber-Brands–brands that are valued beyond their price and esteemed beyond their size. These brands are unique in that they have captured not just the wallet but also the hearts of a huge, loyal and growing customer base. More than offering the usual benefits of their respective categories, they engage with their customers at a different level and beyond considerations of utility and functionality. Some of these brands may start out small, but even Red Bull, priced at around $2-4 per can, pulls in some US$4 billion and more in sales or equivalent each year, as high or higher than any single SKU[1] that the mass market majors are selling globally.

'Prestige' is a concept as old as mankind and many luxury brands have been associated with it. A Ferrari is not just a car that gets you from point A to B, and a Gucci purse is not just bag to carry things around. Such brands are able to make you forget about functionality and price (to some extent) and charge prices that are way above the category average.[2] Like traditional luxury brands, Ueber-Brands also rank very high in their respective categories in terms of recognition and price; but it is their behaviour and the ways in which they achieve these stellar positions that sets them apart from traditional luxury brands. They slowly yet surely redefine 'prestige', by taking into account a much broader perspective.

This article explains how Ueber-Brands depart from traditional prestige brands and create a powerful presence not by pricing up and celebrating themselves as rarefied, but more by evoking pride and aspiration through esteemed ideals and ideas. These brands create a longing not just by building exclusivity through extreme restraint and scarcity (think Hermes' Birkin bag), but by mixing into these a dose of inclusivity, astutely balancing exclusion with connection. And finally, Ueber-Brands are more truth-minded; they live their mission and radiate their ideals.

Ueber-Brands—brands that are valued beyond their price and esteemed beyond their size. These brands are unique in that they have captured not just the wallet but also the hearts of a huge, loyal and growing customer base.

The must of mission: Ideas and ideals

Since World War II, businesses have thrived on pushing products to customers who bought more than they needed and spent more than they could afford. The 2008 global financial crisis and the recession that followed changed some of that. Today, there is a growing trend among western consumers to buy not just to own and accumulate, but to buy into a cause.

That is not to say the urge to do good did not exist in consumers prior to the crisis. When Ben Cohen and Jerry Greenfield first set up their 'scoop shop' in Vermont, United States, in 1978, their aim was to sell ice cream and heal the society at the same time. Ben & Jerry's started off by supporting poor farmers in Vermont and since then, the brand has focused its campaigns on environmental awareness and social and economic equity. The brand developed a huge following.

When Unilever bought the company in 2000 and deprioritised its social activities, sales stagnated. It became clear that customers used to flock to Ben & Jerry's for more than just its wacky flavours. Consequently, Unilever established an independent board of directors with a separate budget for Ben & Jerry's, which focused on the company's social mission and brand integrity–and its customers. Since then, Ben & Jerry's has flourished despite being associated with controversial topics like "Yes Pecan!" that supported Barack Obama's election campaign or "Hubby Hubby" that upheld gay marriage rights.

A similar story emerges from TOMS, a California-based company that started off making canvas shoes in Argentina with a one-for-one promise–for every pair of canvas shoes sold, one pair of shoes was donated to the poor children of Argentina. The plain shoes were sold at a steep price of US$59 a pair, but there were enough people who wanted to buy it because they knew their money was going towards a good cause. Over the years, TOMS has expanded into one-for-one spectacles that provide ophthalmic treatment to the needy, one-for-one coffee where each cup sold provides clean water to the poor, and one-for-one bags that help save lives of birthing mothers and their newborns in developing countries.

Customers of Patagonia, the American clothing retailer, are lured by the company's mission to conserve the environment and its honest commitment to the cause. Every product on the Patagonia website has an 'ingredient statement' describing the percentage of recycled materials used, and from where and how the materials have been sourced. The company also publishes *The Footprint Chronicles*, providing customers with honest information about its supply chain in terms of carbon footprint, Fair Trade practices and the protection of migrant workers.

Patagonia ran an 'anti' Black Friday campaign in 2013 dissuading customers from excessive buying–in fact, actively discouraging them from buying Patagonia's own fleece, jackets and parkas. A full-page advertisement appeared in The New York Times that said "Don't buy this jacket". Instead, the company persuaded customers to buy a US$29.99 sewing kit to repair any clothes that may be coming apart at the seams. The company even offered to take back old gear from its customers and sell it on eBay on their behalf.

Patagonia's products are expensive. A simple trucker hat that typically costs 40 cents to manufacture and is usually sold for anywhere between US$5 and US$15, is sold for US$29 on the Patagonia's website–and it is sold out–because part of the proceeds are donated to breaking down obsolete dams, freeing the rivers and giving a new lease of life to the wildlife that resides in them. Its consumers don't feel exploited. Instead, they feel they are part of a movement and are donating for a cause–this is the power of Ueber-Brands.

A principle is only one if it costs you. And Ueber-Brands face this truth time and again. Having an opinion about which political party you support might not sell your ice cream, but Ueber-Brands are willing to take the risk because they believe in the cause. Method, the cleaning supplies company, initiated a campaign to clean up plastic garbage floating in the Pacific Ocean and on the beaches of Hawaii. These plastic bags, fished from the ocean, are used to make hand-soap bottles. Each of these is unlikely to be an immediate pay-out proposition. But in totality, they contribute to the brand's distinct image and desirability and pay dividends over the long term.

The first set of questions a marketer must ask:

- What is the brand's mission (beyond making money)?
- Is the purpose desirable and/or sustainable?
- Does it cost you?
- Does the company culture live up to the brand mission?

Balancing inclusion and exclusion: Longing and belonging

One of the key objectives of mass marketing is reaching as many people as possible to win the biggest number of customers. At the other end, luxury brands have always been about exclusivity, mostly attained through high prices and limited availability. Today's Ueber-Brands are able to work out a balance between inclusivity and exclusivity by giving customers a sense of belonging while still keeping them longing. These brands connect their fans into a single community, yet on different levels, with an inner sanctum for their Ueber-Targets, i.e. those consumers who epitomise the brand's ideals.

For example, the Ueber-Target of M.A.C cosmetics is professional makeup artists. The brand targets them as a professional community through specialised workshops and shows and has created strong ties with them as a cultural cohort through its decade-old engagement in fighting HIV/AIDS. The disease ravaged the heavily gay community of makeup artists, as well as core fashion model and transgender customer groups in the 1990s, and remains an emotional cause that they rally around. The 'Viva Glam' lipstick and regular, colourful re-launches with celebrities like Arianna Grande, Nikki Minaj, Elton John or Lady Gaga serve as a link between this Ueber-Target and the broad strategic target of modern cosmetics users. All of the proceeds go towards supporting the M.A.C AIDS Fund, and the M.A.C Ueber-Target rallies enthusiastically behind the initiative every year. To the regular consumer, knowing the money goes to a good cause might just be another reason why buying the product feels right–beyond being 'limited edition' and hip.

For another illustration, look at Red Bull. Although the concept of energy drinks has existed since the 1930s, and there are many such drinks currently in the market, no company has achieved the status of Red Bull. Its design targets are extreme sports athletes, stuntmen, race pilots, rock stars and the like–people who play hard and party hard. These people play a central role in all Red Bull events, its main form of advertising, which serve to seduce a broader strategic target, i.e. students, truck drivers and drowsy professionals. Red Bull has mastered the art of having a few influencers 'in' on the heroes' challenge with many more left to admire, desire and dream from the sidelines. Today, the Red Bull can is as iconic as the Coke bottle, except that for 30 years, people have paid three to four times more per ounce for Red Bull than for Coca-Cola.

> Today's Ueber-Brands are able to work out a balance between inclusivity and exclusivity by giving customers a sense of belonging while still keeping them longing.

Harley Davidson follows a similar pattern of marketing. The quintessential Harley rider–the design target–is an outlaw, a rugged libertarian who plays with the boundaries of society and law. The company has built upon the fascination of men with groups like the Hells Angels, the rebellious, independent, dominating American. Yet Harley's strategic target (the typical buyer) is the suburban, professional, family guy who can afford a bike that costs US$20,000 or more, but can ride it and live the outlaw dream only on weekends.

Carmaker Tesla uses a slightly different, top-down strategy to maintain the allure of its brand while reaching out to the wider target audience. In August 2006, CEO Elon Musk had blogged about his company's 'secret' master plan, "Build sports cars. Use the money to build an affordable car. Use that money to build an even more affordable car. While doing above, also provide zero emission electric power generation options."[3] So Tesla started by launching the Tesla Roadster in 2008, a high-performance super sports car for the rich, eco-tech savvy customers, and then followed it in 2012 with the Tesla Model S, a fully electric luxury sedan. By following such a simple yet clear cascading model, Tesla has been able to effectively balance inclusivity and exclusivity.

The next set of questions a marketer must ask:

- What is your brand's design target?
- And what do you do to stay close to them?
- How do you balance inclusion and exclusion?
- Do you 'unsell'?

The need for truth: Be the change you wish to see

A final dimension of Ueber-Brands is honesty and truth. Ueber-Brands live their mission and they radiate their ideals, inside out–Patagonia being a case in point. Today's digitally connected customer is quick to detect lapses in ethics or deficiencies, and paying lip service no longer appeases the well informed. Customers are looking for style combined with substance, and are willing to pay for it.

Freitag, the Swiss brand that makes messenger bags from recycled materials, is a great example of a company that lives up to the promise of its brand. Its story started in 1993 when two brothers, who had studied design, were looking for sturdy, waterproof bags for their bicycle commute in Zurich. Inspired by passing trucks with colourful covers, they constructed a bag from old truck tarpaulin with a piece of seat belt as a strap. Their bag was a hit among fellow students and bike messengers, and eventually spread to individualistic and environmentally conscious consumers. In 2013 alone, the company recycled 400 metric tonnes of tarpaulin into over 400,000 bags and accessories. Freitag's basic shoulder bag retails for around US$40-60 in Europe, but special edition bags can cost up to US$200 or more, especially when sold outside the continent.

The important point: Freitag's mission of green living is not just limited to the product it sells, but is consistent and true to its principles from the store and right up to the founders and the factory. The company's flagship store–where the brothers originally got their inspiration–still stands on the busy intersection of a railway crossing and is made up of 19 rusty steel shipping containers stacked one on top of the other. The factory uses rainwater collected on rooftops to wash the tarp. The owners even now ride their bikes to work and hang out with young employees and customers. The company's employees all share challenging social backgrounds (many are refugees or high school dropouts) as well as a passion for what the company stands for. Ueber-Brands often don't need to recruit their employees or sell to their customers; they can choose groups of soul mates and disciples who long to join.

A final dimension of Ueber-Brands is honesty and truth. Ueber-Brands live their mission and they radiate their ideals, inside out.

Yuan soap is a small but exponentially growing Taiwanese brand that has taken inspiration from Traditional Chinese Medicine. The company was started in 2005 by a former marketing executive, Ah Yuan, who studied the healing properties of herbs for stress and stress-related ailments and began to make all-natural household and healthcare products from homegrown herbs. The traditional 18-step process to make soap, which takes two months, is followed even today for every piece of soap sold. The Yuan brand truly lives up to its ideals. The strength of the brand is witnessed by the fact that the company experienced double-digit growth even during the financial crisis.

The final set of questions a marketer must ask:

- Are you manifesting the brand mission?
- Does everything you do live up to your principles?
- Does the brand spirit emanate inside out across all touch points?

What can Ueber-Brands teach us?

Like all brands, Ueber-Brands too will change and evolve. Besides, the context itself is in flux–how we define prestige in the coming decades will change, as will the ways we experience it. Nonetheless, based on our experience and countless expert interviews and case studies, we find some common principles that have led to the success of Ueber-Brands–versatile principles and techniques that can be helpful to learn the language of prestige in a modern, 'Ueber-Successful' way. We think of these as a 'to consider' list for those marketers and brand managers who are looking to Ueberise their brand:

- Mission incomparable: Ueber-Brands project a sense of purpose, vision and mission, beyond making money.
- Longing versus belonging: Ueber-Brands walk a fine line between accessibility and exclusivity, proximity and distance. They give their customers a feeling of belonging while making them long for more.
- Un-selling: Ueber-Brands don't sell, they seduce. They communicate and connect with their targets without ever seeming too eager or needy.
- From myth to meaning: Ueber-Brands don't just tell a compelling story, they elevate the story to a goal, answering to a higher truth or goal with social value.
- Behold!: Ueber-Brands put their product or service at the centre of attention and make it unique, substantial and superior enough to manifest and support its ideals and mission.
- Living the dream: Ueber-Brands reflect what they believe in, inside out.
- Growth without end: Ueber-Brands are able to grow constantly without over-saturating and undermining their pricing power.

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This article is based on the authors' latest book "Rethinking Prestige Branding–Secrets of the Ueber-Brands" (Kogan Page, 2015). Please visit their blog-cast "Ueber-Brands" for more case studies and interviews with (aspiring) Ueber-Brand builders.

References

1 A stock keeping unit (SKU) is a product identification code, often portrayed as a machine-readable barcode that helps track the item for inventory.

2 We use that as a measure, not because price is the most important thing to these brands, but because they certainly have this power of making pricing a secondary consideration or an afterthought.

3 Elon Musk, Tesla Motors, "The Secret Tesla Motors Master Plan (just between you and me)", August 2, 2006.

Transforming industries, enriching lives and propelling progress.

By Naveen Menon

The digital sector has emerged as the leading driver of innovation and growth across the world. There isn't a single business sector, or aspect of human life, that hasn't been touched by the digital revolution we have seen in recent years. This has been driven by two major factors. Firstly, Internet penetration has increased rapidly, with two-fifths of the world's population now online. Secondly, developments in technology have made smartphones and tablets more powerful and, equally important, more affordable. Access and affordability are particularly significant for emerging markets.

This is where the Association of Southeast Asian Nations (ASEAN) bloc has an opportunity to leapfrog to the forefront of this technology wave. It has the potential to enter the ranks of the top five digital economies in the world by 2025. The implementation of a proper digital agenda and strategy could add US$1 trillion to ASEAN's GDP over the next decade. At current GDP levels, that is an impressive 40 percent growth to its overall output by 2025.

The opportunity

ASEAN is a ten-nation bloc with a combined population of more than 600 million, 94 percent of whom are literate. Further, 50 percent of ASEAN's population is under 30 years of age, and 90 percent of these people have access to the Internet. This is the group that is technologically savvy and most likely to contribute to the growth of the digital economy—by using the Internet for anything from shopping and banking to hailing a taxi and booking a hotel, or even finding a partner with the fast-growing number of dating apps.

With the bloc's combined economy currently valued at US$2.5 trillion and projected to grow 6 percent per annum over the next decade, this segment of users (30 years and below) is likely to see their income levels rise, giving them more disposable cash. The continued developments in technology would open up even more avenues for them to spend this extra money.

The impending implementation of the ASEAN Economic Community (AEC) could boost the growth of the digital sector even further. The AEC will see the region become a single market with free movement of goods, services and skilled labour, and free flow of capital. This is likely to open up new growth opportunities for businesses, which in turn will create more jobs. That means more people will be making money, some of which will be spent to fuel economic growth in the region.

Additionally, governments across the region have been making efforts to build information and communications infrastructure. Their investments in such projects have been growing at a compound annual growth rate of 15 percent over the past five years, with US$100 billion invested in 2015 alone.

The hurdles

However, the region will have to overcome various roadblocks to fulfil its growth potential. The first is limited broadband access in rural areas. A vast population, especially in countries like Indonesia, Thailand, the Philippines and Vietnam, lives in rural areas where Internet connectivity remains relatively poor.

Second, a large number of consumers in the region, especially in countries like Indonesia, still lack access

> ASEAN has the potential to enter the ranks of the top five digital economies in the world by 2025.

to proper banking facilities. This limits their ability to make payments online and hinders the growth of the sector. Even among those who have access to banking services such as credit and debit cards, there is a reluctance to conduct transactions and share their financial details online. Except for Singaporeans, ASEAN citizens are 10-30 percent more reluctant to share their financial information for an online purchase compared to the global average.

Third, current regulatory frameworks are not harmonised between local and international players, which is hurting business. For example, in Malaysia, Government Sales Tax, GST, is not imposed on international transactions, disadvantaging local players. Meanwhile, Indonesians are subjected to one of the highest import tariffs for manufactured goods in the region. Even within ASEAN, varying taxes and duties are imposed on online purchases.

Finally, except for Singapore, Malaysia and the Philippines, none of the ASEAN member countries have a comprehensive digital strategy in place. Until policymakers can develop a comprehensive plan to tap into the digital economy, they are unlikely to notice or tackle the hurdles they face. As a result, these obstacles won't be overcome and the region may not achieve its full potential.

The solutions

The first thing that policymakers across the region need to do is to develop a comprehensive digital strategy, not just at the country level, but for the entire region. In terms of specific steps, they should look at the following areas to address both the supply- and demand-side challenges:

DIGITAL STRATEGIES—SINGAPORE, MALAYSIA AND THE PHILIPPINES

Singapore has announced a masterplan, iN2015, aimed at navigating the nation's transition into "An Intelligent Nation, A Global City, Powered By Infocomm".[1] The blueprint sets out clear objectives and targets including:

- To be #1 in the world in harnessing infocomm to add value to the economy and society
- To realise a twofold increase in the value-add of the infocomm industry to S$26 billion
- To realise a threefold increase in infocomm export revenue to S$60 billion
- To create 80,000 additional jobs
- To achieve 90 percent home broadband usage
- To achieve 100 percent computer ownership in homes with schoolgoing children

Malaysia's digital strategy, called Digital Malaysia, also sets out tangible outcomes and targets.[2] It aims to:

- Raise Malaysia's ICT contribution to 17% of gross national income from 9.8% in 2012
- Raise its position in the Digital Economy Rankings to the top 20 from 36th position in 2012
- To be within the top 10 economies in the World Competitiveness Yearbook, from 16th position in 2012

Malaysia has also announced a Digital Malaysia 354 Roadmap that represents three ICT focus areas, five sub-sectors and four Digital Malaysia communities. The DM354 Roadmap will focus on Big Data Analytics and education, amongst other sectors.

The Philippines' digital strategy focuses on improving Internet connectivity across the country by reducing the geographical digital divide and ensuring affordability. It has set clearly defined targets on this front including:[3]

- Universal broadband access for all public schools by 2016
- All central business districts to have broadband coverage with average download speeds of 20 mbps by 2016
- Broadband access with average download speed of at least 2 mbps for 80 percent of household customers throughout the country by 2016

At the same time, the Philippines is also focusing on upgrading and improving government ICT infrastructure and procedures to allow for integrated government operations.

TRIGGER A BROADBAND REVOLUTION

Policymakers should prioritise universal broadband access by improving the business case for investing in digital infrastructure in rural areas and promoting digital literacy and awareness of the benefits of a digital society. Telecom operators in ASEAN have been investing heavily to meet the rapidly growing demand for data traffic and connectivity. Over the next four years, up to US$46 billion will need to be invested in just the six major ASEAN economies alone–Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. However, some of these investments don't come with a commensurate increase in revenue due to the growing competition from over-the-top players.

It is important to ensure that this issue is addressed quickly. This can be done by releasing an additional 700 MHz of spectrum, which will help to ensure that telecom operators have the scale to make their investments profitable in the long run. At the same time, it is also important to have healthy industry economics to further encourage operators to invest in infrastructure, especially in rural areas. This can be done by limiting the number of mobile operators to four per country.

If ASEAN pursues the right approach, it has the potential to create 35 smart cities by 2025.

ACCELERATE INNOVATION IN MOBILE FINANCIAL SERVICES

ASEAN needs to reduce its reliance on physical cash to enable wider and deeper participation in the digital economy. For this, the region's regulatory frameworks would need to be revamped to enable greater innovation in financial services and transactions, taking advantage of the widespread use of smartphones in the region.

There are three sets of regulations that are critical to foster mobile financial services: first, industry-friendly and practical sector-specific regulations to nurture mobile financial services; second, horizontal regulations relating to cybersecurity, privacy, data protection and e-signatures that are valid across sectors; and third, clear and simple regulations around digital payments that are harmonised across ASEAN to facilitate cross-border trade and remittances.

Forward-looking countries are moving towards fully digital banks. However, in many ASEAN countries, the debate is still focused on bank-led versus operator-led models. Policymakers should allow for creation of digital-only banks and aim to scale up existing mobile payment systems. This will help to improve financial inclusion across the region.

Countries across the region can look at Australia as an example. It has been one of the fastest adopters of technology in the banking sector. Nearly 80 percent of the population has a debit card, and mobile banking has been gaining popularity. Australia ranks sixth in the world for its share of non-cash payment, with 86 percent of all transactions now being cashless. The opportunity on this front is huge. In Europe–the fastest growing region in the world for financial technology (Fintech)–the market for such services grew 215 percent in 2014, to US$1.5 billion. A large part of that was made possible by rules that permit the establishment of digital-only banks.

DEVELOP SMART, CONNECTED CITIES

Across ASEAN, 34.5 million people are expected to migrate to cities by 2025, increasing the urban population by 25 percent. This influx will intensify existing pollution and traffic levels, as well as the demand for energy. To address these challenges, ASEAN's political leaders, like their counterparts elsewhere, will need to create smart cities, either greenfield or brownfield. Recent studies have shown that connectedness can add an additional 0.7 percentage points to GDP growth.

China has allocated more than US$300 billion to make 600 cities smarter. India recently announced plans to build 100 smart cities across the country, some in partnership with Singapore. If ASEAN pursues the right approach, it has the potential to create 35 smart cities by 2025. The first cities to become smarter are likely to be the largest metropolitan areas in ASEAN, where the challenges posed by rapid urbanisation are at their most intense. ASEAN governments should target cities that have a population of more than one million. This threshold is good enough to be cost effective for governments to make the smart city push. It is also important to note that, in the long run, efficiency gains achieved through making a city smart outweigh the cost of technology.

ASEAN governments can support the development of smarter cities through policy enablers–like taxation incentives for operators and service providers–that encourage the adoption of the latest connected technologies, such as smart meters and Big Data for smart policing, as well as monitoring and regulating traffic. Governments should also look at providing tax incentives for investments in Machine-to-Machine and Internet of Things technologies. If key smart city technologies are standardised across ASEAN, implementation will be quicker and more cost-effective.

ENHANCE TRUST AND SECURITY

As ASEAN aims to become a borderless digital community and everyday services move online, the risk of a security or data privacy breach will increase. For businesses too, data privacy compliance is a critical issue. Failure to comply can have reputational and financial consequences.

As such, it is important to have a resilient cybersecurity regime encompassing not just local but regional-level efforts to control cross-border incidents. Such a framework will boost public confidence in e-commerce and cross-border data transfers. ASEAN leaders should consider creating a world-leading agency to fight cybercrime. However, regulations need to be balanced and proportional, so that they don't deter businesses from developing electronic and mobile commerce platforms.

ASEAN countries should move towards creating a national electronic identification (ID) system in each country for delivery of critical government services. Once national ID systems are in place, the next step is to digitise personal data as part of the implementation plan, so that key services can be performed seamlessly and conveniently, without the need to key in information repetitively. Lastly, these national systems should allow for cross-border identification within ASEAN, resembling the European Economic Area's adoption of national ID cards as a travel document, entitling the bearer to the right of free movement.

ENCOURAGE ENTREPRENEURSHIP

To enhance the vibrancy of the digital economy, the region's policymakers should work to stimulate creative investment in new Internet companies that can offer disruptive solutions and deliver unique value to consumers. These new companies should be given the freedom to innovate–but when they are at scale, they should be held to the highest standards of corporate governance and be expected to follow the same rules as conventional telecom operators with respect to interoperability, emergency calls, etc.

National regulators governing sectors such as media and telecom, as well as related ministries, should work together on this front. Some ideas for collaboration include: providing tax breaks for start-ups that are innovating and need the flexibility to keep costs low; encouraging free flow of labour in strategic sectors; employment laws to encourage the hiring of new economy skills; and government grants and subsidies (by setting up special funds) for innovative new players.

FOSTER TALENT

ASEAN leaders should look at a holistic policy approach to ensure there is a steady supply of skilled manpower for innovation to flourish in a sustainable manner. This will require attracting leadership, workforce development and IP protection, among other factors. The region's leaders should look at new policy frameworks in the following areas to nurture talent:

21st century skills education

Unfortunately, the majority of education systems across the region continue to teach content that is no longer relevant, using pedagogical methods that no longer benefit the evolving minds of young people. Governments need to radically transform the current kindergarten to 12th grade education systems, balancing the tried and tested methods with new technology-enabled curriculum. The focus needs to be on teaching skills such as critical thinking, problem solving, digital literacy and creativity, as well as developing emotional and social skills.

Plug the brain drain

There is an immediate opportunity to boost the existing talent pool. With a shortfall in skilled graduates in the region, governments should use financial inducements, preferential taxes or other incentives to encourage highly-skilled overseas workers to return to either their home country, or another country in the ASEAN bloc.

Protect innovation

ASEAN needs to move away from its notorious reputation of being home to 'fast-imitating followers'. Policymakers need to draft strict rules to protect the IP of those who develop innovative products and services from those who seek to produce inferior imitations. Recent studies by the Organisation for Economic Cooperation and Development have found empirical support that strengthening intellectual property rights increases the propensity to innovate and file patents.

In short, ASEAN leaders need to collaborate to establish regulations that encourage greater deployment of local and national infrastructure, capital and talent. However, they should ensure that this does not jeopardise future business cases through extensive interventionist actions. Policymakers need to strike the right regulatory balance, coupled with fair and appropriate regimes that will encourage innovation, but not at the expense of local developers or providers.

If ASEAN can implement these policies effectively, the region can be propelled into the vanguard of the digital revolution, making the member economies more competitive and enriching the lives of its citizens. Realising this opportunity should be a top priority for the AEC.

ASEAN leaders need to collaborate to establish regulations that encourage greater deployment of local and national infrastructure, capital and talent. However, they should ensure that this does not jeopardise future business cases through extensive interventionist actions.

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Putting Parent and Subsidiary Relationships Right

Lessons from Japanese corporate groups

By Akira Mitsumasu

How do Japanese corporate groups manage their subsidiaries?

As companies grow in size and diversify their operations either in domestic markets or overseas, the number of subsidiaries tends to increase and the structures of the companies become more complex. Nowhere is this trend more visible than in the case of Japanese corporate groups, a majority of which in 2014 were reported to have 50 or more subsidiaries each. Among the largest corporates, Sony had 1,240 subsidiaries, Hitachi 1,008, NTT 917, Softbank 796, ORIX 766 and Dentsu 707.[1]

Effective leadership is always a challenge, but managing subsidiaries comes with additional complications. Subsidiaries operate in the shadow of the larger parent organisation and corporate management needs to address both the parent organisation's primary mission and the subsidiaries' goals. Governance, reporting and employee needs and motivation must also be balanced across the subsidiaries. All in all, having a multitude of subsidiaries creates a daunting task of coordinating masses of activities across the organisation.

The control and coordination of subsidiaries has become increasingly relevant in Japan today where, as pointed out by Miyajima and Aoki,[2] we are witnessing an increasing number of cases of information asymmetries between the corporate head office and its many layers of internal organisations and subsidiaries. Meanwhile there has been a move toward enforced legal responsibility of corporate board members. Statutes protecting shareholders now mandate that management and boards ensure the appropriateness of activities across the organisation. Negligence in monitoring obligations can lead to litigation from shareholders. This shift begs the question: How can a Japanese corporation effectively control, coordinate and manage its subsidiary businesses across the organisation?

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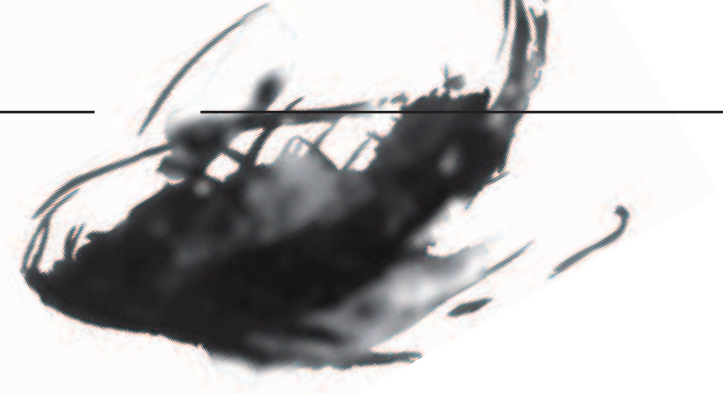

Parent-subsidiary relationships

It is useful to identify and classify the different types of parent-subsidiary relationships that exist, and treat them separately rather than generalising them as homogenous. Through a series of interviews and discussions with five large corporate groups in Japan, I have constructed a conceptual classification based on the dependency relationship between the parent company and its subsidiary, which may be unilateral or mutual. The relationship is unilateral when the parent depends solely on its subsidiary for production inputs, or when the subsidiary depends on its parent as the only client and source of revenue. It is mutual when both the parent and the subsidiary depend on each other. They may trade either internally within the group, externally with outside clients, or engage in both. Figure 1 illustrates how the parent-subsidiary relationships can be classified into four main categories.

PARENT-SUBSIDIARY MATRIX

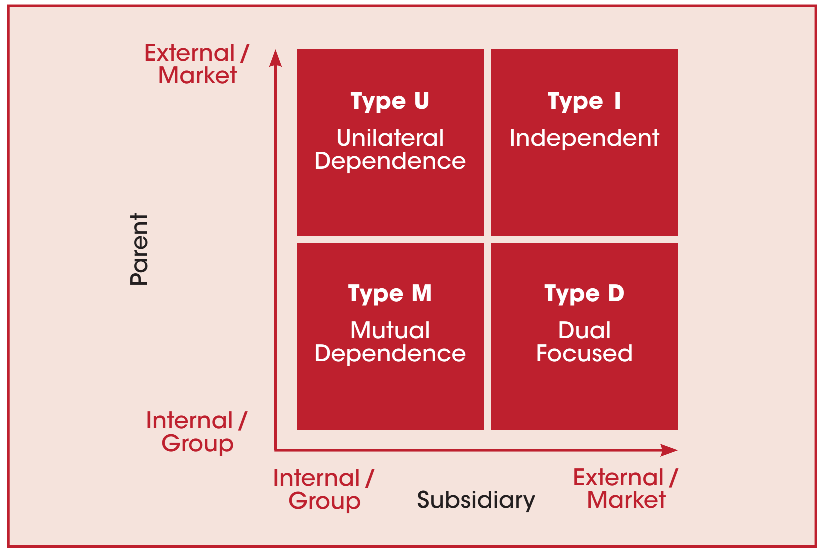

FIGURE 1

UNILATERAL DEPENDENCE (TYPE U)

A subsidiary belonging to this type depends on its parent as its main trading partner (client) and source of revenue. The subsidiary usually has expertise in one area that contributes to the larger product or service value chain of the parent. The parent company, however, regards the subsidiary as one of many trading partners (suppliers) in the market, and cherry picks between using the subsidiary and market for favourable price and quality, whilst also maintaining an acceptable subsidiary utilisation rate.

In such a situation, the subsidiary typically has weak bargaining power when negotiating with its parent, and may strive to be at least as competitive as the market in order to win orders. In the case of Kawasaki Heavy Industries, for example, the parent company deliberately treated its subsidiary as a Type U so as to enhance the subsidiary's competitiveness and make it at least on par with that of other suppliers in the market. However, the parent company may also abuse its power by demanding flexibility in production and lower costs such that all profits are absorbed and taken away by the parent, in which case the subsidiary may lose either a) the incentive to be entrepreneurial, b) any retained profits earnings and cash flow to assume greater risk or c) the capital needed to innovate, upgrade and remain competitive. Overall, less coordination is required between the parent company and subsidiary because the parent is not dependent solely on the subsidiary's output.

MUTUAL DEPENDENCE (TYPE M)

A subsidiary in this quadrant sells its goods and services primarily to its parent company. The parent too is highly dependent on the goods and services its subsidiary provides, and may often exert control over decision making even on matters concerning day-to-day operations. Having such a subsidiary helps to enhance a firm's specific specialisation whilst also reducing labour costs and thereby facilitating cost competitiveness. Mutual dependence is often inevitable when there are no other suppliers in the market that can substitute the functions performed by the subsidiary, or when there are concerns of proprietary technology being copied or imitated.

Of the companies that I have interviewed in Japan, many have subsidiaries that fall into the Type M category. One example is the Japanese electronics company, Sharp. Between 2005 and 2009, when many television manufacturers such as Sony, Samsung, Philips and LG began to outsource their LCD panel production to allow for expansion in a growing overseas market, Sharp continued to invest in and focus on using its in-house produced LCDs, which the company believed to be technologically advanced and hence crucial to its product differentiation strategy.

The Type M subsidiary may need to balance between building firm-specific production knowledge within the group and acquiring knowledge and new technologies that are accessible through working with external clients. Lock-in and inertia may arise when switching costs are high, and appropriate monitoring is needed to root out inefficiencies. Mutual dependence deems it necessary for the parent and subsidiary to coordinate regularly. Decision making may be more centralised for Type M relationships.

DUAL FOCUSED (TYPE D)

A Type D subsidiary sells its goods and services mainly to external clients in addition to its parent company. Between 2013 and 2016, Panasonic shifted its white goods subsidiaries from Type M to Type D as it expanded into the business-to-business segment using its nanoe generator technology (using nano-sized electrostatic atomised water particles) which had, until then, been used in many of Panasonic's products such as refrigerators, washing machines and beauty products.

Under the Type D model, the parent company, which is highly dependent on its subsidiary's output, may want to exert control over its subsidiary, and this may lead to a conflict of interest. For example, a subsidiary may wish to mobilise its resources to expand sales outside the corporate group, but its parent company may want the subsidiary to reduce its external sales and focus its limited resources on the internal supply chain. Managers may be transferred or seconded from the parent to such subsidiaries to act as effective coordinators and mediators.

By having a subsidiary shift more towards external sales, both the parent and the subsidiary could benefit from economies of scope and scale if the subsidiary manages to reduce its marginal cost of production. Participation in the market will also force the subsidiary to be more competitive in quality and price, and the parent company may benefit from such external governance and the leveraging capabilities of the subsidiary.

Because of the dual pressures that a Type-D subsidiary often faces, careful coordination and control is required so as not to curb the subsidiary's entrepreneurial incentives, whilst ensuring that firm-specific investments needed for the parent company's business are also maintained.

INDEPENDENT SUBSIDIARY (TYPE I)

A subsidiary belonging to this type sells its goods and services mainly to its external clients. The parent too is not dependent on the subsidiary's function and sees it as a separate revenue generating business within the corporate group's portfolio.

A subsidiary may initially be established as Type M, performing specific functions within the production value chain of the parent's core business, such as manufacturing a certain component or performing logistic functions that support the corporate group's supply chain. As the subsidiary gains experience and expertise in servicing its parent company, it gradually develops competencies that could be applied to other production settings with external clients. The subsidiary may eventually itself become a core business segment within the corporate group, and make substantial contributions to consolidated revenue. This was the path that Hitachi Transport System has taken. It began as a Type M subsidiary offering excellent logistics solutions and gradually evolved over time into a successful Type I subsidiary that provides third-party logistics and other services to many external clients. At Hitachi, better performing subsidiaries are granted more discretion over decision making and hence have more incentive to perform well. A Type I subsidiary requires little control and coordination. However, the parent company may exert control when performance drops.

Using the parent-subsidiary typology matrix, companies can identify their current parent-subsidiary relationship and adjust to better ways of coordinating business activities.

Roadmap to creating a successful subsidiary

Although it would be impossible to prescribe a one-size-fits-all success formula that works for every corporation and its subsidiaries, it is possible to draw some general implications that can be applied towards developing mutually beneficial and successful parent-subsidiary relationships. The simple roadmap outlined below highlights what companies should consider when managing subsidiaries.

IDENTIFY AND EVALUATE THE CURRENT PARENT-SUBSIDIARY RELATIONSHIP FROM THE PERSPECTIVE OF BOTH PARTIES

The first step is to evaluate the present parent-subsidiary relationship. The role of a subsidiary as perceived by the parent may be biased, and it is only when the perspective of the subsidiary is also added that the picture becomes complete. The parent-subsidiary matrix allows both the parent and the subsidiary to identify issues from their respective perspectives, facilitate discussions and foster shared understanding. Mutual agreement and consensus are important characteristics of Japanese corporations as they allow control and coordination to function alongside decentralisation (refer to Figure 2).

ALIGN PARENT-SUBSIDIARY RELATIONSHIP WITH STRATEGY

After having identified the subsidiary type based on existing parent subsidiary relationship, the next step is to define or re-define the role of the subsidiary so as to ensure that it is aligned with the corporate group's strategy. A mutually agreed solution between the parent and the subsidiary may result in the role of the subsidiary remaining unchanged, or in the subsidiary shifting from one type to another.

A key part of this process is to recognise and evaluate appropriately the capabilities of the subsidiary. As pointed out by Birkinshaw and Morrison, parent companies are not always aware of their subsidiaries' capabilities.[3] In addition, a subsidiary's contributory role within the corporate group depends greatly on the parent and subsidiary relationship, the subsidiary's initiative and entrepreneurism, and the parent's recognition of the subsidiary's capabilities. Some ways to ensure adequate parent-subsidiary communication and coordination are further explored in Figure 3.

Importantly, a subsidiary's role is not static and often changes along with the business environment or with expectations from the parent company. Cosmetics company Shiseido had a fully-owned logistics functional subsidiary, which specialised in delivering millions of product items from factories to distribution centres and then to its nationwide network of product centres, and from there to various retailers and retail agents. In 2007, Shiseido's market share started to decline and its logistics subsidiary was also struggling to handle the company's logistics requirements as customers became more demanding and fragmented. At that time, Shiseido's headquarters decided to spin off its logistics business and focus all investments on its core business. The shift from in-house logistics to outsourcing helped Shiseido to improve service quality and reduce costs by avoiding large fixed investments in the logistics business.

TAILOR CONTROL AND COORDINATION SYSTEMS AND MONITOR CHANGES

After having identified the subsidiary type, and mutually agreeing on the role and commitment of the subsidiary, the next important activity would be to tailor control and coordination systems that would best fit the parent-subsidiary setting (refer to Figure 3).

Again, there is no one-size-fits-all solution and, in reality, many activities often entail trade-offs. For example, a Type M (mutual dependence) subsidiary may become less competitive over time because of the absence of market discipline and availability of new external technologies. Therefore periodic evaluation is necessary to see whether assigned roles are still valid and coherent with the firm's strategy, or whether over time, objectives have changed, deeming it necessary to revise control and coordination.

The framework thus facilitates a continuous, iterative process that helps the organisation adapt and adjust as it grows, matures and faces new market situations. Having a ready framework to analyse complicated group management issues allows managers to have a better grasp of activities that require attention, continuously update and refresh information, and tailor control and coordination measures based on a better understanding of evolving parent and subsidiary relationships.

REACHING MUTUAL CONSENSUS

	Parent Company	Subsidiary Company
Type U	It is cheaper to procure from the market because the product has become modularised and commoditised. But doing so will reduce operations of its subsidiary and will incur losses which the parent will have to cover.	The parent is the only client, such that when it cuts production or procurement, the subsidiary loses its sole source of revenue. The subsidiary has been trying to find other external clients but has not been successful.
	Possible Consensus: Parent to transfer skills to the subsidiary to help improve productivity so that the subsidiary could gradually shift to Type D. Subsidiary to strive to be competitive in the market. If improvements are not made within an agreed time frame, the parent will close down the subsidiary or use its resources for production in another business division.	
Type D	Depends heavily on inputs from the subsidiary and hence exerts centripetal pressure. The parent however also benefits from economies of scale its subsidiary brings through business with external clients.	Although generating healthy profits, the subsidiary faces constant pressure from the parent to focus its production resources on the parent's products, as well as to cut down on investments that are considered not firm-specific.
	Possible Consensus: Give priority to the parent's product, as the corporate group's core growth driver business.	
Type M	The subsidiary provides highly firm-specific products that cannot be procured from the market. Hence it is not easy to determine transaction price for there is no market price to allow for comparison. The business unit is profitable, so there is little incentive to stretch its subsidiary's targets.	Business with the parent has become routine and there is no need to worry about fierce competition (which having external businesses would entail). Although there is no intentional milking of profits from the parent, there is little incentive to innovate.
	Possible Consensus: Use non-financial key performance indicators to monitor and motivate performance, as well as monitor the subsidiary's procurement costs.	
Type I	Parent noticed that multiple business subsidiaries are developing and producing similar products individually.	Profitable with relatively high degree of autonomy. Becoming industry leaders in their own field.
	Possible Consensus: Combine multiple businesses and rebrand the corporate group as a fully integrated solutions provider. Decision rights to the subsidiary will be contingent upon performance.	

FIGURE 2

> Mutual agreement and consensus are important characteristics of Japanese corporations as they allow control and coordination to function alongside decentralisation.

COORDINATION, DELEGATION AND MANAGEMENT BASED ON PARENT-SUBSIDIARY TYPE

	Coordination	Delegation	Relationship
Unilateral Dependence (Type U)	Improve competitiveness such as by coaching and transferring skills from parent company.	Foster independence and entrepreneurship.	Quasi-market like relationship, though need also to consider utilisation and revenue of subsidiary.
Mutual Dependence (Type M)	Work closely to share tacit knowledge and leverage capabilities of subsidiaries.	Because of dependency, major decisions may be centralised. Need clear role definition to empower and maintain incentives.	Be careful not to allow routine transactions to breed inefficiencies. Benchmark market prices, and where necessary, revise trading terms.
Dual Focused (Type D)	Control subsidiary as both profit and cost centre. Decide whether scarce resources should be used to develop firm-specific competencies for the company or for external businesses.	Increase control when there appears to be conflicting interests that could negatively affect the overall optimality of the corporate group.	Conflict of interest may arise because of dual pressures from internal and external businesses. Try to mutually agree on scenario that maximizes group performance.
Independent Subsidiary (Type I)	Coordination focused on portfolio management and overall optimality. Part of the subsidiary may be severed from the subsidiary's control and incorporated instead into the group's growth driver division.	Delegation contingent upon performance. Despite autonomy that is granted to the subsidiary, if it constitutes a major source of revenue to the group, then decision rights on major strategic issues may still rest with the parent company.	Relationship likely to be closer if the subsidiary is a core business or if it has synergies with the group's core business, and distant if it is a non-core business.

FIGURE 3 Source: 'Control and Coordination of Subsidiaries in Japanese Corporate Groups', Mistumasu (2015)

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The material for this article is derived from the author's published book "Control and Coordination of Subsidiaries in Japanese Corporate Groups", 2015.

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GRAB TAXI:

Navigating New Frontiers

By Mei Lin and Christopher Dula

A drive for growth in the sharing economy.

In mid-2016, Anthony Tan, the CEO of Grab, an on-demand transportation-app company serving Southeast Asia, was locked in a high stakes struggle to win the hearts and minds of drivers, passengers and regulators alike. Valued at an estimated US$1.5 billion, Grab (known among consumers as 'GrabTaxi') had become one of Asia's most successful start-ups.

Grab was launched in 2012 in Malaysia as a third-party taxi e-hailing mobile app. By 2015, the app had 4.4 million downloads and averaged seven bookings per second. Today, the app has over 13 million downloads and serves 30 cities across six countries. Its functionality too has expanded over time to include an array of locally suited transportation booking options beyond just taxi services, such as car-pooling and ride-sharing.

However, the company's long-term success is far from guaranteed. Technological and social changes are afoot. The sharing economy, of which Grab is a part, is hyper-local, social and mobile and, above all, extremely competitive. Uber, Grab's main rival, is present in more than 60 countries; and according to a 2015 *TechInAsia* article, holds a technological edge over Grab. The question many analysts (and consumers, for that matter) are asking is: How can Grab ensure that it continues to retain its drivers and riders in the face of this competition?

The origins of Grab

Tan, along with co-founder Tan Hooi Ling (no relation), established MyTeksi in Kuala Lumpur in 2011, which was later branded as GrabTaxi outside of Malaysia. At that time, Malaysia's taxi industry was experiencing serious issues surrounding safety, non-compliance with rates, intimidation of passengers and poor service. In a 2015 *TechInAsia* talk, Tan said, "We started GrabTaxi because the taxi system in Malaysia was a mess. Drivers weren't making enough money and hated their jobs. Women couldn't go around safely. We needed to do something about it."

Grab's beginnings were quite modest, with Tan going door-to-door asking Kuala Lumpur's biggest taxi companies to try his product. It was not until Tan approached a fifth, smaller taxi company operating a fleet of 30 taxis that he got an opportunity to try out the app[1]–and in June, 2012, the company launched its on-demand taxi hailing smartphone application in Kuala Lumpur.

In August 2013, Grab expanded into Manila. In May 2014, Grab launched 'GrabCar' in Malaysia and Singapore, a real-time Uber-like ride-sharing service for private vehicle owners and passengers. Similar to GrabCar, 'GrabBike' was launched in November 2014 in cities such as Ho Chi Minh and Jakarta, where motorbikes and scooters were the predominant form of transportation. In these locations, drivers wore Grab's signature green helmets, while also having one on hand for passengers.

By the end of 2015, Grab had raised US$680 million in disclosed funding from 10 investors.[2] In early 2016, the tech unicorn was rebranded as 'Grab', hosting an even wider array of

Grab's beginnings were quite modest, with Tan going door-to-door asking Kuala Lumpur's biggest taxi companies to try his product.

service offerings. By then, over 250,000 drivers operated in the Grab network, which spanned 30 cities across six countries in Southeast Asia.[3]

Business model

Improving the safety and accessibility of transportation, along with improving the lives of passengers and drivers, was core to Grab's mission. The company aimed to make travelling easier and safer for passengers. It also sought to increase the incomes of taxi drivers through usage of the app, which enabled the drivers to connect with passengers more easily, quickly and efficiently than simply searching for fares or responding to taxi company dispatches.

Grab's business model aimed to solve the supply-demand disparity by building a platform that efficiently matched under-utilised, distributed capacity to demand. Such platforms, which were part of the newly emerging 'sharing economy', also included mechanisms to ensure payment and delivery of services, along with the verification of identity and reputation rankings, in order to better establish trust between unknown parties. All this was accomplished via smartphone related technologies.

Digital platforms like that of Grab were highly scalable and reduced operating costs for both sharers and facilitators. In effect, the company had outsourced its labour and productive assets and, instead of being a taxi company, was a facilitator of collaborative consumption, offering alternative services in a traditional industry.

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THE SHARING ECONOMY

Although the term 'sharing-economy' has been around since the early 2000s, it was not until the aftermath of the Great Recession in 2007-08 that the term gained widespread popularity. In 2011, *Time* declared it one of 10 ideas that would change the world. Early evidence suggests that this was not an exaggeration. In 2013, consulting firm PricewaterhouseCoopers estimated the size of the sharing economy to be around US$15 billion, and projected that it will grow to US$335 billion by 2025.

The sharing economy encompasses five key sectors: peer-to-peer lending and crowdfunding, online staffing, peer-to-peer accommodation, car sharing, and music and video streaming. However, this is not to suggest that only five sectors constitute the sharing economy; its true scope and potential remain undefined.

Companies like Airbnb and Uber are among the most globally recognised operators in this space, connecting people and organisations willing to rent their assets or provide temporary services to consumers, such as lodging and transportation. Sharing is facilitated by algorithmically matching individuals rather than an open market like eBay, where buyers hunt down and bid on goods and services. Revenues for these kinds of companies are typically generated through a percentage fee of sorts.

Interestingly, the actual provider of the good or service being consumed is not an employee of the company. For this reason, Airbnb is not a hotel operator and Uber is not a taxi company. Anyone with a smartphone can thus become an ad-hoc taxi driver, bed-and-breakfast owner, or equipment rental agency whenever they have the spare time, unproductive resources and inclination.

Strategic partnerships

The Japanese telecom company, SoftBank, is Grab's largest investor today with US$250 million in venture funding. SoftBank also has stakes in other transport network companies, such as Lyft in the United States, Didi Kuadi in China and Ola in India—all of which (including Grab) consider Uber as their main competitor in their respective markets.[4] Together, these companies have formed a strategic partnership to rival Uber's global footprint, while remaining independent companies focused on their respective regions. Thus, while each company handles mapping, routing and payments through a secure application programming interface in their own markets, customers are able to access the entire partnership network using their local app, providing a seamless, more global experience beginning from the first quarter of 2016.[5]

In December 2015, Grab signed a Memorandum of Understanding with the Singapore-based telecom conglomerate, Singtel Group, to use Singtel's mobile wallet services to pay for rides on the Grab app.[6] This option will soon be made available on an integrated open platform with other major regional telecoms associated with Singtel, such as AIS (Thailand), Globe Telecom (the Philippines) and Telkomsel (Indonesia). This partnership will thus expand Grab's payment options beyond cash and credit into digital currency, which is becoming increasingly popular as a means of payment for the unbanked and under-banked across the world.

The agreement has strong synergistic potential. For example, Singtel has a combined customer base of 500 million people through its own operations and that of its associate companies. It is also a majority owned company of Temasek Holdings, a Singapore government-owned investment firm, which has stakes in Grab through its other wholly owned subsidiary, Vertex Venture Holdings.

Connecting with the community

Grab also engages in numerous initiatives designed to create positive social impact. In 2015, the company launched GrabSchool, a programme that aims to develop life skills and foster a spirit of entrepreneurship among the children of Grab's drivers.

In March 2016, Grab announced that it would provide a first-of-its-kind free personal accident insurance that would cover all GrabCar and GrabBike passengers in the region, from the first dollar. It also implemented other safety initiatives, such as installing CCTV cameras in the cars of women drivers who are at greater risk of violence.

At a higher level, Grab collaborates and works closely with local and municipal governments to improve transportation related issues such as congestion, which many Southeast Asian cities are notorious for. In early 2015, Grab announced a data sharing partnership with The World Bank's Open-Traffic project to provide real-time data streaming that reported service volume, location tracking and historical journey times. This has

At a higher level, Grab collaborates and works closely with local and municipal governments to improve transportation related issues such as congestion, which many Southeast Asian cities are notorious for.

promising potential to help governments, that can plug into the platform in order to better model traffic, examine historical data, understand congestion patterns and plan infrastructure, as well as improve emergency response and disaster preparedness.[7]

The regulatory front

There is concern that companies in the sharing economy, of which Grab is a part, could become monopolistic, with value-extraction and private, sensitive information becoming concentrated in the hands of a few, depending on and proportional to the extent of their network effects. Exploitation is another concern, as "what began as a peer-to-peer idealistic and egalitarian movement has, in some eyes, become a 'commodifier' of other people's resources".[8]

Public policies that govern the sharing economy have yet to catch up, and any regulation that exists is still nascent and varies widely across countries, and even within countries at the municipal level. As such, these companies are often exempt from numerous tax codes, licensing regimes, safety compliance and labour laws because they are viewed as facilitators for individuals to provide peer-to-peer services to each other, rather than the actual providers. Because of such issues, or perceived issues, companies operating in the sharing economy are attracting the attention of regulators, who in turn are facing mounting political pressure from incumbent businesses and labour groups, which has resulted in several high profile public relations disasters.

Increased regulatory compliance is potentially a major threat for companies like Grab, as it can increase operating costs, making the business model untenable.

Hyper competition

What makes sharing economy models like Grab work is that they have incredibly low fixed costs (because they are asset light) and high scalability (because they depend on cloud-based mobile app technology). However, this also means that the barriers to entry are quite low. This increases competition, which drives down price. Margins are razor thin, and a company must quickly achieve network effects and volume in order to survive in the sharing economy.

Uber and other ride sharing apps offer compelling substitutes for Grab services, as does public transportation in some markets. Private taxi companies are also substitutes and often have their own e-hailing apps. However, Grab (and Uber) have third party taxi e-hailing functions in the app (as well as private vehicle hire amongst other services) that can incorporate taxi drivers as well.

The threat of new entrants can be tempered by network effects. For example, the effectiveness of the app is only as good as the number of drivers using it, who in turn are attracted by having a large user base to serve. Strengthening one's network and solidifying customer stickiness is thus key to business success.

GRABBING DRIVERS AND RIDERS

The real concern comes from the bargaining power of buyers (riders and drivers) who can effortlessly switch between mobile ridesharing apps. The competition for both drivers and riders can become incredibly intense.

Customer switching costs and brand loyalty tend to be far lower for companies peddling on-demand access as end-users need only download a new app. Convenience, reliability and instant gratification are the prime drivers to gaining customers.

Grab must therefore be enticing enough for them to stay, but as competition increases, the fare price drops, thus creating a double-edged sword. Unless a monopoly is achieved, companies like these are forced to keep expanding into new markets with more and more services in order to stay abreast of commoditisation.

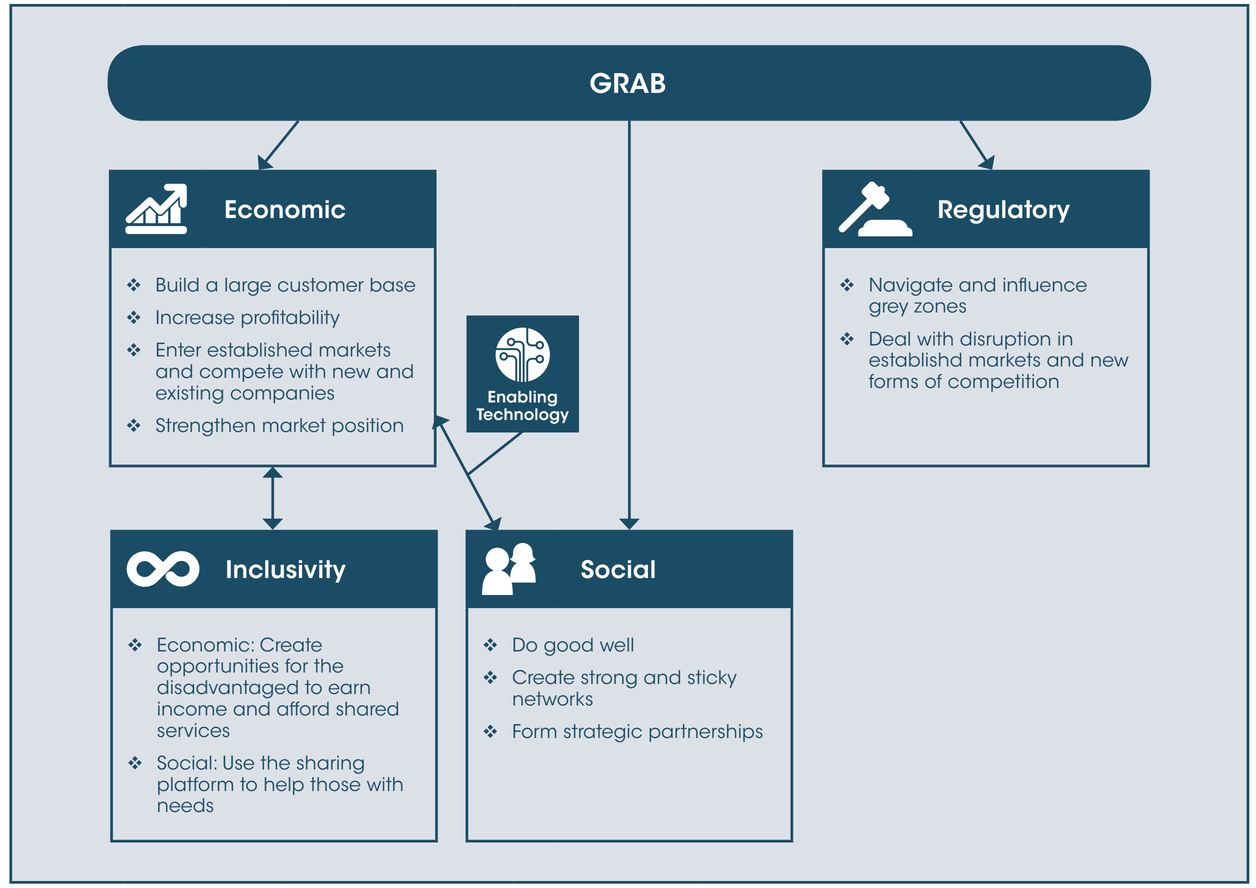
Beyond Grab

As competition intensifies, Grab may explore avenues of differentiation through its unique social enterprise identity to establish trust and loyalty with its customers and drivers. The company's social mission to improve the lives of those in the community is a broad mandate. For example, its engagement with the government and the community can, to some extent, help to position a competitive advantage within the ecosystem, thus improving the customer-stickiness factor.

But simply funding any 'feel good' initiative is not good business. Grab needs to leverage its capabilities, core product and expertise towards a triple-bottom line–and in doing so, work towards solving real-world problems that are aligned with the company's mission. At the same time, it must stay ahead of technological, regulatory and social trends that seem to all be experiencing accelerating change.

Margins are razor thin, and a company must quickly achieve network effects and volume in order to survive in the sharing economy.

HOW GRAB CAN GROW AND PROSPER



While Uber is backed by high profile investors like Google and Baidu, Grab too is well funded and eager to strengthen its technological capabilities. Moreover, the company's local roots may prove to be an added competitive advantage in navigating Southeast Asia's complicated and highly fragmented markets, no doubt fraught with regulatory uncertainty in the on-demand transportation industry.

Grab's strategy of addressing socio-economic inclusivity and government engagement has so far proven to be a winning recipe–and indeed, offers a template for navigating new frontiers and opportunities for growth in emerging markets. This is particularly salient for disruptors wishing to avoid incumbent and public backlash. In addressing challenges in the transportation industry, Grab's strategy thus far has created a viable roadmap for innovative business models that take into account new avenues of value creation.

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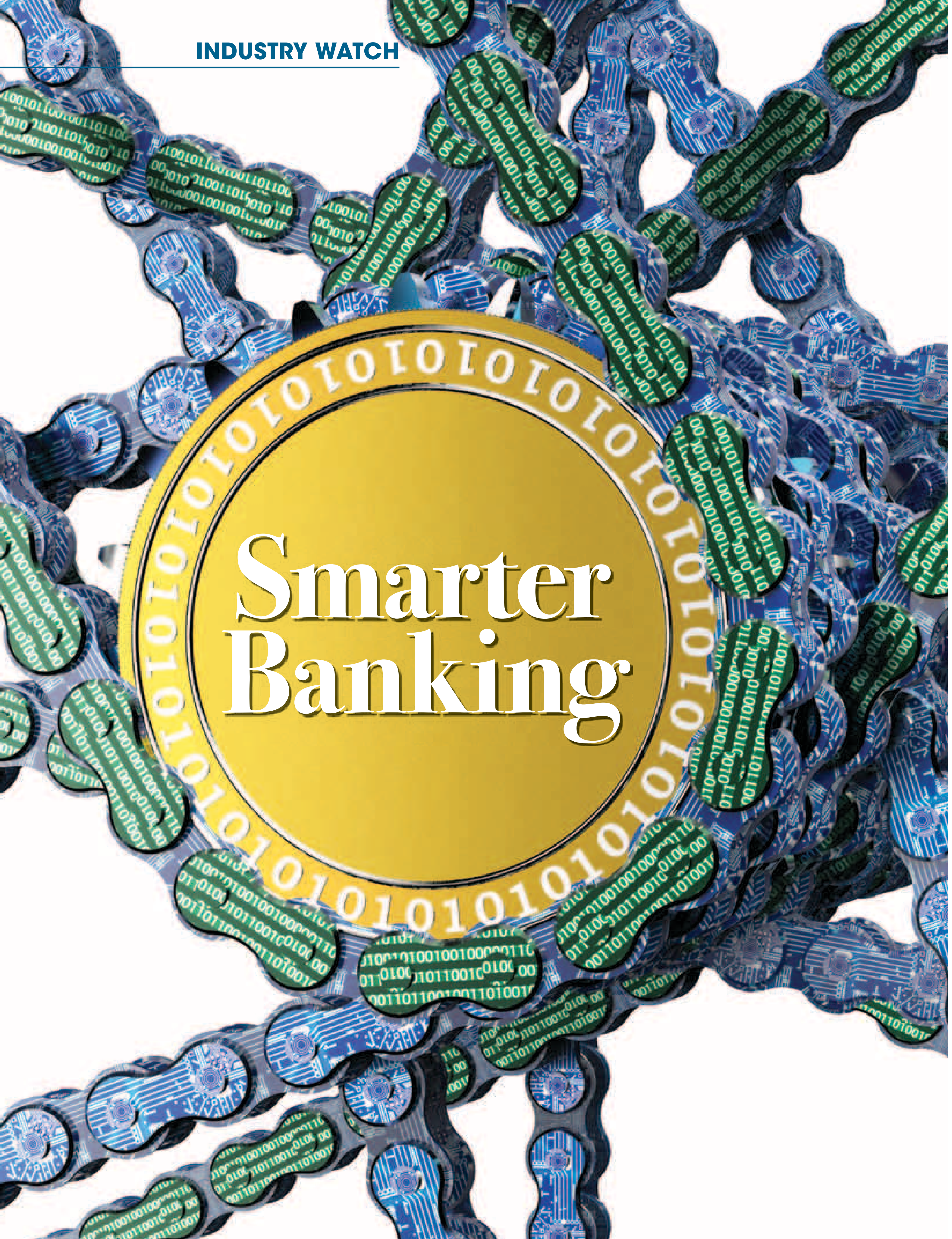

Can blockchain address non-performing loan-related issues in the Indian banking system?

By Suparna Dhar and Indranil Bose

Indian banks are currently experiencing poor performance when it comes to debt risk. Burdened with high non-performing loans (NPL), they are putting at risk the funds of investors as well as India's industrial and economic growth. In addition, the loan management process itself is riddled with inefficiencies. To overcome them, we propose to use blockchain technology.

Loan quality-related issues in the Indian banking system

Recently, several high profile loan defaulters have rocked the Indian media, bringing to the fore one of the burning issues that has been brewing in the Indian banking sector for quite some time. This is the issue of NPL, which are also known as non-performing assets (NPA). Indian Public Sector Undertaking (PSU) banks currently have an estimated INR4 trillion (US$60 billion) in bad loans as of December 2015. Should all these loans turn into NPA, the overall financial risk of Indian banks would exceed their market value. Investors carry the burden of this risk, and the industry suffers while the economy bears the brunt.

The International Monetary Fund Financial Stability report released in April 2015 estimates that 37 percent of total debt issued by Indian banks is at risk, which is high compared to other emerging economies. The debt at risk far outweighs the buffer maintained by banks. Indian banks reported gross NPA of only 4.45 percent in March 2015; pushing bad loan cases to restructured loans, thereby sweeping the dust under the carpet. Reserve Bank of India Deputy Governor, S. S. Mundra, identified asset quality management as the number one priority for Indian banking.

Asset quality is not just an Indian issue; the governance of asset quality has shown a downward trend across several other ASEAN banks as well. Most ASEAN countries are plagued by rising corporate debt and mismatches in debt repayment capability. Singapore, Thailand and Malaysia have reported faster growth of loans compared to their GDP, with Thailand reporting NPL of over three percent. NPL are fuelled by poor quality underwriting and a lackadaisical approach in aligning changes in credit rating to loan repayment terms.

A slowdown of Indian industrial growth and the increase in interest rates, compounded by economic volatility across the world, has accentuated the risk of default. Similar to India, other growing economies like China, Thailand, Brazil and Argentina have a significant share of debt owed by firms with constrained repayment capacity. Addressing asset management issues for this segment can significantly reduce the magnitude of risk.

New technologies offer an alternate or perhaps a complementary approach to monitoring asset quality. We propose the blockchain-based distributed ledger, information sharing, smart identity, smart contract, smart collateral and smart property applications as possible technology solutions to eliminate inefficiencies in the loan management process in the Indian banking system. They will also help to usher in transparency, trust and inter-bank collaboration.

Introduction to blockchain

Blockchain forms the technology backbone of the popular crypto-currency 'bitcoin', which is a virtual currency used for digital payments in many countries across the world. While the success of bitcoin is widely debated, the blockchain technology has generated widespread interest in contracts and financial applications. This technology is expected to be the next biggest disruptor in business. Just like the Internet is a medium for exchange of information, blockchain is a medium for exchange of value.

New technologies offer an alternate or perhaps a complementary approach to monitoring asset quality.

A **blockchain** is a protocol that offers a decentralised network to verify and validate transactions within a network. A set of validated and verified records is called a block. Blocks are added by linking to a previous block following the protocol, to form a linear and chronological chain of blocks–a blockchain.

Blocks record when, and in what sequence, certain transactions were entered into the database. Blocks are verified using computing-power intensive algorithms.

Blockchain technology offers open and transparent processing and recording of information, establishes trust in the absence of a mediator, encompasses collaboration across the network, and ensures information integrity. The appropriate use of cryptographic protocols ensures data security. The key characteristics of the blockchain technology are given in Figure 1.

Blockchain applications in business

Blockchain offers decentralisation of control, where authority and trust are distributed across the network. This offers an opportunity to break organisational, economic and regulatory control in transaction processing. The following are examples of blockchain applications.

Crypto-currency: Bitcoin is a crypto-currency that is accepted across country borders. Anybody having a blockchain wallet can make payments using this currency if the bitcoin is legally acceptable in that country. While bitcoin is the most popular crypto-currency, examples of other crypto-currencies in the market include namecoin, litecoin and peercoin.

Distributed ledger: Some of world's largest banks have formed the blockchain consortium, R3, to collaborate on a distributed ledger for faster, secure, efficient and transparent financial transactions. Nine member banks formed the consortium in September 2015. In just one year R3 has grown to over 50 members worldwide.

International payments: Digital currencies like bitcoin eliminates the need for central banks and fluctuating exchange rates, giving it a universal appeal (similar to gold). In June 2016, U.K.'s Santander Bank introduced blockchain for international payments using a pilot mobile app. The governments of the U.K., Israel and Korea have invested in blockchain technology as a substitute system for international monetary settlements.

Payment settlements: Blockchain is an effective tool for transaction reconciliation and settlement across parties in the payment chain. A blockchain-based ledger records payment transactions and secures them with cryptographic algorithms and keys. The decentralised control and authority feature of the blockchain technology is used to eliminate the need for a central clearing house as a mediator among banks, financial institutions and other players. Figure 2 illustrates how the settlement processes work before and after the implementation of blockchain technology.

Smart contract: Contracts are stored on the blockchain with defined rules to manage their value and ownership. It allows the governance of contracts between parties, eliminating the need for an arbitrator. Technically, a smart contract is a computer programme that is invoked by pre-defined events. Blockchain technology makes smart contracts trustworthy by eliminating the controller and making the programme transparent, efficient and cost effective (refer to Figure 3). Blockchain start-up, Symbiont, for example, has used blockchain technology to implement smart contracts in the U.S. to help businesses with their operational and legal procedures.

KEY ATTRIBUTES OF BLOCKCHAIN TECHNOLOGY

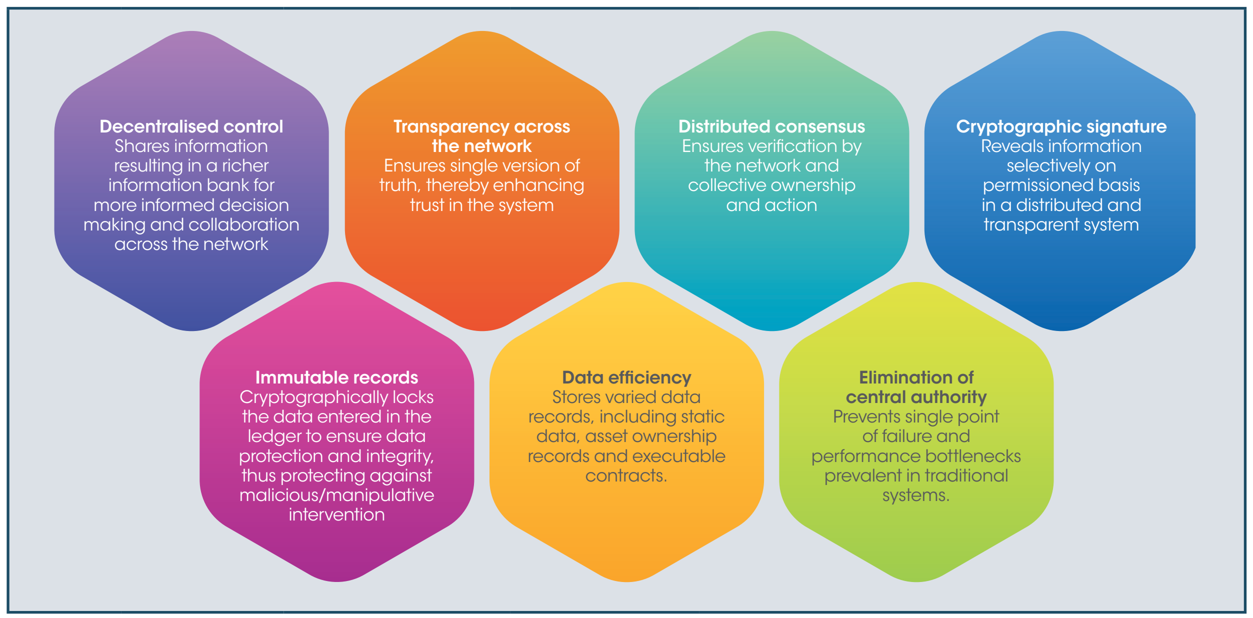

FIGURE 1

SETTLEMENT PROCESS IN TRADITIONAL VERSUS BLOCKCHAIN ENVIRONMENTS

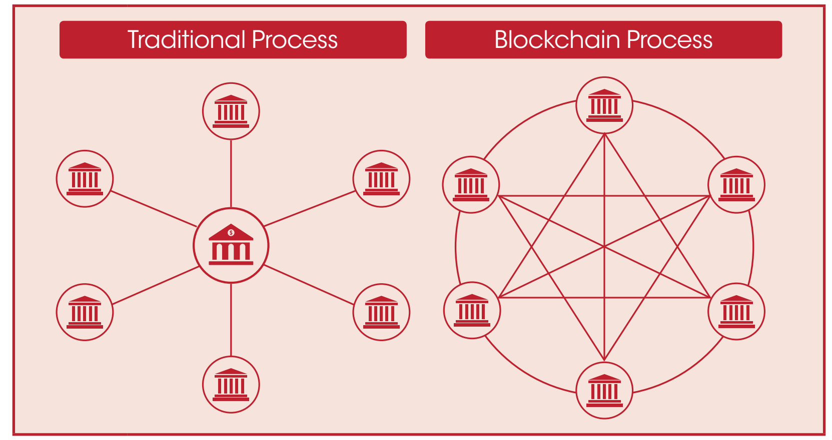

FIGURE 2

HOW SMART CONTRACTS WORK

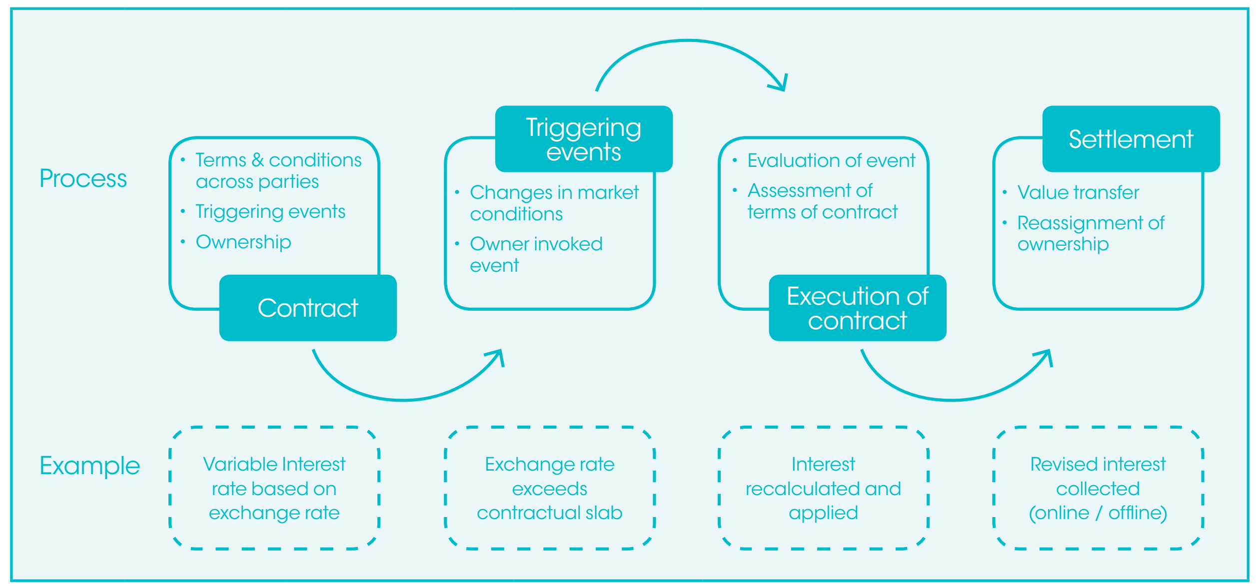

FIGURE 3

Smart identity: Blockchain technology can be used to store identity records digitally, thereby maintaining security and privacy. User education, experience and events data are stored for faster identity verification. Banks can store customer data on blockchain and attach it to customer identity. For example, the Shocard platform certifies and stores identification documents using the blockchain technology. Users can securely retrieve records and prove identity whenever they need.

Collateral ledger: Blockchain technology enables the posting of collateral in the form of initial and variation margin by escrowing cash on cash ledgers, or assets on asset ledgers, to a distributed collateral ledger. The ledger allows the sharing of collateral information for better evaluation of borrowers' financial and asset positions, auditability and transparency, and the elimination of 'double spend' (this is done by verifying each transaction added to the blockchain to ensure that the inputs for that transaction was not spent previously).

Information sharing: Blockchain offers a mechanism for information sharing and collaboration. This technology can be used for the storage of records and access-based retrieval from anywhere. Chimera created a platform for sharing alarms and notifications in an Internet of Things network. La'zooz implemented a real-time seat blocking and ride sharing application based on the blockchain technology. BitHealth, Factom, Bitproof.io and Blockparti are other implementations of the blockchain-based record sharing.

Smart property: Blockchain can be used to register ownership of digital content and transfer or sale of rights. It thus serves as a platform for registering intellectual property rights.

Blockchain and loan quality management for Indian banks

'Permissioned' ledgers, smart contract and smart property applications of the blockchain technology can be leveraged to create a decentralised system with distributed control that increases transparency and trust in the management of loans across banks. Since the banking system contains private and confidential data, blockchain technology for this domain entails decentralisation and distributed processing at the bank level. Each bank can become a participant in the blockchain network. Bank employees can act as miners or nodes in the network responsible for distributed consensus. Altruistic and rational nodes distributed in the network ensure a fair and trusted system.

Identity verification of borrowers is faster and more efficient with the use of smart identity in the blockchain network. Loan approval necessitates consensus from all participants of the network. Shared information provides access to richer information for well-informed decision making and consensus, thus eliminating the scope of 'double spend'. Smart contracts regulate the loan through its lifecycle, eliminating the possibility of incongruent reporting of loans and unreported loans. Shared control in the review of past loan records, verification of financial information, and shared consensus assures efficient governance and transparency in underwriting.

Approved loans are cryptographically signed and immutable. Loan restructuring entails the approval from the distributed network, providing stringent control on data, classification and reporting. The use of smart contracts in post-approval loan classification provides for transparent loan asset classification.

Blockchain holds the promise to address the thorniest issue plaguing the Indian banking system at present—bad loans.

It allows faster identification of risky customers with high debt and/or constrained repayment capacity, as creditors' identities and activities are visible across the network. This in turn reduces the risk of loss of assets. Smart property helps in effective collateral management across banks and faster transference of collateral ownership in case of loss recovery. Figure 4 illustrates the typical processes involved in handling loan applications in the Indian banking context, and how those processes can be improved using the blockchain technology.

Limitations and future considerations

Blockchain holds the promise to address the thorniest issue plaguing the Indian banking system at present, that is, bad loans. Conceptually, the blockchain technology provides a solution to the problem of bad loans by offering a fair resolution to the slips in the asset management process. However, on a practical front, some challenges remain. The implementation of blockchain calls for a thorough technological and regulatory evaluation, increased societal awareness, immense collaboration and insight, stringent planning and sound technical expertise.

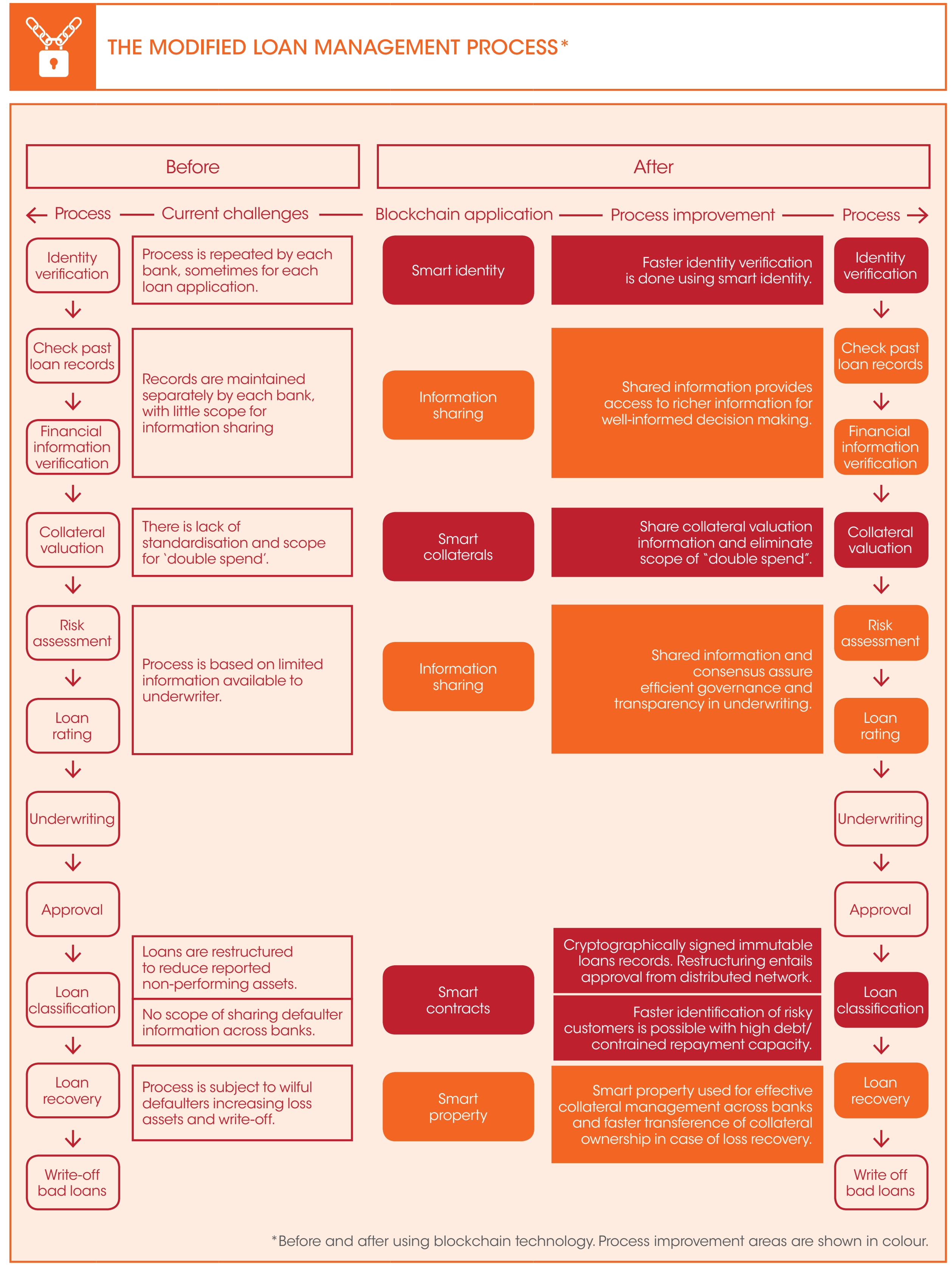

FIGURE 4

Banks deal with customers' private information and sensitive financial information, necessitating stringent data protection norms. Indian banks are guided by the Reserve Bank of India's guidelines on data protection and governance. Information security awareness is low in the Indian banking system, which exposes banks to data security threats and cybercrimes. One of the most critical information security challenges in Indian banks is the threat to confidentiality and integrity of information when shared with external parties.

By tradition, banks are not culturally oriented to use distributed and decentralised data storage and processing. The regulatory framework for information security and cybercrime in India is weak and ambiguous. Given this background, Indian banks are naturally expected to be apathetic towards adopting new technology involving data sharing and decentralised control. Awareness of blockchain needs to be built across the board to combat inherent inhibitions.

On the technology front, the blockchain technology is yet to be tested for scalability, capacity and performance needs of large datasets involved in the Indian banking system. Suitable cryptographic and consensus protocols for data access and control that fulfil the needs of the system need to be developed. Protocols and governance mechanisms for access and smart contracts need to be established for the implementation of multi-party systems with high financial risk exposure. This requires significant investment in research for improving blockchain technology.

Blockchain is a contender for the next biggest technology disruption since the advent of the Internet, promising dramatic changes in data protection, consumer empowerment, as well as creation of trust and transparency. It has an inherent capability to overcome threats to information confidentiality and integrity in a shared environment, thus assuaging the possible perceived impediments. The technology heralds inter-bank collaboration to overcome issues in asset management and paves the way for more informed decision making, effective policy implementation and governance of loan management processes.

Blockchain also has the potential to become the *de facto* medium for value exchange. With its foundation in cryptography, the technology promises to surmount threats to data security on a shared platform. Faster and richer information access, combined with democratised control and high interoperable shared and secure platforms with 'permissioned' access and distributed contact management scripts, are perfect ingredients for a disruptive innovation in asset management across the banking industry.

India can thus script yet another leapfrog success strategy through the adoption of the path-breaking blockchain technology to overcome imminent issues in NPL, improve the overall health of Indian banking, recover lost investor confidence and rejuvenate India's industrial and economic growth.

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Can Asians be Creative?

Culture's impact on creativity and ways to boost it.

By Roy Chua and Jerry Zremski

A crotchety American named Henry Ford invented a modern, fast and efficient way to manufacture automobiles and a Japanese man named Eiji Toyoda refined and perfected it. A series of innovators across the western world developed the television–and the tech specialists at Sony, Toshiba and a host of other Asian companies found ways to make TVs better, cheaper, faster. And an idiosyncratic Californian named Steve Jobs invented a company that made a smart phone for the masses–and then outsourced the manufacturing to China.

If you detect a pattern here, you are not alone. Asia may be the home of some of the world's hottest economies, but it is not the home of the world's hottest inventions. Although Asia has been innovating, its innovations tend to be incremental,[1] lacking global reach and impact. Admittedly, there have been some Asian breakthroughs from time to time (e.g., Chinese scientist Tu Youyou won the 2015 Nobel prize for medicine for her discovery of artemisinin and its treatment of malaria), but these are more exceptions than the norm.

And people are noticing. Ng Aik Kwang, a psychologist who specialises in teaching creativity in Asia, wrote an entire book about it called "*Why Asians are Less Creative than Westerners*." Meanwhile, Kishore Mahbubani, dean and professor in public policy at the Lee Kuan Yew School of Public Policy at the National University of Singapore, wrote a book on the same topic with a title with all the pithiness and politesse of a Donald Trump tweet. It's called: "*Can Asians Think?*"

And none other than the late Lee Kuan Yew, the technocratic genius who invented modern Singapore, noted that a lack of creative ability could hold China back. "China will inevitably catch up to the U.S. in GDP," he told *Time* magazine in 2013. "But its creativity may never match America's because its culture does not permit a free exchange and contest of ideas."

> Asia may be the home of some of the world's hottest economies, but it is not the home of the world's hottest inventions.

That may be true, but it's also quite likely that the challenges limiting creativity among Asians run far deeper than any one country's politics. Instead, the roots of the Asian creativity chasm can be found in Asian culture—and research indicates that it's a chasm that can be closed. All it takes is a little more worldliness and tolerance, a little creative conflict, and a lot of leadership.

The importance of creativity

Before we explain, though, it is important that we grasp the importance of this issue.

In the business world, success stems from innovation, and in an era of rapid technological advancement and global competition, innovation matters more than ever. To have innovation, however, one must first have creative ideas. Innovation is the successful implementation of creative (novel and useful) ideas.

The proof of that can be found in volumes of industry research. For example, a 2010 survey of 1,500 CEOs from 60 countries, conducted by IBM, found creativity to be the most important leadership quality. Similarly, a 2011 survey conducted by MDC Partners and its Allison & Partners subsidiary found that 76 percent of CEOs surveyed cited creativity as one of the top elements that would help their business in the year ahead. And Spencer and Stuart's 2014 survey of more than 160 senior marketing leaders found that 70 percent said creativity is just as important as analytical ability in performing the job well.

Perhaps most impressively, though, a 2014 executive study conducted by Hyper Island in cooperation with Edelman Public Relations delivered a detailed endorsement of creativity as the key quality that would make companies thrive in the coming years. This "Tomorrow's Most Wanted" executive study polled more than 500 top business leaders and employees, measuring perceptions of future challenges over the next three to five years and the skills and qualities needed to meet them. The most desired personal qualities were drive, creativity and open-mindedness, while the top skills were problem solving, idea generation and developing creative technology.

In this article, we focus on the impact of culture on creativity, the precursor to innovation. We begin by exploring the creativity challenges that Asia faces; we then discuss new research that informs us on how cultural norms in Asia might play a role. We conclude by offering some recommendations for individuals and organisations to boost creativity in Asia.

Do Asians lack creativity?

Given the importance of creativity for success in the 21st century, how well are Asians poised for the future, then? Not so well.

Recent history and recent research both show that Asians lag behind westerners in creative thinking. The landmark inventions of the past century—antibiotics, the personal computer, the Internet—all were developed in the West. Cultural products that have worldwide followings are still dominated by Hollywood and western studios. Moreover, creativity research performed by psychologists—which compares Asians with westerners on their performance when asked to complete various tasks requiring creativity—frequently concludes that Asians are less creative than westerners.[2, 3]

Of course there is no biological reason why this would be so. The basic neurological processes required for creative thinking are present in all human beings, so it is not as if Asians lack a certain gene or the neurological wirings required to innovate.

What's more, things were not always that way. Looking back through the millennia, and you will see that the Chinese invented gunpowder, the compass, paper and printing technology. If Asians were indeed so innately uncreative, how is it that they can come up with some of the most important inventions our world has seen?

Asians have not come up with such innovations lately though, and it could be partly because history got in the way. For a multitude of reasons ranging from isolationism to poor leadership, China fell into a 500-year decline from which it has only begun to emerge in the past 40 years. Meanwhile, the West took the lead in the industrial revolution and extended its domain across several continents through a period of colonisation. And on top of it all, Asian countries suffered serious setbacks in the wars taking place in the 19th and early 20th centuries.

Additionally, it is important to acknowledge that institutional environment also plays a role. For instance, the lack of strong intellectual property protection in some Asian nations might dampen the drive to innovate. In parts of Asia that are still developing, there might not be enough resources or governmental support for research and development.

Yet history and lack of a supportive institutional environment cannot fully explain why repeated research shows Asians to be generally less creative than westerners. Psychological studies seem to indicate that if Asians are indeed less creative, then it is most likely a learned behaviour, deeply rooted in their culture—values and norms they endorse. And it is rooted, perhaps, in the work of Asia's greatest philosopher.

In other words, Confucianism seems to have bred a culture of conformity, which, in the parlance of modern-day scholars, correlates with a concept called 'cultural tightness'.

To understand Asian culture, we need to understand Confucianism. Many parts of Asia, and East Asia, in particular, are heavily influenced by Confucianism. The great Chinese thinker and teacher stressed the value of key virtues such as benevolence, righteousness, loyalty, wisdom and propriety. Confucius also emphasised the importance of five cardinal relationships: ruler and subject, father and son, husband and wife, elder brother and younger brother, and friend and friend. Confucius believed that these relationships regulate day-to-day behaviours and motivations. In addition, these principles still greatly inform much of Chinese thinking—and therefore significant aspects of Asian thinking—2,600 years after the great philosopher's birth.

Asia is a vastly diverse continent, of course, and we should be careful about lumping all Asian countries together, but many Asian countries do share similar cultural characteristics. Most Asian nations emphasise collective good over individual gain. They tend to be more hierarchical than western cultures. And Asian cultures tend to stress social harmony and the avoidance of conflict.

The trouble is, those characteristics do not necessarily encourage innovative thinking. Evidence for that can be found in a study done in South Korea. The researcher found that Confucianism may present cultural blocks to creativity. The study argued that people infused with Confucian thinking are loyal, obedient and hardworking—but less fun, less imaginative and less creative.[4]

When it comes to creativity, cultural tightness matters.

In other words, Confucianism seems to have bred a culture of conformity, which, in the parlance of modern-day scholars, correlates with a concept called 'cultural tightness'. Cultural tightness is a measure of the extent to which a culture or society relies on strong rules and norms regulating behaviour, as well as the extent to which deviations from those norms are sanctioned, as opposed to tolerated or even encouraged.

By those standards, Asia is a pretty 'tight' place. In a ranking of 33 countries in terms of cultural tightness, a 2011 study by Michele Gelfand, a University of Maryland psychologist, found that the five tightest countries were all in Asia.[5] The region's two economic powerhouses, China and Japan, ranked in the top 10 (out of 33). And the only Asian locale to qualify as more culturally 'loose' was Hong Kong, long a British colony (refer to Figure 1).

Yet when it comes to creativity, cultural tightness matters. Evidence can be found in a recent study the first author conducted at a creative crowdsourcing platform based in Paris, which allows people to enter 'creative contests' to help companies find innovative solutions to their business problems.[6] The research revealed that people from tight cultures are less likely to enter and win creative contests overseas than those from loose cultures.

ASIAN COUNTRIES ARE CULTURALLY TIGHTER COMPARED TO WESTERN COUNTRIES

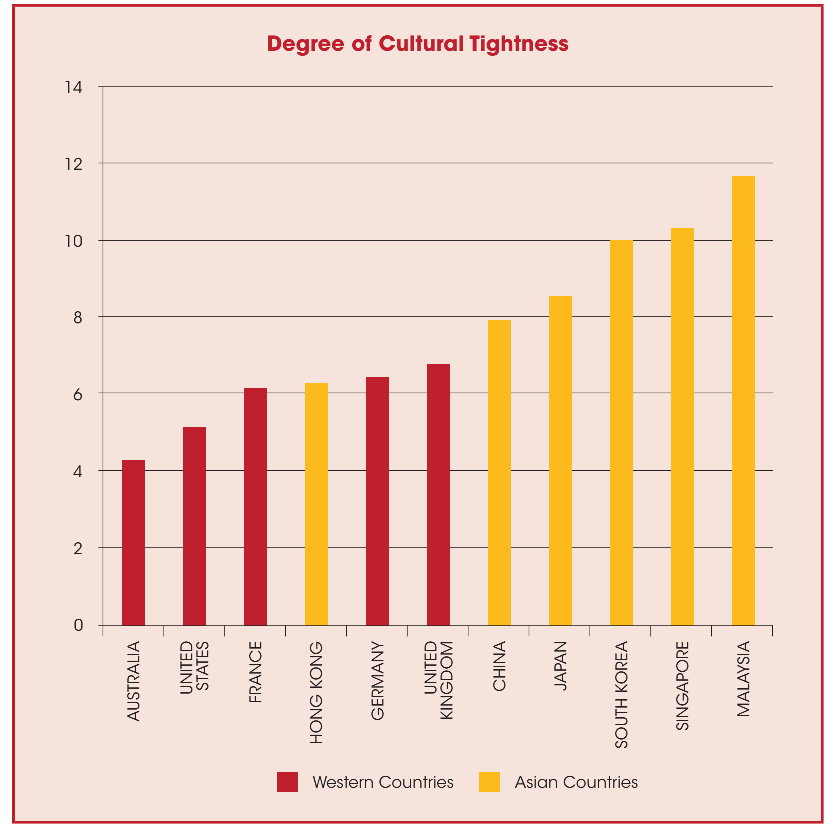

FIGURE 1

Source: Science, 2011

Our research has found that tight cultures are less receptive to foreign ideas.

Why might that be so? The authors reasoned that it is partly because people growing up in tight cultures are heavily influenced by institutions such as their schools and the government. That has conditioned them to become 'prevention-focused'—meaning they are very cautious and concerned about not making mistakes. This psychological adaptation prevents them from becoming innovators when it comes to creative problem solving. To be an adaptor, that is, to simply tweak existing solutions, is safer.

This research also found that tight cultures are less receptive to foreign ideas. Because of their society's adherence to strict/narrow local norms and rules, people in 'tight' cultures tend to think more narrowly and less globally. This is particularly worrisome in the modern globalised economy, where increasing numbers of companies need to appeal to customers beyond their national borders.

In addition, 'tight' countries tend to create their own obstacles to innovation: rules and regulations that conflict with the creative process. Countries such as Singapore take innovation seriously and have invested heavily in it, yet its innovation output is not proportionate to the vast investment the country pours in, resulting in low innovation efficiency.[7] It is not easy to innovate in a place like Singapore because there are many rules and norms regulating behaviours. For example, socially sensitive topics such as homosexuality and religion are carefully monitored and sanctioned in artistic productions. You need to know what these rules are, and how to navigate them, before you can innovate successfully.

Nevertheless, there is a bright spot. Our research also found that individuals from tight cultures are good at innovating locally or in countries that are culturally similar to their own. Indeed, a lot of the innovations we see in Asia today are highly localised, garnering success within the region. For example, Korean-pop cultural products such as dramas, music and movies are highly successful in South Korea and across much of Asia, and to some extent the Middle East. Yet, with the exception of PSY's viral 'Gangnam style' music video, few Asia cultural products have a truly global reach.

All of this leaves 'tight' countries—i.e., most Asian countries—in a bind. Creative ideas and new products will drive the economies of the future, yet many Asian countries are stuck in a culture that leaves them serving as the factory or the back office for the developed world. When Asian countries do innovate, success tends to be localised, with limited global impact and reach.

Boosting creativity in Asia

The good news is that research indicates ways to break this bind. All it takes is a willingness to embrace diversity (and loosen up), to learn to love a little conflict, and to lead in a way that encourages creativity. Below, we elaborate how these approaches can help individuals and organisations boost creativity in the Asian context.

EMBRACING TOLERANCE AND DIVERSITY

Leaders can begin with the realisation that tolerance matters (a lot). More than a decade ago, Richard Florida's book "*The Rise of the Creative Class*" ranked tolerance as one of the 'three T's' that are key to creativity, the others being talent and technology. Florida saw tolerance—that is, the willingness to accept differences—as a key to attracting talent, but the research on cultural tightness and creativity described above suggests that a tolerant workplace also opens the minds of the people who work there, enabling them to think more creatively. Put differently, tolerance not only attracts talent, it creates talent.

Tolerance dovetails directly into another important way of loosening a corporate culture: harnessing the power of cultural diversity.

The notion that working across cultural boundaries can promote creativity is not exactly a new one. In fact, one of China's great eras of creativity—the Tang Dynasty—was the one era where the nation was most open to foreign cultures. More recently, one can think of Silicon Valley as a cultural melting pot turned job generator: Google founder Sergei Brin, for example, hails from Russia and Tesla's Elon Musk is a native of South Africa.

The question, though, is: how to practically make diversity pay off in innovation? There are several ways to make that happen.

At the individual level, people could actively try to cultivate culturally diverse social networks. In another study that we conducted at a professional press club in the United States, we found that maintaining a culturally diverse network of professional contacts is particularly helpful when one needs to creatively solve global challenges that require drawing on knowledge and ideas from multiple cultures.[8] In the Asian context, what this means is that people should actively try to build and maintain ties with associates and colleagues from diverse countries and cultural backgrounds. This strategy would provide many useful, diverse ideas and resources from around the world, enabling global thinking and creativity.

Drawing on this logic, it is similarly important to cultivate a culturally diverse workplace—but that is just the beginning, not the end. It is also important to hire people with diverse cultural experiences and high cultural intelligence; doing so will make a diverse workplace operate more smoothly, with fewer unproductive cultural tensions. In addition, it's important to take time and resources to develop employees' international experiences, perhaps through longer overseas assignments, in order to open their minds and open new markets. These organisational level interventions could help Asian companies innovate not just locally, but also globally.

HARNESSING PRODUCTIVE CONFLICT

Of course, it is possible that a culturally diverse workplace may also lead to more internal dissension—but there are two kinds of conflict. Task conflict refers to disagreement on how to approach and solve the problem at hand. Relational conflict has to do with tensions stemming from interpersonal incompatibilities such as personality clashes. Simple, interpersonal conflict is, of course, unproductive. But a clash of ideas can lead to better ideas. So, in order to change a culture that is too tight, it is important to start embracing productive conflict.

In most Asian countries, however, people tend to dislike and avoid overt conflict and criticism—but conflict and criticism, if done right, can help the creative process. The goal should be to foster what's called 'creative abrasion', where conflicting ideas lead to better solutions.

Creative abrasion worked well, for example, when Apple invented the Macintosh in the 1980s. Steve Jobs famously created the Apple Mac by putting together a team of artists musicians, programmers, zoologists, poets and computer scientists. He separated the group from the corporate offices and told them to invent the world's most people-friendly computer. They fought it out, and the result changed personal computing forever.

But a clash of ideas can lead to better ideas. So, in order to change a culture that is too tight, it is important to start embracing productive conflict.

Now, we are not necessarily suggesting that you go out and hire a zoologist to light a creative spark in your company, but there are some more everyday ways of fostering creative abrasion. In the Asian context, where overt conflict is shunned, one approach is to make use of the concept of the devil's advocate in your decision making,

giving a trusted team member the license and responsibility to disagree with the majority.

Another approach is to create a culture where ideas are constructively challenged at every turn, where employees are taught from the start that they're expected to disagree, and voice that different idea in the back of their mind. And creating that culture requires: (1) recruiting the right people who are not afraid to challenge the status quo, (2) conditioning existing and new employees to debate and challenge each other's ideas, and (3) implementing the appropriate performance management system that rewards constructive criticism and voicing of dissenting opinions.

LEADING FOR CREATIVITY

Most people are probably familiar with the common classification of leaders into the transactional and the transformational. The transactional leader is the one who tends to put business first, keeps the numbers up and lives in the status quo: think American President Dwight Eisenhower. But the transformational leader changes an institution from the inside out: think American President Abraham Lincoln.

In order to lead for creativity, one approach is to be a transformational leader. Research shows that when leaders lead in a transformational way, employees are more motivated, have greater confidence that they can innovate, and aspire towards change and higher goals. In other words, they're poised for creativity.

Just as importantly, transformational leadership unleashes the power of dialectical thinking—the willingness to accept change as a fact of life and to tolerate contradiction. Creativity is not about coming up with good ideas out of thin air. More often than not, it is about connecting ideas that were previously not connected. Because dialectical thinkers are comfortable with combining contradictory ideas to address problems, they should have a higher chance of producing creative ideas. However, the power of dialectical thinking needs a potent catalyst: transformational leadership. In an ongoing research project at a large conglomerate in Thailand, the first author and his former graduate student, Fon Wannawiruch, found a positive relationship between dialectical thinking and creativity—but only when employees were given the freedom to think dialectically by a transformational leader.

Interestingly, Asians tend to be more prone to dialectical thinking than westerners, thanks to the influence of eastern concepts such as the yin-yang dynamic of Taoism and the Buddhist precept that everything is temporary and nothing is permanent.[9] This is a strength that Asians can harness for creativity. However, Asian leaders, because of their cultural emphasis on power distance and social hierarchy, tend to favour an authoritative approach towards managing employees. This approach is top-down and directive, focusing on compliance rather than changing the status quo. We suggest that to unleash the power of dialectical thinking among Asian employees, Asian leaders should engage in more transformational leadership behaviours. Examples of such behaviours include: (a) setting clear, ambitious, and meaningful goals, (b) intellectually stimulating employees and inspiring them to achieve higher goals besides quarterly key performance indicators, and (c) encouraging them to challenge the status quo.

Conclusion

So maybe it is time we viewed tolerance, diversity, creative abrasion, and transformational leadership as more than just MBA textbook concepts and put them to work in practice. Although we focused on individuals and companies, these principles and approaches can be extended to and applied at the societal or national level. Together, they could well be the secret combination that would one day produce the Asian Henry Ford or the Asian Steve Jobs.

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Is Your Waste a Waste

By Tan Kar Way,
Marcus Ong Jiong Kai,
Sijie Ho and Michelle Kan

Rethinking the linear economy.

Historically, the intrinsic nature of living systems allows resources to return to the environment through a complex web of energy flows and nutrient cycles. With the advent of industrialisation, these systems began to shift away from this sustainable way of life. Indeed, studies have shown that at the current rate of resource consumption, human civilisation has already triggered Earth's sixth mass extinction event. This catastrophe will only worsen if nothing is done. Redesigning the way we conduct business and policy is a critical step towards bringing human activity back into alignment with the planet's ecosystem.

Businesses generally adopt a linear 'take-make-dispose' model, which results in massive amounts of waste. While this economic model has generated an unprecedented level of growth, the rising demand on resources has become unsustainable.

The circular economy is a practical solution to this resource problem. It is an economic system that is restorative by intention and design. In other words, this solution of optimising resource yields will span over the entire product life cycle–beginning from the 'take' stage to after the product's end-of-life. The goal is to take less and fully utilise all products, components and materials through their life cycle (refer to Figure 1).

THE CIRCULAR ECONOMY: AN INDUSTRIAL SYSTEM THAT IS RESTORATIVE BY DESIGN

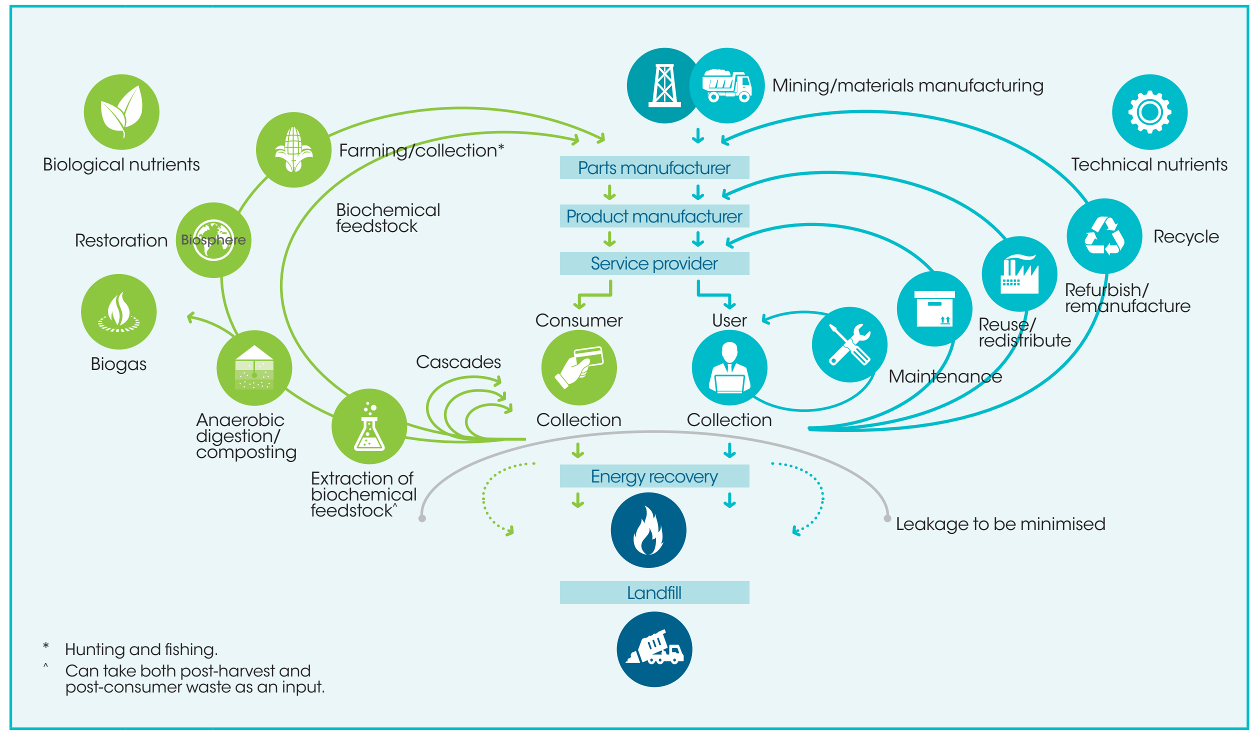


FIGURE 1

Adapted from original by the Ellen MacArthur Foundation. https://www.ellenmacarthurfoundation.org

> Redesigning the way we conduct business and policy is a critical step towards bringing human activity back into alignment with the planet's ecosystem.

Push factors for change

A report by the Ellen MacArthur Foundation estimates that the value of circular opportunities for fast-moving consumer goods globally could be as much as US$700 billion per annum in material savings, which is inclusive of materials used in the reverse-cycle processes.[1] Circular economic principles spur innovations, resulting in improved resource productivity, decreased ecological impact, and greater job creation. These benefits will become increasingly essential as the world's population grows.

A recent population projection report from the United Nations states that, based on current growth trends, the world's population will likely reach 9.7 billion by 2050.[2] Given the current rate of resource depletion, it will be impossible to meet the demand for resources. This will inevitably exacerbate social issues such as poverty, inequality and conflict. Thankfully, these problems can be prevented through better resource management in the circular economy.

If circular economy principles can help industry realise greater value, why have most firms not reassessed and changed their business models?

Adopting circular economies: Challenges to overcome

COST

Businesses struggle to reconcile economic and environmental concerns because of competition that forces companies to externalise costs in order to demonstrate short-term profit. The accounting systems are woefully misaligned. The rules of the game need to change if businesses are to adopt circular economic principles as a viable means to create economic value, and not just token activities of doing something good.

However, an all-encompassing and farsighted business strategy must, by definition, be financially sustainable. The hurdle for adopting greener business practices and other circular economic principles has always been the high upfront costs coupled with long payback periods, which often make for an unattractive investment. The circular economy must be built on a strong investment thesis. One such example can be found in the Pacific Gas and Electric Company in the U.S., where, according to CEO Richard A. Clarke, the company was able to improve the efficiency of its operations by recycling certain components, such as electrical conductors, transformers and plastic gas pipes, which brought in savings of several million dollars a year.[3]

LEGISLATION

Government interventions have a huge part to play in a circular economy, but they can also be counterproductive if not implemented properly. Companies are generally influenced by strict legislative frameworks when it comes to integrating green solutions into their operations. With the absence of strong government support or an effective legislative framework, sustainability efforts are mainly dependent on the company's commitment to environmental improvements. In the U.S., the North Carolina General Assembly passed a bill banning the disposal of beverage containers. At the same time, the Senate granted support through grants and technical assistance for recycling, once the bill was passed. This positive involvement led to an estimated increase of 35,000 tonnes of glass recycled per year in the state.[4]

LOGISTICS

A robust logistics solution is critical to any circular economy strategy. When closing the loop, reverse logistics plays an important role in the recovery of waste, enabling the circular flow of goods. This process has to be seamless and cost effective in order to maximise the value generated for the company.

When the Australian government introduced a policy on Extended Producer Responsibility (EPR), which requires manufacturers to manage their product's end-of-life segment by recycling a certain tonnage of electronic waste, take-back logistics for the end-of-life products proved to be a daunting challenge. DHL rose to this challenge by leveraging their logistics expertise to provide companies with efficient e-waste recycling solutions that met the EPR regulatory requirements.

Logistics service providers will no doubt play a key role in facilitating the transition towards a circular economy. However, this solution could prove difficult to implement in developing countries where a lack of technical skills or infrastructure may hinder such a logistics-based solution. That said, developing countries also have the most to gain from the circular economy, particularly in the realm of food security, where they are often most vulnerable. Improving the logistics infrastructure in these countries is vital.

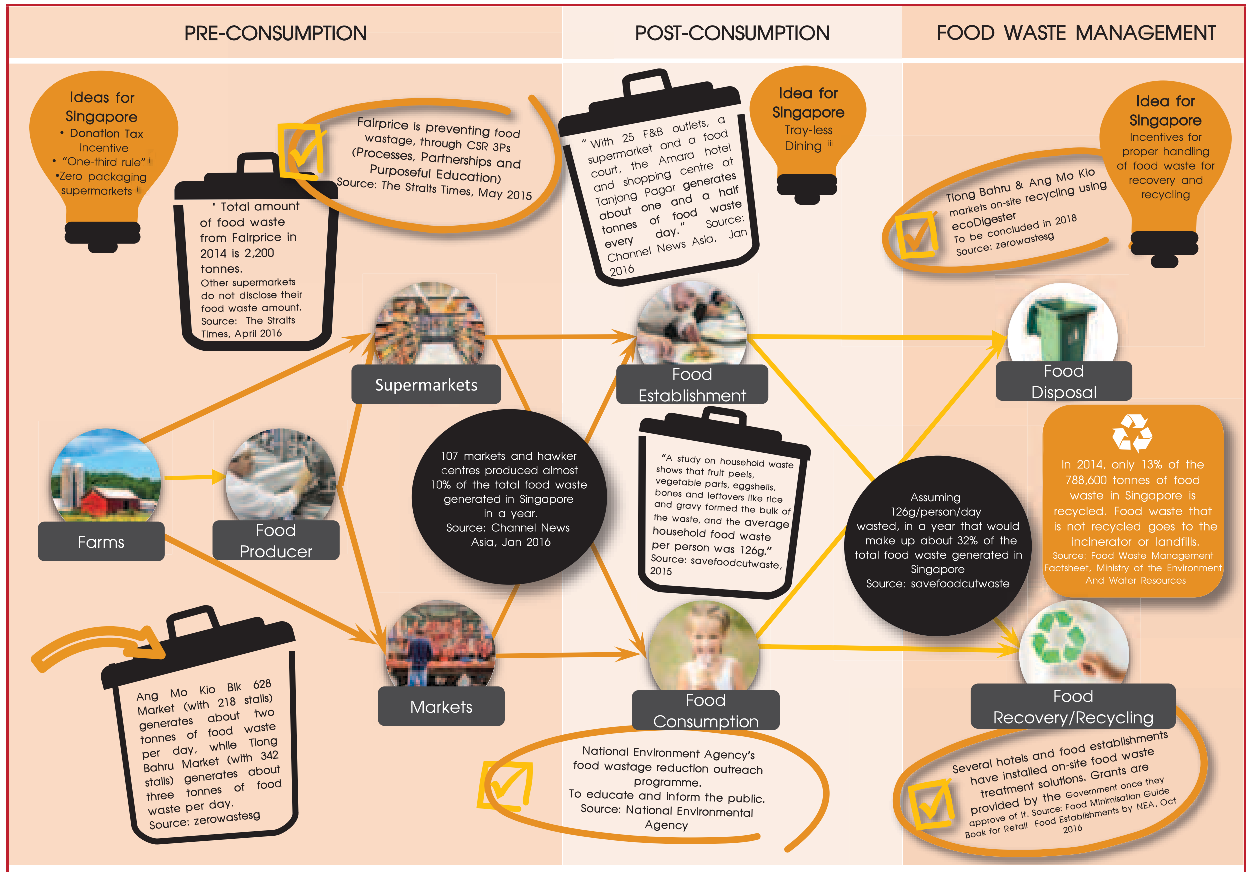
Hungry for change

Organic waste is the largest component of total waste, with food wastage being a major contributor. The Food and Agriculture Organization (FAO) estimates that roughly one third of the annual amount of food produced in the world for human consumption (approximately 1.3 billion tonnes), gets lost or wasted.[5] Not only does this food waste account for major economic losses, it also has adverse effects on the environment due to the greenhouse gases produced when it breaks down anaerobically.

The severity of wastage differs across industrialised and developing economies, with the latter typically wasting less. Singapore, an advanced country lauded for its devotion to efficiency, generated a total of 785,500 tonnes of food waste in 2015. Of this, only 13 percent of the food waste was recycled, which equates to a loss of some 127 kg per person per year.[6] Based on statistics published by the FAO in 2011, the annual food loss per capita in South and Southeast Asia, a developing region for the most part, is approximately 120-170 kg per person per year, while that of Europe and North America is approximately 280-300 kg per person per year.[7] Although Southeast Asia's per capita food loss is generally lower than that of other industrialised parts of the world, there is further need for improvement in order to avoid increasing levels of waste as the region develops (refer to Figure 2).

Moreover, the profile of waste differs across industrialised and developing countries. For example, there are various

FOOD WASTE, RECOVERY AND RECYCLING EFFORTS IN SINGAPORE



i. "One-Third Rule"—The period starting from the production date of food products to the 'sell by' date (the period in which the food tastes best) is divided into three shorter periods of equal length. Food makers or wholesalers are to deliver products to retailers during the first period, retailers are to sell them during the second period and consumers are to eat them during the last period. Source: "Reducing food loss", The Japan Times, Aug 2013.
ii. Zero Packaging Supermarkets—A grocery store that creates zero waste by allowing customers to purchase exactly how much they need, reducing waste in their homes. Source: "Berlin duo launch a supermarket with no packaging", The Guardian, September 2014.
iii. Tray-less Dining—Eliminating tray dining in all-you-can-eat dining establishments to reduce consumer wastes. Source: "A road map to reduce U.S. food waste by 20%", ReFED ReThink Food Waste Through Economics and Data, 2016.

FIGURE 2

stages in the food supply chain, from food production to disposal, and food wastage occurs at each of these stages. According to the World Resources Institute, Southeast Asia generates 17 percent of global food waste, 37 percent of which occurs at the handling and storage stage of the supply chain, which is in stark contrast to only 6 percent in North America.[8] This is one area where Asia can re-evaluate current measures, and make conscious efforts to improve the situation.

In the battle to overcome food wastage, there are many successful case studies that demonstrate how it is possible to overcome the challenges of adopting circular economic principles. Many start-ups have shown that going green can be profitable if the business is built upon a sound strategy. One positive example is EcoScraps in the United States. Founded by Daniel Blake and Craig Martineau, the company recycles food waste into useful gardening products. These entrepreneurs believe that the key to their success is streamlining the production process, producing high quality compost, and collaborating with large retailers like Costco and Home Depot to carry their product line. Within two years of inception, the company managed to raise US$1.5 million and has plans to further expand its operations.[9]

Government intervention to reallocate responsibilities amongst different stakeholders is another means of reducing food waste. For example, in 2016, France became the first country to ban supermarkets from throwing away food, forcing them to donate it to food banks or charities. Under the legislation, supermarkets with a footprint of 400 square metres or more have to sign donation contracts with charities or face a penalty of up to US$4,200. This newly passed law is welcomed by the food banks, which have since seen a 15 percent increase in food donations coming from supermarkets.[10] Although these food banks and charity organisations now enjoy greater diversity and quality of food, they are also responsible for ensuring that this influx of products is stocked in proper hygienic conditions. Without proper logistics, such a command and control approach may prove to be equally inefficient as the original food waste problem.

In Singapore, 'Food from the Heart', a non-profit voluntary food distribution programme, receives unwanted food from supermarkets and redistributes them to the less fortunate. Their model addresses the food waste issue by matching supply to demand in the sharing economy. To ease the logistics challenges of food distribution, 'Wheels4Food', a hybrid web and mobile shared-value platform was developed at Singapore Management University's (SMU's) School of Information Systems to facilitate the matching process, and crowdsource volunteers to deliver food items to those in need.[11]

Tired of tyre waste

Like the food waste problem, scrap tyres represent another low-hanging fruit. It is estimated that about one billion scrap tyres are generated every year, and another four billion are stockpiled across the world.[12] Tyre landfills are undesirable because they are breeding grounds for mosquitoes and other disease-carrying pests. It is also common for these landfills to catch fire (that is notoriously difficult to extinguish) and release thick toxic smoke. To make matters worse, the global tyre industry is expected to increase 4.3 percent annually through 2017, with Asia Pacific being responsible for two-thirds of the growth in demand.[13]

In some developed economies, the end-of-life recovery rate for tyres is generally high. For example, in 2010, the EU's recovery rate for end-of-life tyres stood at approximately 96 percent.[14] However, this is not the case for developing countries in Asia due to the lack of infrastructure and minimal government regulations. In Asia, end-of-life tyres are routinely disposed of in landfills, or by other methods such as burning, which have a harsh impact on the environment. The low recovery rate, coupled with a likely increase in the production of tyres, will undoubtedly accelerate environmental degradation. This problem needs to be addressed before the situation worsens.

However, the situation is not all doom and gloom. A tyre recycling survey conducted by the Green Transformation Lab, a DHL-SMU industry-academic research collaboration entity, showed positive and reassuring results: 95 percent of the respondents to the survey that involved Asia's tyre industry stakeholders and environmental agencies, feel that recycling of scrap tyres is relevant, while 76 percent see logistics as a potential solution.[15]

Currently, there are over a hundred products that use recycled tyre rubber. This goes to show that a huge market for end-of-life tyre rubber already exists. One of the biggest uses of scrap tyres is in cement production. Other examples include boat bumpers, artificial turf, playground tiles and shoe soles. Asia can look to the U.S. scrap tyre industry as an example and turn its scrap tyres into useful materials for reuse. In 1990, about one billion scrap tyres were in stockpiles in the United States. At the end of 2015, 93 percent of those tyres had been cleaned up, with only 67 million remaining.[16] Described as the greatest success story in the history of recycling, studying how the U.S. handled its scrap tyres can equip Asia with the knowledge to confidently venture into appropriate and effective sustainability efforts (refer to Figure 3).

PRODUCTS MADE FROM REUSED TYRE RUBBER

FIGURE 3

The government can also play a huge role in the mitigation of tyre waste. In the EU, a legal framework has been established to shift all scrap tyre management responsibilities to manufacturers. A reporting obligation with the authorities also allows clear traceability through the supply chain. By forcing the tyre producers to take back the unwanted tyres, the dispersion of scrap tyres can be reduced to several consolidated areas. Some tyre producers also set up self-funded companies to aid in collection. On top of that, the manufacturing companies are encouraged to innovate and find more cost-effective ways to recycle scrap tyres.

According to the World Business Council for Sustainable Development, the U.S. and the EU dump 14 percent and 16 percent of their scrap tyres into landfills respectively, whereas 85 percent of tyres in New Zealand go into landfills.[17] However, even when proper regulations are in place, costs must still be managed. For example, end-of-life logistics costs for tyres can be brought down by shredding the tyres, thereby reducing the volume by 75 percent and making transportation about 30-60 percent cheaper.[18] Once again, the combination of efficient logistics in conjunction with government regulations is essential.

Closing the loop

Adopting the circular economy can only be sustainable if the business is able to reconcile economic and environmental concerns. This implies that any effort of circularity has to be built on top of a positive business case.

While going green opens up new market opportunities that have the potential for wealth creation, businesses need to be able to identify these opportunities and seize them with a well-planned strategy and a focus on innovating new technologies and business processes.

Collaboration and outsourcing certain business functions often yields increased productivity and efficiency. This will become even more important in the circular economy as logistics processes become more complex. In a competitive environment, it may be wiser to work with a logistics service provider. At the same time, business and government should work together on crafting feasible regulations that align with competitive forces and socio-environmental sustainability, in short, the circular economy.

The concept of circular economies drives optimal resource efficiency. This means that resources should be fully utilised throughout the product's lifecycle. To achieve this, businesses have to plan through the entire product life cycle, beginning from design to end-of-life. Designing products for a circular economy is not as simple as it sounds. The move will require take-back schemes and products designed for easy upgrade or reuse. Businesses typically focus on the manufacturing, packaging, marketing and point of sale of a product. Now they must rethink how to ensure their products will not eventually end up in a landfill or an incinerator. This will require innovative business models as well as new policies and regulations to change the rules of the game (refer to Figure 4).

CIRCULAR ECONOMY-CONNECTING MULTIPLE TIERS AND INDUSTRIES

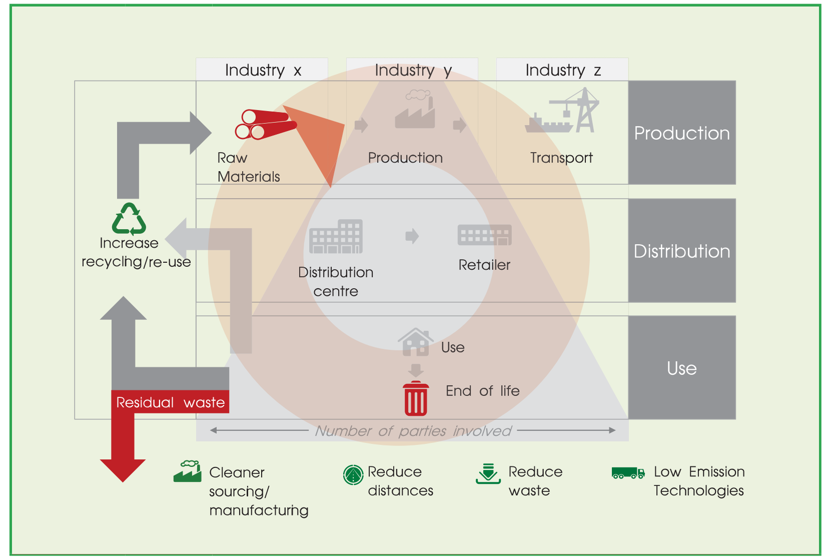


FIGURE 4

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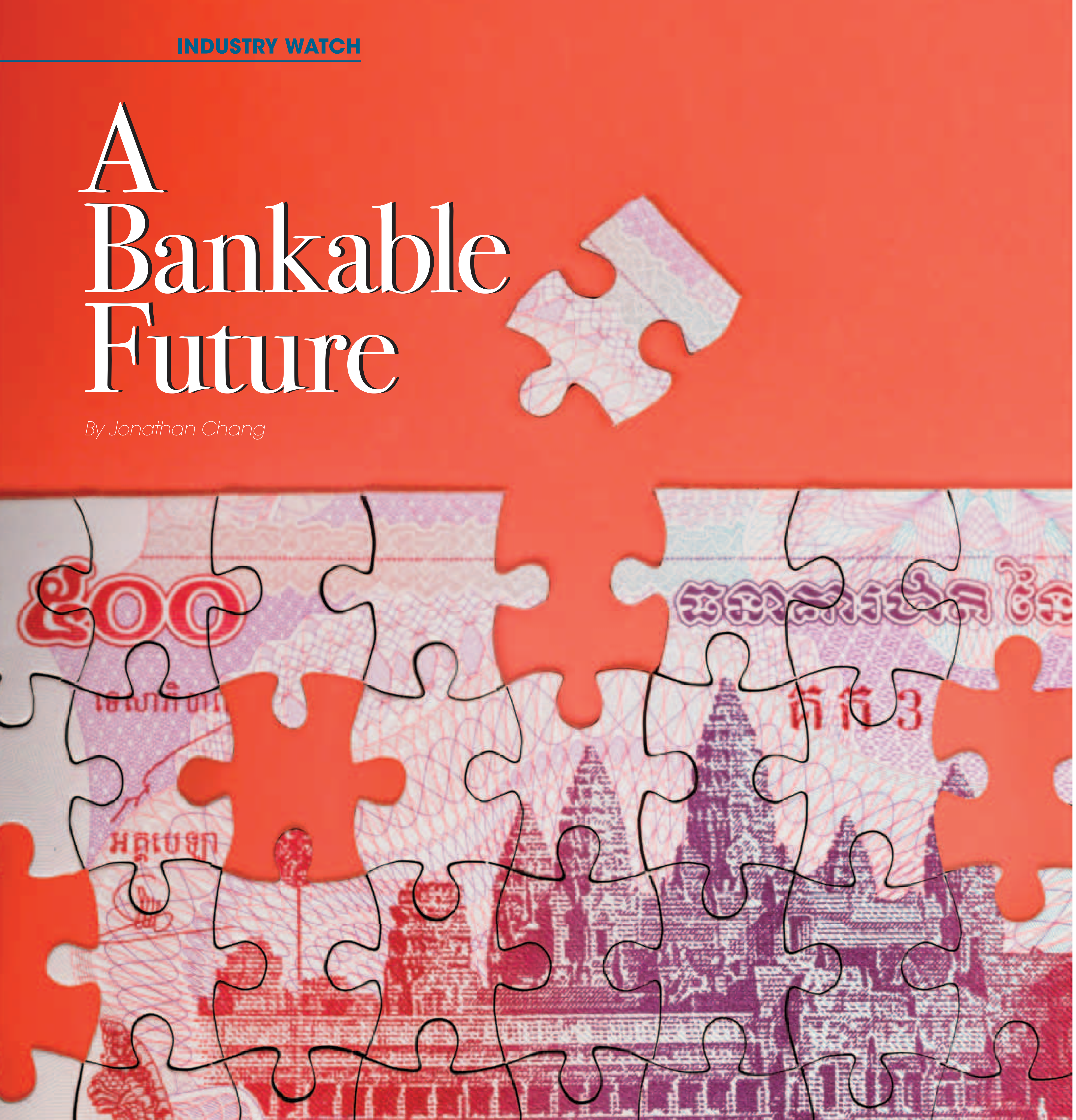


A Bankable Future

By Jonathan Chang

Efforts to promote financial inclusion in Cambodia are paying dividends economically, and unlocking opportunity.

Recently the National Bank of Cambodia, the country's central bank, hosted the First Mekong Financial Inclusion Forum in conjunction with several development partners. The Forum was aimed at strengthening the level of cooperation and knowledge exchange between countries and institutions in a drive towards financial inclusion within the Greater Mekong Subregion.

Prior to the Forum, I had the opportunity to meet with Serey Chea, Director General of the National Bank of Cambodia, to discuss the country's efforts to achieve greater financial inclusion, and learn about its expanding microfinance sector.

Cambodia has begun to attract international attention for its economic successes, especially its economic growth. It is one of the fastest growing among post-conflict societies, and is likely to graduate to the middle-income developing group of countries within the next decade. In the meantime, the International Monetary Fund, in July 2016, recorded Cambodia's transformation to lower-middle-income country status, noting Cambodia's sharply increasing integration with the global economy and the significant fall in poverty.[1]

The garment sector, together with construction and services, is the main driver of the economy. Growth is expected to remain strong in 2016, as recovering internal demand and dynamic garment exports offset stagnation in agriculture and softer growth in tourism.[2] Although real growth is estimated to have slowed to 7 percent in 2015 from 7.1 percent in 2014, Cambodia continues to record significant sustainable economic growth through the opening up of the market and ultimately, poverty reduction.[3] By the end of 2015, private sector credit growth in the Kingdom averaged nearly 30 percent (year-on-year) over the past three years and the credit-to-GDP ratio doubled to 62 percent, higher than the median Emerging Markets' level and about twice the median Low Income Countries' level.[4]

However development has also been uneven, reflecting the stubborn problems of a developing economy. There is an increasingly unequal distribution of wealth (both geographically and socially), limited financial inclusion, a wide gap in development between urban and rural areas, along with significant social issues such as gender and poverty concerns. The ability to improve access to finance remains essential. Yet the micro, small and medium enterprises (MSMEs), for example, which generate most of Cambodia's economic output and employment, still have difficulty accessing finance at an affordable cost, which hinders their competitiveness and capacity to develop. The plight of the 'unbanked', who have no access to mainstream finance, leaves vulnerable groups open to exploitation by unscrupulous interests. An overriding consideration here is financial literacy, whether for small businesses or the unbanked, as it provides both groups with the knowledge needed to unlock access on many levels, from opening bank accounts to the running of a family-owned enterprise.

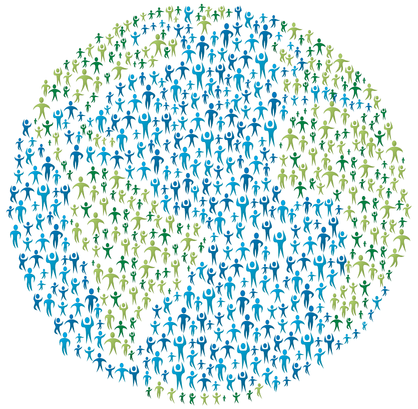
Policies introduced by the National Bank of Cambodia (NBC), the country's central bank, are intended to meet these challenges, including regulatory challenges. It encourages and maintains financial system stability and development through the promotion of financial inclusion, oversight of the payments system and regulation of the banking system.

One key policy initiative involves an emphasis on financial inclusion through microfinance, while others are aimed at financial literacy and increasing the levels of what is called 'bankability'. Often described as "the key to breaking the poverty cycle" through access to affordable finance, microfinance supports the theory of economic development that argues that people can be moved out of poverty through empowerment as business owners. Its significance has been recognised by the United Nations, which declared the year 2005 as the Year of Microcredit, as well as by Cambodia itself, which declared 2006 to be the Year of Microfinance.

Reflecting Cambodia's move from a 'planning economy' to a 'free market' economy in 1991, following the Paris Accord, the country's central bank steers a middle course when it comes to a financial inclusion model. "We aim for a hybrid model," says Chea. "We don't seek heavy regulation as in South Africa, but we also shy away from unregulated environments."

A major element of financial inclusion is the emphasis on access at an affordable cost, or price, a point not lost on Chea. "People don't usually pay attention to 'affordable cost'", she tells me. "Many just try to push financial services to everyone without considering the price that people have to pay for it." Yet closing the accessibility gap with affordable prices is central to ensuring financial inclusiveness. In fact, there are those who would argue that as banking services are in the nature of a public good, the availability of banking and payment services to the *entire* population *without* discrimination is a key objective of financial inclusion.

"We aim for a hybrid model. We don't seek heavy regulation as in South Africa, but we also shy away from unregulated environments."
– Serey Chea, Director General of the National Bank of Cambodia



Globally, an estimated two billion working-age adults have no access to the types of formal financial services delivered by regulated financial institutions.

Financial inclusion

The delivery of financial services at an affordable cost to sections of disadvantaged and low-income segments of society, or financial inclusion, is an integral part of the United Nation's Sustainable Development Goals (SDG). Globally, an estimated two billion working-age adults have no access to the types of formal financial services delivered by regulated financial institutions. This sees them mired in poverty traps and vulnerable to myriad social issues, including extortionate forms of money lending, from which there is no way out except for the concerted effort of all nations to achieve the SDGs.

Current figures on formal financial inclusion in Cambodia show an inclusion rate of 59 percent, with 29 percent of adults considered financially excluded.[5] Financial inclusion is higher amongst females at 73 percent, compared to males (69 percent) and is higher in urban areas (74 percent) than rural areas (69 percent). Microfinance institutions are commonly used (24 percent) as opposed to banks (17 percent).

The NBC is now in the process of preparing and rolling out a national strategy on financial inclusion in conjunction with the United Nations Conference on Financing for Development, which should make it easier to access finance.

Microfinance as a key driver of financial inclusion

The promotion of access to finance, or financial inclusion, for low income groups is usually associated with microfinance, says Chea. She refers to the ground breaking work of Grameen Bank founder, Muhammad Yunus, the social entrepreneur and Nobel Peace Prize recipient known for his pioneering work with loans to entrepreneurs who are too poor to qualify for traditional bank loans.

Credit is the primary financial product offered by most microfinance institutions (MFI) to small businesses and individuals. In Cambodia, MFIs provide financial and non-financial products and services to satisfy clients' needs, including group and individual micro loans, micro savings, money transfers and micro insurance.

Approximately 80 percent of Cambodia's MFI clients live in rural areas, of which 81 percent are women. However determining and maintaining affordable rates remain challenging. "In the main, microfinance services are still expensive compared to bank services because many of the institutions are labour intensive, operating in remote areas with high overheads. This requires spending on human resources who will have to go into the field to understand the whole business situation, as well as collect the money," says Chea.

The country's microfinance sector has proven attractive to foreign investors, especially those with social missions in mind. The financial inclusion imperative has attracted the support of many institutions in the Mekong region. One of these is the Alliance for Financial Inclusion (AFI). Founded in 2008 by the Bill and Melinda Gates Foundation, the AFI has 123 members from 95 countries and is a valuable forum for the region's central banks and microfinance banks. The NBC recently became its 99th principal member.

The successes have gained recognition. Cambodian MFIs won three out of the five Financial Transparency Awards offered in 2005 by the worldwide Consultative Group to Assist the Poor, which considered 330 institutions from 62 countries for these awards. In 2006, four Cambodian MFIs received Financial Transparency Awards.

Microfinance and central bank policy

The microfinance sector constitutes about 20 percent of Cambodia's whole financial system, which has led the central bank to view it more seriously than it used to, especially in terms of its impact on financial stability. However, Chea explains that the role of central banks in microfinance can be problematic. The generally accepted view is that central banks should look after financial stability rather than the supervision and regulation of microfinance. Failure on the part of institutions in that area would have limited impact on financial stability, so the theory goes, and it is therefore unnecessary to spend much in the way of resources on them.

However the Cambodian perspective differs. "Our definition of financial

Cambodia is among the first countries in the world to regulate microfinance.

stability", Chea says, "boils down to how much it is going to impact the society as a whole versus just the financial system. You might debate that definition of financial stability, but if there's disruption in the financial system, then you call it financial instability. For us, even though the failure of microfinance wouldn't necessarily have much impact on the functioning of the financial system, the number of people that the MFIs are serving is huge in Cambodia. The customer base is so big, that even if a failure doesn't create financial instability, it can create social instability. That's something we take seriously." Ultimately, therefore, the need for regulation comes down to the fact that lending to low income consumers is perceived as risky for the MFIs as well as for the investors of these institutions, especially as several of the early MFIs in Cambodia began as small organisations, and some were NGOs, with limited governance.

'Bankability'

The conventional banking system is aimed at 'bankable people'—individuals with bank accounts and good credit records who will prove acceptable to institutional lenders. However it presupposes access to and participation in the mainstream financial system using a bank account—and the marginalised or low income groups are unlikely to meet either requirement. Table 1 provides a comparison of financial inclusiveness across the Greater Mekong Subregion.

One of the first steps towards financial inclusion is possession of a bank account and Cambodia's central bank aims to see 80 percent of Cambodians with bank accounts by 2020. Globally, there has been a significant drop in the number of 'unbanked' individuals, falling by 20 percent in 2015. A World Bank report noted that from 2011 to 2014, 700 million people became account holders at banks, other financial institutions, or mobile money service providers.[6]

BANKING STATISTICS FOR THE GREATER MEKONG REGION (%)

Country	Banked	Other Formal Non-Bank	Informal Only	Excluded
Myanmar	17	13	31	39
Laos	36	11	28	25
Thailand	74	23	2	1
Cambodia	17	42	12	29

TABLE 1 Source: FinScope Cambodia 2015

Financial literacy

Financial literacy also has implications for the wider community, that is, beyond just benefitting the marginalised. Microfinance is now such a major player in the Cambodian finance sector that there are very real concerns that many people will not understand the terms and conditions connected with financing transactions, i.e. credit and loans. The Cambodian central bank believes literacy programmes are best carried out through the formal education system. And that, Chea says, will need cooperation from the Ministry of Education.

The central bank's recent Consumer Financial Capability Development campaign is aimed at teaching the public how to use financial services effectively. The programme is free and features catchy video clips urging people to save for the proverbial 'rainy day' and manage their finances wisely; along with public service announcements for radio distribution, and a range of printed collateral such as postcards and banners. Campaign ambassadors are used to help spread the word.

Chea outlines key features of the programme, "Basically, it is designed to help the public understand their rights and responsibilities; that loans should be used wisely and are able to generate profits to service debts and repayments, and that borrowing should not be irresponsible or reckless. A key element is to educate the public on their choices, the right to negotiate, and the right to communicate should they have any doubts about any aspect of a financial transaction. If they are offered one rate, they don't have to accept it. They can walk out and see if a better rate is on offer."

By and large, people need to learn to communicate, not only with the service providers, but also the relevant authorities, she adds. "They shouldn't just keep quiet. Our challenge is to make people understand that this is their right to ask, and it's also the responsibility of the institution to answer them."

This is particularly true for those from rural areas, she points out. "They're usually intimidated by people in the big urban areas and will generally not dare to ask too many questions."

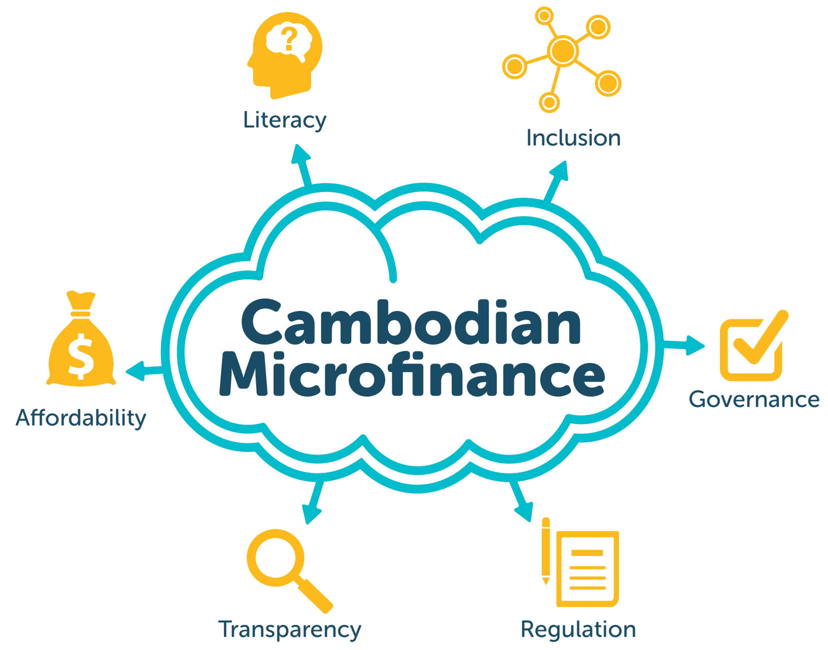
Regulating the sector

Balanced regulation from the central bank is a key strategy. The Europe-based investment funds, development banks, and others, considered that if the MFIs were regulated by the central bank, then they would be required to file and publish audited financial reports. Chea commented, "We were among the first countries in the world to regulate microfinance. Where other countries feel that they're too small to regulate, or that it's a waste of resources, we're taking the approach that we should do it, despite a lot of criticism about our approach."

The formation of a credit bureau and plans to introduce a Khmer-score—which relates to the creditworthiness of a person—add strength. Similar to the FICO score in the United States, the proposed Khmer-Score assesses the likelihood that a person will pay his or her debts. This will help microfinance outlets better identify their client, while enabling greater bargaining power on the part of the client if he or she is of good credit standing.

The credit bureau is a recent innovation. Chea, who also chairs the bureau, explains that, in common with its counterparts elsewhere, the bureau identifies the people and their credit histories to enable lenders (MFIs) to better assess their client. But, she adds, "If someone has a very good report showing that they pay everything on time, they should be able to use it as an asset, and be able to bargain for a cheaper loan."

The new bureau is also one of the first in the world to include two finance sectors (banking and microfinance)



under one roof, which enables the same product to be sold to two different sectors. Making sure the internal price structure of the product is fair to all has been a challenge. "However it's made us one of the best in the world," said Chea.

Most of the necessary regulations are in place, although the central bank has yet to introduce an e-commerce law to protect consumers and buyers. The 1999 Law on Banking and Financial Institutions clearly defines the legal status of MFIs as a provider of loans and deposits to poor and low income households and micro-enterprises, and requires them to ensure minimum capital and governance systems are in place, and then goes on to supervise and regulate them using prudential principles on capital guarantees, reserve requirements, and more. Regular off-site supervision and inspections are carried out to monitor compliance with prudential banking principles as well as promote investor and public confidence in the rural finance industry.

Hurdles and high points

The countries of the Greater Mekong Subregion are gradually shifting from subsistence farming to more diversified economies, and on to more open, market-based systems. The move has been a contributing factor in Cambodia's improving status in the World Bank's Ease of Doing Business Index for 2016, a high point in a country's quest for investment. In 2016, Cambodia rose to 127th place out of 189, up from 133 in 2015. By comparison, neighbouring Myanmar ranked 167 on the index, and Lao PDR 134.

One unique challenge on the horizon will be the empowerment of women entrepreneurs through financial inclusion, though women already comprise 80 percent of borrowers in Cambodia's microfinance sector. Cambodia's small businesses, like many in the region, commence with the woman in the family. "They're the ones who go out and borrow money, who manage the finances and operate the business," says Chea, of enterprises she terms 'survival businesses'. However as the economy continues to diversify and grow, these survival businesses will likely transition to more profit-focused enterprises. A different set of skills will be needed, beyond making sure income covers expenses. Financial literacy programmes that go beyond the basics of smart saving will be a first step in this direction.

Technology is another. Everyone acknowledges that technology will be able to make financial services cheaper, which is particularly relevant for the microfinance sector where technology will be a big game changer. However Chea points to the language barrier. "Technology tends to be in English but that's not a language most people speak or understand." Nevertheless, language barriers have not held back other non-English speaking innovators in other parts of the world. And as experiences in countries such as China have shown, a combination of home-grown disruptive innovation and technology can, should, and will, continue to play an important role in advancing a country's preparedness to face challenges in whatever form. Cambodia will likely be no exception.

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The brave new world of digital media.

By Geoff Tan

The accelerating rate of change across the media world of the 21st century is unprecedented in history. Knowing what happened in the past will contribute very little toward helping media owners prepare for the future. Straight line analog platforms have evolved into a flood of non-linear digital expressions. Uni-dimensional communication vehicles are being quickly replaced by supercharged broadband-boosted omni-dimensional touch points. Old school inside-out content creation templates have been overridden by outside-in approaches, where what the majority of consumers are searching and saying on social media are heard, respected and responded to. In this day and age, the credence and clout of an experienced journalist, or editor, contributes only partially to the success of a column. Stories, analyses, commentaries and opinion pieces are only as good as the readers that find them useful and of value. As publishers, we no longer have an exclusive hold on developing the news. Cheap and seamless digital connectivity has accelerated the amount of social and user generated content shared across the world.

Media, which many of us can vouch for, is not a precise science. It is for this reason that practitioners the world over have been challenged to adapt, change, try, learn, innovate and experiment, in order to find newer and better ways to develop compelling content, attract quality readers and consumers, and monetise across a host of avenues, including advertising, sponsorship, video, e-commerce, social media and more.

Jack of all trades

Newsrooms and editorial teams are transforming rapidly—in other words, what used to be done by specialists is now performed by skilful and qualified generalists. In the past, you'd have a journalist or reporter tracking down a story, a photographer stalking a newsmaker for an award-winning shot, a sub-editor writing the headline and sizing the story to fit the allocated space in the dummy, or a professional presenter delivering a news video—these days, all this and more is carried out by the same person. It is no longer uncommon to have a cross-media journalist attend a press conference, tweet about it onsite, post event photos on Facebook, record a sound-bite for radio, upload a video onto the website, and finally, write the story for the newspaper. Although training and technology are necessary ingredients for this to happen, what is more important for a media company to transform and future-proof itself is its ability to adopt the right mind-set attuned to the era we live and operate in.

The consumer of today is certainly not short of news. In fact, information of every conceivable kind is available round the clock via a host of push/pull mechanisms, and across an extensive variety of digital platforms, devices and form factors. Publishers who used to hold a monopoly over news are now re-strategising to offer less commodity content and more proprietary content in the form of value-added opinions, views and commentaries, and at the same time build up the equity and following for their key writers, by-liners and A1 journos.

Spreading the word

In terms of content amplification, news companies are going beyond print, tablet, mobile and web to showcase their stories, photos, videos and more. Social media, initially shunned by the publishing industry and deemed as a competitor, is now being embraced. Many news companies are effectively leveraging on the DNA of these platforms to connect with their readers. For example, Facebook posts for articles, Pinterest and Instagram for news photos, LinkedIn for commentaries and thought leadership pieces, and Twitter for sharing information in real time.

As publishers, we no longer have an exclusive hold on developing the news.

Deciding what to write about has also become more scientific. Content teams are relying on search engines to advise them on what's trending, which in turn helps them to be relevant with what consumers are reacting to in the real world. Google Analytics and other metrics are now regularly relied upon to gauge the popularity of stories published and headlines used. Modern day newsrooms come equipped with giant multi-screen electronic dashboards to monitor how consumers are interacting with content 24/7. Research on how and when news is consumed across devices is helping editors upload the right type of content at the right time, and onto the right devices.

Show me the money

As for monetisation, publishers have gone way beyond the legacy print model comprising subscription, single copy sales, advertising, advertorials and sponsored pages, and now regularly include content marketing, native advertising, electronic direct mailers and incidental product placements in their sales proposals. Media owners are bombarding the full length of the value chain with everything from e-commerce to video production, ticketing and event management. Some have started to market travel packages involving celebrity journalists as hosts; others have gone full steam into organising conferences and awards.

In terms of how these products and initiatives are sold, many media companies have augmented their sales architecture by placing individual platform specialists into integrated teams, tasking them to head towards a common revenue target. Others, who are more conscious about protecting the cash cow of print, employ minimum thresholds for individual titles and media types. Adopting a consultative selling approach is what makes advertisers recognise the value of the sales team. The selling of inventory has been replaced by the selling of ideas and concepts. Innovative and legendary architect, Frank Lloyd Wright, was quoted to have said, "An idea is salvation by imagination". For newspaper publishers, we need to always recognise the massive value great ideas can contribute to our survival. I often tell my staff, colleagues and peers to spell media as **MIDEA**, because if our clients like the **IDEA**, they will surely buy the **MEDIA**. A case of "spell it right, sell it right".

Advertisers are pulling out all stops to reach their target audience of choice in the most engaging and cost-effective manner. For instance, at SPH Magazines, our titles have been strategically aggregated into three clusters–the Luxury Circle that comprises publications that reach out to high net worth individuals, the Women's Network, and the Men's Network. As a result, more and more advertisers are placing their budgets without a fixed preference for a particular magazine, leaving it to us to serve up their advertisements to a larger catchment of a pre-determined audience.

Media owners operating in today's highly fragmented landscape need to make it as seamless as possible for their valued clientele to share the 'delight' their product or service brings to consumers at large. Their priority must be to present to brand owners an extensive range of qualified consumers, comprising loyal readers of its newspapers and magazines, avid listeners of their radio stations, regular viewers of the outdoor screens and video channels, etc. It is mandatory that media owners remain vigilant and mindful of the fact that the effort to acquire must feature as importantly as the drive to retain. The white spaces spotted across their customer matrix must be seriously addressed, as opportunities often lie in these less-than-obvious crevices. In this day and age where business is so much harder to come by, ideation must feature high in everyone's agenda. However, inventive thinking alone will not guarantee results; the proof of the pudding comes from being able to successfully translate these ideas into powerful and efficacious applications that lead to engaging and infectious conversions. More than a mouthful? Absolutely!

Creative branding

Other than just learning from the best practices of publishers around the world, I have found that brands have a whole lot to teach us. A great example is Red Bull. The story behind its extreme success reeks of non-conformal marketing applied with deft and deliberate strokes of ingenuity. Flying in the face of all the marketing theories and models you can ever hope to learn from other leading institutions the world over, the story of how an Austrian toothpaste salesperson Dietrich Mateschitz took an inconspicuous Thai energy drink called Krating Daeng and transformed it into the phenomenon we call Red Bull today exceeds the epitome of a miracle.

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The Cinderella story behind the evolution of this brand is, to me, sheer poetic strategy in motion. This brand, in the blue and silver can, sells five billion units a year and consistently tops its category on all counts. As a product, it apparently does not do well in taste tests with many saying that it is too sweet. But with sales figures like this, one must realise by now that its huge following is not fully dependent on the content encased by metal but the content that is infused in the marketing of the brand. Red Bull, we can all attest to, is all about supercharged high octane extreme lifestyles.

James O'Brien, in an article entitled 'How Red Bull Takes Content Marketing to the Extreme', says, "Red Bull is a publishing empire that also happens to sell a beverage". Red Bull Media House was launched in Europe in 2007, then scaled across to Hollywood and New York City, with assets traversing print, television, feature film production, content acquisition, and a magazine *(The Red Bulletin)*. With brand owners like this daring to take their equity along the value chain and drive an extensive following across multiple fronts, I can't help but think that traditional publishers can take a leaf out of this to lift their offerings beyond their current staid business stratagems.

Greg Satell, writing for the *Harvard Business Review* in a piece entitled 'Publishing is Not Dying', puts this succinctly when he says, "Once publishers let go of the idea that they are going to make their money selling ad pages and pushing rates, it becomes clear just how profound the opportunities are." We must face up to the fact that one size does not fit all and that selling a physical ad space, be it a half page print execution or a leaderboard on a website, is very fast becoming passé.

Don't get me wrong. Advertisers are still passionate about spending advertising and promotion dollars but just not in the way we are accustomed to. Major brands the world over are experimenting with and setting up new-age digital media command centres to address their communication needs. These facilities come decked out with war rooms, real-time social media and listening tools, video production capabilities, live return on investment dashboards, hot-desking partner consoles, etc. Publishers operating in today's challenging media milieu must understand the implications coming through from this digital-first way of engaging customers and driving advocacy.

I can't do this alone

To always remain on the cutting edge of things, I constantly remind myself of the mnemonic 'organic is lethargic'. Attempting to grow the business on our own is today so hugely old fashioned; collaborating with qualified and valued partners must surely be the order of the day. As time is of the essence in bringing a product to market, trying to build every solution in-house is often futile. This is the definitive age of collaboration. Partnering to bring a new proposition to our clients, and sharing the revenue among relevant parties, is the way to go.

In addition, many publishing companies around the world are setting aside significant sums to invest in media-related businesses locally and globally. At SPH, we have allocated S$100 million for this as we believe that these strategic investments will play a critical role to support our aspiration to be the leading multimedia company in Asia. We also have an accelerator programme in place across a tripartite relationship involving Silicon Valley's Plug & Play business accelerator, and Infocomm Investments, a fully-owned subsidiary of the Infocomm Development Authority of Singapore. The aim of this collaboration is to build a strong pipeline of high growth, innovation driven tech start-ups to address challenges that the media industry faces. The programme admits media tech start-ups across areas such as advertising, e-commerce, marketplaces, mobile, news and content distribution, and public relations. The idea is to build and grow digital companies with high global potential and strong capability so as to transform the media sector. The selected start-ups are accorded mentorship from domain experts such as venture capital and media industries.

Taking control

The media and publishing business is going through a challenging period in its life cycle. All and sundry have gatecrashed the party and are helping themselves to the revenues once exclusively enjoyed. As the saying goes, "When the going gets tough, the tough get going!" Malcolm Gladwell mentions in his video, 'How Resource Constraints Lead to Innovation', that the "absence of advantage is what spurs innovation." Sean Ellis talks passionately about how "Desperation Leads to Innovation".[1] As a growth hacker in a start-up outfit, changing how the game is played is the minimum acceptable norm. Innovating voraciously and testing relentlessly must be the living and breathing mandate for survival. When this stops, the company dies. The same should apply to those in the media industry. Just because we have a history laced with winners and successes, and just because our business roots date back hundreds of years, does not necessarily accord us the license to be complacent. The take-it-easy-sit-back-and-cruise mentality must be replaced by the highly-driven-lean-forward-and-step-on-the-gas attitude. Growth hacking and a start-up mentality are the weaponry necessary to fuel success. To embark on this new journey, leadership augmentation is vital and highly imperative. To put it bluntly, the traditional chief marketing officer is Jurassic. The Chief Growth Hacker is now the new chic!

Media companies and publishers need to continually invent for the future. Earlier this year, the world lost the talented David Bowie–a man caught up in a futuristic mind-set, an out-of-the-box thinker, a prolific hacker. If you dig a

Growth hacking and a start-up mentality are the weaponry necessary to fuel success.

little deeper into what Bowie really embodies, you will discover that not only was he an accomplished singer and songwriter, he also made a name for himself in the wider spectrum of the arts–painting, film-making, acting, fashion, and yes, publishing. His eccentric personal style is seen in how he fashionably projects himself, whether it be in the make-up he wore or the outfits he was seen in. He was a voracious reader, consuming everything from Homer's *Iliad* and D.H Lawrence's *Lady Chatterley's Lover* through to nonfictional classics. In 'Space Oddity', which he released in 1969, Bowie sings, "This is Ground Control to Major Tom, I'm stepping through the door, and I'm floating in the most peculiar way. And the stars look very different today." A stark reminder for us to tread outside our comfort zone, stride ahead into unexplored territory, and spawn profitable new stars neatly strewn across our business galaxy. The way Bowie lived his life testifies to the fact that creativity knows no boundaries.

I conclude by echoing the words of the legendary Steve Jobs when he said, "Let's go invent tomorrow instead of worrying about what happened yesterday."

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