



COUNCIL on
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Global Voice

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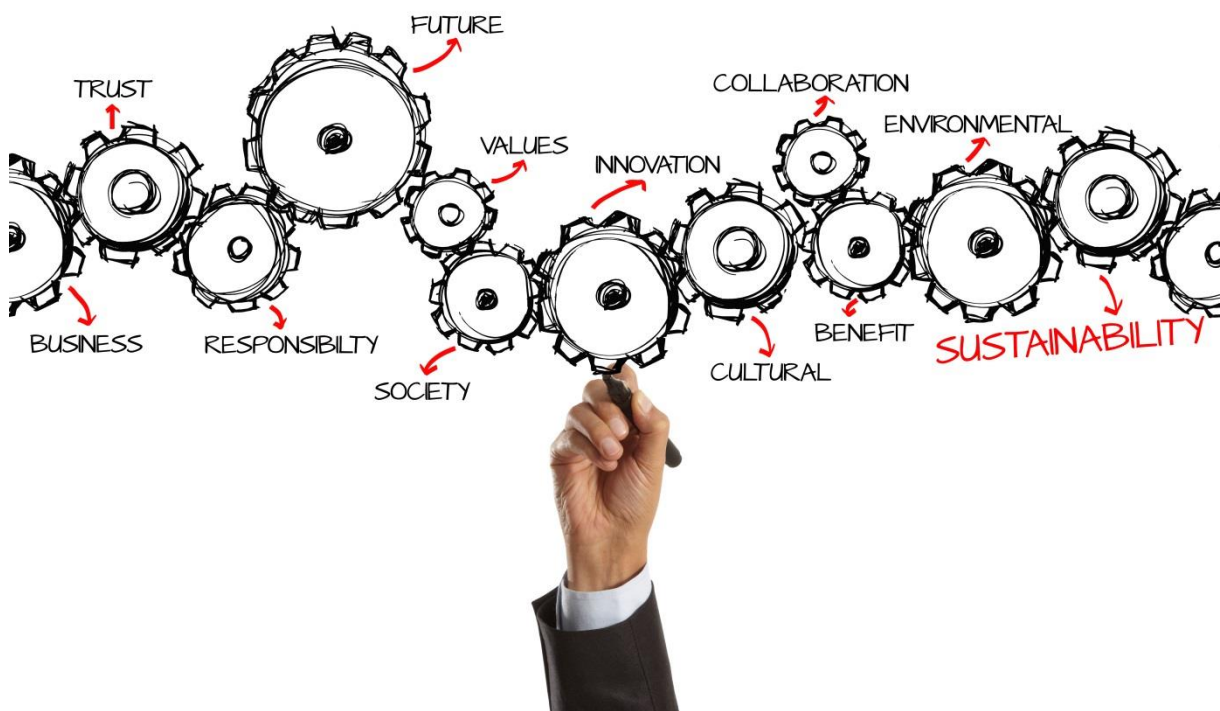
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Editorial

By Professor Christian Koenig

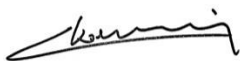
Welcome to Global Voice issue #4, the quarterly eMagazine of the Council on Business & Society that provides you with a compilation of our most successful articles of the last three months.

This first quarter of the year has seen several major events across the globe that directly concern the Council and you, our readers. In January, the BETT Show, an international gathering of companies, EdTechs and all those with a passion for education, took place in London. Our contribution is reflected in Prof. Xavier Pavie's article, included in this eMagazine, on re-thinking education through imagination. The World Economic Forum also provided a speakers' corner for us to highlight the research of FGV-EAESP professors Edgard Barki and Mario Aquino Alves and their expert insights into social entrepreneurship and innovation. Gender equity and Equal Pay Day events in several countries spurred the Council to publish a special **Gender Equality issue** of Global Voice as well as a series of articles by leading women's rights expert prof. Viviane de Beaufort, one of which is included in this quarter's issue. The news, too, provided ample occasion to lend a voice to the debate – most notably the growing threat of trade war between the United States and China. Our contribution came in the guise of prof. Qinqin Zheng's School of Management Fudan research into US and Chinese business people's ethical perceptions of each other – enough empirical evidence to help calm the tension! And lastly, various technology conferences and the daily debate on how artificial intelligence will change our working lives is joined by two differing standpoints from professor and Dean Hirokazu Kono of Keio Business school and professor and Chief Digital Officer Nicolas Gladly of ESSEC Business School. In addition, a Focus Brazil workshop for our students was organised at ESSEC in March in partnership with the Council's Brazilian member FGV-EAESP – with a live remote lecture and Q&A session given by professor and Vice-Dean Tales Andreassi and professor Edgard Barki. This event gave rise to a special **Focus Brazil issue** of Global Voice. And finally, opening our columns to our student populations on responsible business and leadership, a superbly written article – the first of this series – by Master's in Management student Hakim Fekih, member of the student association **NOISE**, is a most welcome feature of this Global Voice issue #4.

Warm thanks also go out to those in our online community who read, liked and re-tweeted us over the last three months – a community from a wide and varied background of professions and profiles and passionate about making an impact and changing the world for the better.

I wish you all an enjoyable read of the articles included in this issue. Your comments and feedback are welcome – by visiting our website www.council-business-society.org and dropping us a mail, leaving your comments on our **Community blog** or commenting via Twitter [@The_CoBS](https://twitter.com/The_CoBS).

Best regards,



Prof. Christian Koenig
Executive Director, Council on Business & Society



The Council on Business & Society

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The Council on Business & Society

Recognizing the enormous role business can and must play in helping solve large-scale, global issues facing the world, four business schools from around the world have formed a partnership: *The Council on Business & Society*. Through our individual and collective efforts, we strive to create and disseminate knowledge about those issues and train future business leaders capable of and committed to solving them.

The four schools that make up the Council on Business & Society are:



- ESSEC Business School, France, Asia-Pacific and Africa-Atlantic
- FGV-EAESP, Brazil
- School of Management, Fudan University, China
- Keio Business School, Japan.

The partner schools share a commitment to and belief in the power of academic excellence, collaboration, innovation, and transformative leadership. Each is a recognised leader in management education and offers a wide range of business-related degrees and executive programmes.

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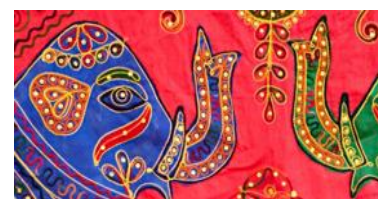
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Business *and* ***Society***



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Impact articles

WILL TOTAL QUALITY MEAN THE END OF IMPERFECT PEOPLE?

By Hirokazu Kono

Hirokazu Kono, Professor of Industrial Engineering and Production Management and Dean of **Keio Business School**, Japan, explores the human-or-machine question and contends that, paradoxically, imperfection has a reassuring future.

Does artificial intelligence take people's jobs?

Automated production systems have been a long-appreciated feature of prosperous industries. The list of examples starts from

Venetian ship production in the 12th century, followed by French gunsmith Honoré LeBlanc in the 18th century, British naval engineer Samuel Bentham, and the American Eli Whitney, all of who were forefathers of the idea of interchangeable parts and automated production processes. It was Japan in the 1950s and 60s, however, that was to become the world leader in automation and the

quality process, especially in the automobile industry. Nissan, Toyota, and Honda were the pioneers in mass-producing high quality, reliable and modern cars that featured standard parts which most competitors at that time considered options. Nowadays, in Japan as elsewhere around the world, the assembly lines are becoming increasingly automated with fewer and fewer people involved in the process. Nevertheless, robotics and artificial intelligence (AI) do not necessarily mean elimination of people from workplaces. In Japan, companies are likely to shift people otherwise employed on the production line to sales or after-sales sections, thus reducing the direct loss of jobs caused by accelerating technological innovation.



It seems, then, that the benefits of AI outweigh the urge to sound the alarm that people are being supplanted by machines. Indeed, in Japan, AI is beginning to fill the gaps between employment supply and demand, especially in the service and convenience store sectors that require interaction with customers at night or on weekends. For example, the economy hotels industry, providing low-cost accommodation for people on business trips, is rapidly introducing establishments operated by a single person, and where guests are communicated by automated machines after initial check in. This instance at least implies that people are ready to exchange human contact for convenience and low-price.

However, there remains a sensitive subject. AI has entered many other business domains in Japan, including healthcare and transport. While railway stations are equipped with automated voice communication systems providing information to travellers, hospitals have begun to use robot seals – called PARO – to accompany Alzheimer sufferers



(PARO is also being tested by the British NHS). All in all, it seems that repetitive tasks are being overtaken by willing robots. But such automation also creates problems. Take the introduction of telephone applications in healthcare services for example. A visible benefit for doctors is that they can now oversee multiple patients via the smartphone and computer interface, thereby optimising time and productivity. The drawback, on the other hand, is the toll the doctor pays in terms of stress and workload. In the past there was one patient to deal with at a time – now there are many and they come almost instantaneously. In a sense, the same problem applies to production management and the automated assembly line. A

quality manager is able to address a multitude of issues by using digital solutions – at any time – resulting in the barrier between working time and private life becoming more and more blurred.

Perfection or imperfection? That is the question

There is a general tendency to view machines as purveyors of total quality. However, many reports show that AI can be just as imperfect as the average human. Many companies still suffer from over-production, product defects and quality lower than clients' requirements, despite the introduction of robots and AI-controlled processes. Customer complaints and the burden of stock costs are still rampant, and these cannot be solved by AI alone. Indeed, it looks likely that such problem-solving will require a human form, that is, senior-level and experienced employees using the information and data generated by AI to supply the machines with the troubleshooting answers. Interestingly, the people-versus-machine debate often arises among young people with surprising results. Keio Business School, one of the internationally recognised leaders in higher education among the business community, sees many young professionals, domestic and international, joining its selective MBA and EMBA programs. They are generally well-versed in IT and the use of AI, but the vast majority still prefer to visit the production lines for on-site experience and, more specifically, for contact with the people actually working on them.

Moreover, while machines actually produce the product, in many cases humans carry out the final touches. Cars rolling off the production line, for example, are better finished by humans who do a much better polishing job than machines. Another example of finishing touches – we dare to say the final step for perfection – is that of a small company in Tokyo that produces parts for rockets. While the rocket bodies are machine-produced, it was found that humans did better in finalising the nose-cone, the specific round-shape of which cannot (yet) be perfectly crafted by robots.

Towards a people-less company and a player-less game?

These examples indeed point towards a negative reply to the question. Then the issue of profit kicks in. Part of the automation argument in the past has laid in the search for profit optimization by tackling the high labour costs in Japan. The most popular solution was outsourcing production to neighbouring China and other south-east Asia countries in the 1990s and early 2000s. The trend, however, is now directing the other way. Rising living standards in Asian countries have pushed up the labour costs and charges. This, in addition to a favourable dollar exchange rate, means that many Japanese companies are now bringing production back to Japan, an obvious boon to employment expectations despite the surge of AI and automated production. Hirokazu Kono points out the leaning towards short-term profit in industrialised countries, questioning the justification of it and pointing out the basic need for humans to live and enjoy working. In this he sees a price to pay – even though it could mean high labour charges and taxes – and ensures that this “win-win” argument is instilled in Keio’s values and work ethics.

This being said, the temptation to employ more numbers of robots is irresistible, not least due to the dramatically decreasing cost of them. ROI is no longer a worry. Indeed, warehouse stock management is a sector that is experiencing subsequent growth in the use of automated solutions. Here, incoming parts are stocked, picked and then shipped out in massive numbers. In this

case, a zero-employee warehouse would pose no problem. However, states Hirokazu Kono, if there is a single worker in such a vast space like a warehouse then this does cause an issue. Imagine. Alone in several thousands of square feet for seven to eight hours a day with no one to talk to. Over time, there would indeed be a very negative impact on the worker’s state of health. For Kono, such issues have to be addressed by management leaders in a near future – in light of both benefits and drawbacks.

An analogy that comes to mind when tackling the question of Artificial Intelligence and human interaction is that of sports. Recently, new prototype software was designed for the smartphone that can trace the movements, not of the player, but of the ball itself, in a football game. Information gathered simultaneously from eleven cameras placed inside the stadium gives the spectator a history of the ball’s trajectory – making judgement and criticism of a player’s performance



reliant on the machine. The same goes for baseball, a sport that has millions of devoted fans in Japan. Prototypes are being finalized that send instantaneous game data to a spectator’s smartphone. This provides the strange scenario of tens of thousands of people being present at the stadium but watching the game glued to the screens of their mobiles in order to decide whether to boo or applaud. Professor Kono stresses the importance of people’s direct observation in such interactive games: it is the face, the emotions that provide the passionately interesting aspects of baseball, and the raw, natural data that trigger spectators’ emotions and reactions. The same applies to the workplace.

Trust and learn

Can we trust imperfect people to be in charge of perfect machines? It might be worth looking at the example of the 2020 Olympic Games to be held in Tokyo. The Japanese government has launched a

project to introduce automated driving for the event that will transport passengers arriving at the airport terminals to downtown fast and without the stress of having to take the wheel on the city's busy highways. This may mean a great opportunity for growth for software and automobile manufacturers, but the stress, of a different kind, may still be present for the users. This is because one of the basics of product manufacturing seems to have been overlooked: Machines aren't perfect. Every part or product ages. It deteriorates and may go wrong, sometimes even producing disaster. And there may also be design defects that cause teething problems, and even worse, accidents – witness the recent crashes that hit the headlines involving Google and Tesla self-driving cars in the US. While improving technology may reduce the risk of failure to a minimum, it is beyond reasonable logic to claim that zero risk will be obtained. Trust in imperfection, however, and perhaps your stress-level will naturally decrease.

Despite the speed at which technology is changing our working lives, Prof. Kono asserts the need for a balanced approach in educating students for their future careers. Management science in general inevitably requires increased IT skills and logic to cater for the technical environments and tools used in the company. But production and operations management, even if caught up in the drive for automation and AI, still has to tackle problems – and this is what counts: getting down to the nitty-gritty on the shopfloor. When searching for bigger production capacity and greater quality, it is often a question not of which technological solution to use, but of the strategy, methods and impact. If the sales team fails to pay attention to the increase in capacity, then the technological solution becomes meaningless. The same goes for the procurement department when it finds itself having to purchase more parts to cater for higher production, and the finance department when it has to find and obtain the funds to bear the extra costs for parts. A small idea in production can therefore change the whole company structure.

When asked what he would expect of future generations, Dean Hirokazu Kono doesn't hesitate

to state: The human touch is indispensable, even in the era of sophisticated automation. Students need to experience the whole structure of a company – from production to sales and marketing – in order to become effective leaders. They also, while being at ease with technology, have to look outside and across borders, and not forget those in less developed areas of the world. It is empathy, understanding and awareness that make the human experience unique. Also expected is an awareness of the fact that imperfect humans create sophisticated machines which are imperfect themselves, and that things which are beyond a machine's imperfect capacity have to be taken care of – by us, the imperfect workers.



Prof. and Dean Hirokazu Kono





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RE-THINKING EDUCATION THROUGH IMAGINATION

By Xavier Pavie

Professor **Xavier Pavie**, Director of the iMagination Centre and Academic Director for the Master's in Management programme at **ESSEC Business School**, Singapore **Asia-Pacific campus**, focuses on how imagination and transdisciplinarity can transform education.

Teaching innovation has reached maturity

There is no longer a single educational institution that doesn't offer classes on the theme of innovation. In effect, for twenty years or so the

teaching of innovation has radically transformed to become a discipline that is as much rigorous as it is relevant for any organisation seeking to develop or renew growth. With a great number of theories, innovation processes and their conceptual names – from *blue ocean strategy* to *open innovation* to *business model canvas* and *design thinking* – have succeeded in mapping not only the major structuring stages enabling us to move from an idea to innovation, but have also evolved to reach a level of sophistication that limits (without totally removing it) failure.

Processes are not alone in having reached maturity. The phases of creativity enabling us to nourish these mechanisms have also been endowed with increasingly reliable tools and methods. Classic *benchmarks* and business intelligence monitoring have seen themselves being supported by widely used techniques such as *brainstorming*, *mind mapping* or *scamper* among others. For all that, however numerous and varied these methods may be, none of them can replace innovators' behaviour and the attitude they must adopt to propose their organisations new solutions for value creation. In other words, the teaching of innovation must not simply be linked to delivering a set of techniques, but also transmit a certain way of being.

Wonder sparks the imagination

If Aristotle tells us that the first quality of a philosopher is his capacity to meet with surprise and wonder, it is because this quality is fundamental to those who wish to direct their life towards the pursuit of wisdom. Because wonder allows us to open ourselves up to the world to improve our understanding of it, marvel at what it offers, and observe with an ever-fresh eye what it proposes. The issue at stake is to change our outlook and modify our point of view, both of which are often moulded by certitude and habit. This capacity to feel surprise and enchantment is not altogether foreign to the posture that innovators must take on to imagine new proposals – whatever the field in which they have to innovate. It is indeed through their faculty for observing differently, through being confronted with new and novel situations, and through being surprised by their environment that they will succeed in formulating unique solutions. In other words, it is imagination and transdisciplinarity which constitute the pillars of future innovations.

Transdisciplinarity: the key to our imagination



Imagination is not inherent and we are not born with more or less capacity to imagine. This faculty can be cultivated, educated, taught and transmitted. The first thing to achieve that is to go beyond the boundaries surrounding our world. Our environment is necessarily such a boundary – whether stemming from our education, our work, or our family and our friends. Going beyond this boundary means making ourselves face new settings, different perspectives and new knowledge. It is in this that transdisciplinarity is essential. It is because we are faced with what we do not know that we develop our ideas and our imagination. Moreover, because we're not used to doing it, going to a conference given by palaeontologists or astrophysicists surprises us, listening to rap singers or punk rockers opens our mind, and observing the life of artisan chocolate or jam-makers provides us with unique existences and experiences. And because meeting, listening, reading a mathematician, a philosopher, an architect or winegrower, for example, will nourish our minds, develop our imagination and therefore transform our way of thinking.



If transdisciplinarity, much as diversity, is advocated by everyone, we still remain, however, fearful when it comes down to breaking the norms of our boundaries and those of what we teach. It is, however, necessary, and re-thinking education must come at this price – and at this audacity – whatever the discipline concerned. If some disciplines can and indeed must respect certain boundaries, there are many areas of teaching in which innovation should, on the contrary, drastically break them open to enable the capacity of our students – the builders of tomorrow's world – to hatch and develop.

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CAN ENGLISH KILL?

By Mario Aquino Alves

Drawing on an original paper by **Mario Aquino Alves**, Professor of Public Policy at **FGV-EAESP** Brazil, the issue of promoting diversity of language and knowledge is increasingly becoming a subject of hot debate.

For native English-speakers “Can English Kill?” might seem a little ‘over the top’. For those speaking the world’s 6,908 other living languages it might seem all too much an obvious threat. Interestingly, roughly only 6% of that number of living languages have more than a million speakers each – a figure that means that these 6% account for 94% of the world’s population. Staggering. Those in the know can cite

Chinese and Spanish as being the most spoken languages in the world, but the way that English has embedded itself into international relations, economics, business, popular culture and education is deep, wide and unprecedented.

If we focus on education in particular, written in another way, the title of this article might read “For a diversity of knowledge”. And this is where professor Mario Aquino Alves comes in with a

paper produced from a debate on how to resist linguistic domination and promote knowledge diversity. So rather than looking at whether English can kill – by which we mean lead to the disappearance of other languages – let's look at some ways in which the world of education, and academia in particular, can manage to ensure that both mother tongues and English as a *lingua franca* may find a win-win.

Whilom, as olde stories tellen us*

Every language has a history. All told, that of the English language is quite an epic tale. Introduced to the British Isles towards the end of Roman occupation and influence around 500 AD, the invading Angles, Saxons and Jutes brought with them a family of related Germanic languages. These retained their grammatical complexities of gender and conjugation until the arrival of William the Conqueror in 1066 – himself the descendant of Scandinavian Norsemen that for several hundred years previously had ruled over Normandy and taken on a form of French. Norman rule of Britain initially meant a cleavage between the new aristocracy that spoke French and the dominated peasantry who kept their Saxon English.

This situation gave rise to some interesting characteristics of the language that still exist today. Animals and their meat, for example, can be split into two distinct groups – the animals once raised by the poor Saxon peasantry (ox, sheep, pig) and the Norman gentry who were rich and powerful enough to eat the meat (beef, mutton, pork [*boeuf, mouton, porc* in modern French]). Victual of less repute, succulence, wildness, value or scarcity – fish, rabbit or duck – kept their old names. Look at the English dictionary today and you will find almost twice as many words as you would in other language dictionaries, due mainly to the fact that modern English, the symbiosis of which can be seen in Chaucer's *Canterbury Tales* (quoted in the sub-title above) of 1392, is more than fifty percent enriched with French words of origin.

Linguists and scholars tell us that English is huge in lexicon and simplified in grammar. They will also say that it is a language that remained autonomous

and open to change, on boarding words from other languages and easily accepting grammatical change. This is in relative contrast to French, for example, which has been kept 'intact' from many outside influences over time through the purists of the *Académie Française*. Their concern over the decreasing influence of French also led them to raise barriers to Esperanto, the world language invented by Zamenhof in the late nineteenth century, by being the only country to veto a proposal for it to become an official language of the League of Nations after World War One.

Nowadays, however, drop into any office or educational institute in France and you'll find most sentences coming from people's mouths sprinkled with English words and phrases – *meeting, call, challenge, too much, gore, mobile, so what, borderline and the sky is the limit* being but a few examples. Indeed, many other languages too have been invaded by this 'Globish'.

*"Once upon a time, as old stories tell us..."
Geoffrey Chaucer, *The Knight's Tale* (1392)

Losing an idiom is equivalent to losing a work of art

All in all, English is a dominant world language. Why? David Crystal, the renowned British linguist, provides a luminous explanation in that he connects the import of a language to power. In the case of English, to the political power that England exerted from the 16th to 19th centuries, the technological power of Great Britain throughout the Industrial Revolution, the growth of American economic power in the 20th century, and the cultural power of English – from Shakespeare to the Beatles to Brad Pitt and Star Wars. For the French linguist Claude Hagège the dominance of English constitutes a threat to the heritage of humanity in that it comes with the risk of imposing not only a language but a way of thinking: language is more than just a way of communicating – it is a way of seeing the world. And for Hagège, every idiom that disappears from a language represents an inestimable loss equivalent to that of a monument or a work of art.

According to David Crystal, twenty-five languages disappear each year. But is this the fault of English?

Perhaps not entirely, though the last thirty years or so have seen a seeping of the language into things that count on a strategic level for a nation's brains and institutions. This can be seen most notably in the fields of science and education, where institutions are judged on their research prowess, with schools and universities engaged in fierce competition for students and funding that rely on international accreditation bodies and publications in leading journals – overwhelmingly in English. Careers in these fields too are linked to mastery of English. And publishing in one's native language, especially if a non-English speaker – be it Mandarin, Spanish, Arabic, Hindi, Russian, Portuguese or French – cannot guarantee a widespread public or a seal of quality. Under the pressure to produce, many Latin American management researchers, for example, have been forced to adopt a strategy of “publishing at any cost”, something that has seen a spate of pseudo case studies or work lacking methodological consistency. So the question remains as to how to ensure that the full bouquet of living languages finds a way to bloom while also ensuring that the work produced by professors and researchers is allowed to become an English rose.

Scandalizing, scrutinizing and inventing

While not neglecting the usefulness of English as a *lingua franca*, the spontaneous use of it in the academic world has drawn some criticism. Chris Steyaert and Maddy Janssens (Organization, 2012) argue for the employment of three strategies regarding language use and differences: scandalization, scrutinization and invention. **Scandalizing** means refusing to accept conferences or journals that pretend to be international while not reserving space or occasion where cultural diversity might be expressed. For them, such absence should be loudly disapproved, deplored and criticised. It also means questioning the massive translation of English-language works into local languages, their argument being that non-English books are becoming absent, decreasingly reviewed or referred to in so-called international journals. Worse still, original editions are increasingly substituted by English versions of the book so that publisher's stocks and bookshop

shelves are only filled with the translated version. The point has moral and cultural substance, though it can also be said that thanks to English, many scholars' research has become recognised through translations of their native-language original work.

Translations, and the loss of nuances unable to be fully coined in English, lead to the second strategy – that of **scrutinization**. Here, Steyaert and Janssens call for a more studious examination of how linguistic resources are prioritised and the consequences of these choices. A striking example of negative impact can be seen in the use of the Journal Impact Factor, a way of counting the number of citations of a journal within a given scientific field. This is used as a tool for measuring and assessing publications (research papers, chapters and articles) and effectively puts journals into competition on a worldwide scale. The trouble is that if a Chinese, French or Russian researcher writes a brilliant piece of work in his/her own language and in a local journal, it will inevitably fail dismally in terms of number of citations due to the fact that the vast majority of journals of any value are published in English, and within an English-dominated environment. This said, even in the English-speaking research community the overuse of the Journal Impact Factor to assess the quality of a piece of work gives rise to criticism – not only through the undue stress-levels that this competition generates among researchers, but also because the JIF is being used to shape pay and career prospects. In effect, it's a little like using the number of views and re-tweets obtained on a person's Twitter account to judge what quality of person they are.

Finally, **invention**. Here, creativity and daring are invited to take control. Steyaert and Janssens advocate the employment of multiple languages within an English translated text when possible, something that they view as enrichment. This would entail keeping terms, quotes and expressions in the original language and either using footnotes with translations or leaving it up to the reader to be curious, use a dictionary, or interpret how he/she understands it. Success stories using this approach indeed exist, the Brazilian journal *RAE* published by the leading educational institution FGV (with content in

Portuguese, English and Spanish), or the Canadian-based *Management International* publishing articles in French, English and Spanish. Interviewing the editor of the journal, Mario Aquino Alves was struck to learn that although authors are encouraged to submit works in Spanish, most Spanish-speaking authors insist on sending in their work...in English.



Prof. Mario Aquino Alves

Esp, Espèra, Esperanto – Hope

Further solutions have been suggested that include technological ones – using real-time translating software, for example – and inviting the ‘top journals’ to publish special editions written in different languages. This would not only encourage diversity of culture and knowledge but might also provide a novel ‘selling angle’ that provides the incentive to journals and institutions to do so. The issue seems to boil down to the paradoxical question *does English mean international?* Perhaps that should be the theme for another article (contributors welcome). Or perhaps, if power and interests can be set aside, it’s time for Esperanto to make another bid for worldwide scientific and academic publishing.



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CHINESE ENTREPRENEURS: SUCCESS, POLITICS, AND CONFUCIUS

By Xu-Hong Li and Xiaoya Liang



Do successful Chinese business people choose to govern national life or preserve world peace? Professors **Xu-Hong Li** and **Xiaoya Liang** of the **School of Management Fudan University** share their research into the motivations behind Chinese entrepreneurs.

From the research paper by Li, X.-H. & Liang, X., 2015. A Confucian Social Model of Political Appointments among Chinese Private-Firm Entrepreneurs, *Academy of Management Journal*, 58, 2: 592-617.

A Puzzle

Business leaders, regardless of nationality and culture, often seek political connections to help their firms gain legitimacy and economic advantages. When legal and regulatory institutions improve and market-supporting systems develop, as they have been in China in recent decades, such incentives may be weakened. Indeed, standard theories and

evidence in western countries suggest that successful business leaders should be *less* motivated to pursue political appointments because, once the economy and markets freed up, the economic benefits associated with these are not as important as before.

China is different. Data shown in Forbes on the 500 richest Chinese business people and the corporate leaders of listed private-owned firms in Shanghai and Shenzhen stock markets suggest the opposite trend: the number of successful private-firm entrepreneurs having PC (People's Congress) or PPCC (People's Political Consultative Conference) appointments has increased steadily in recent years. Why is that?

Professors Xu-Hong Li and Xiaoya Liang of School of Management, Fudan University, one of the foremost education institutions in Asia, decided to tackle the question by using a Confucian framework of values and thinking – still a strong influence in Chinese culture – and apply it to 166 private-firm entrepreneurs and a dataset of 1,323 Chinese publicly listed private companies. The question posed: do successful entrepreneurs go into politics for self-interest or the interests of the common good? Or put in a Confucian perspective, do successful business people want to 'govern national life' or 'preserve world peace?' Read on.

What makes us tick? Confucius says...

Western cultures are generally characterised by an underlying sense of self-fulfilment and individual achievement as the core focus for the development of our identity throughout life. 'Success' is judged by what you do, the wealth you accumulate, the achievements you reach and who you become. Confucian doctrine has a different view of the ultimate purpose of life. It forwards the idea that humans transit through four life stages, the ultimate goal in life – after cultivating oneself (*xiu-shen*, 修身), taking care of the immediate family (*qi-jia*, 齊家) or the firm (*bringing order to the state*, *zhi-guo*, 治國) – being to benefit the wider society and preserve world peace (*ping-tian-xia*, 平天下). The journey to ultimate success is a gradual

dynamic process from an inner-focused sage [*nei-sheng*, 內聖] to an outer-focused king [*wai-wang*, 外王], from self-orientation to social-orientation. In short, your life or career ideals are incomplete if they fail to progress from cultivating the self to serving the universal world.

Why Chinese business people go political – or not

Chinese private-firm entrepreneurs, as founder-owners, represent both their firms and themselves. Their dual roles mean that they focus both on enhancing firm competitiveness and achieving personal goals. Professors Li and Liang set the choice facing Chinese business people as being either pro-self – enhancing their own firms and careers – or pro-social, where motivation drives an entrepreneur to give benefit to collective and wider society. Both coexist and each may drive political pursuits in order to reach their goals. But although cultivated early in life, the two motives they may have different importance for different individuals and may be activated at various life stages. The less entrepreneurs embrace the Confucian doctrine of the common good, the more likely the pro-self motive will dominate. Moreover, during an entrepreneur's pre-success stage, the pro-self motive will dominate the entrepreneur's political connection-seeking behaviour because such connections will bring information, resources, and other economic benefits for their firm's survival and success.

So what happens once personal and financial gain has been achieved? One hypothesis set by the researchers was that while business success may equip entrepreneurs with necessary means to act more freely, how they will then act depends on how deeply they embrace the Confucian doctrine of role transition throughout the different stages of their journey to becoming 'complete'. But there is a catch in this. Confucianism teaches that people can achieve 'kingliness' – the highest state of individual success – through both ideal and pragmatic actions, the seeking of political appointments being at the core of these in ancient China. This leads to a second hypothesis – that after pro-social entrepreneurs gain success, their

motives towards the common good will drive them to strive for political appointments that will allow them to influence policymaking and legitimately serve the larger community or society. Successful entrepreneurs are therefore more likely to spend resources and effort in pursuing political membership and/or posts.

Prof. Li and Liang's research on 166 entrepreneurs and nearly 1,400 private companies suggests that the more successful the firm is, and the higher an entrepreneur's sense of personal and business ambition, the weaker the business leaders' desires to seek political appointments will be. Inversely, entrepreneurs with a low degree of self-oriented success and a higher degree of wanting to contribute to wider society were more likely to have political appointments when their firms were more successful. A Chinese firm's success, therefore, does not relate significantly to PC/PPCC party membership.

One belt, more than one road

Li and Liang's research effectively replaces an economic perspective by a social perspective in understanding and interpreting political pursuit, especially for private-firm entrepreneurs who have achieved business success. Indeed, this social lens might well encourage more successful entrepreneurs to recognize political appointments as a way to fulfill their pro-social needs. This can be positive in the sense that although private-business entrepreneurs have few opportunities to move from commercial to formal political hierarchical



systems in current China, successful Chinese private entrepreneurs can participate in politics in a part-time capacity without giving up their business roles for social and economic improvement.

According to professors Xu-Hong Li and Xiaoya Liang, as private-firm entrepreneurs contribute more to the Chinese economy, it is imperative to proactively open more channels, beyond part-time PC or PPCC membership, and to encourage successful entrepreneurs to be involved in important political entities. In what they see as cynicism in current Chinese society, Li and Liang see an opportunity for the once dominant Confucian ideology to resurge – something that would motivate business executives to engage more in both CSR-driven activities linked to their businesses, politics and social/public welfare. As China continues to grow and its economy looks farther afield along the ancient trade routes, there might indeed be room for two roads in all this – on the one hand, both personal achievement and wealth, and on the other a commitment and contribution to the wider, more common good.



**Prof. Xu-
Hong Li**



**Prof.
Xiaoya
Liang**



HIGHLIGHTS

- Occupational ethics and international vision
- Financial theory and practice
- Problem-solving ability
- Investment and financing decisions, risk management and high-level financial analysis
- Quantitative research and financial IT
- Financial theory and practice via seminars, business courses, meetings with CEOs and experts, corporate visits, an overseas study period and internships.

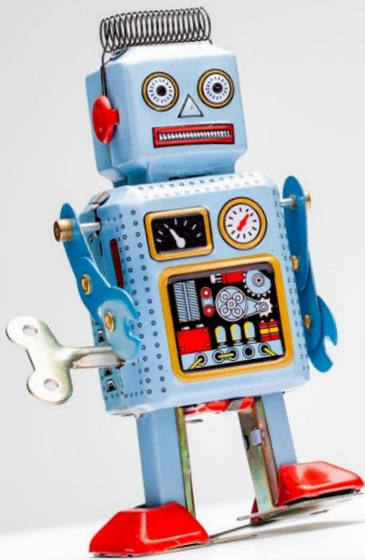
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ARE THE ROBOTS TAKING OVER?

By Nicolas Glady

As Artificially Intelligent innovations progress by leaps and bounds, Professor **Nicolas Glady**, Professor of Marketing and Chief Digital Officer at **ESSEC Business School**, gives us three reasons to stop worrying and learn to love AI.

Technological innovations have encountered resistance throughout history. From the printing press to the internet and the myriad of inventions in between, new technologies and their promises of change have generated both fear and fascination. Artificial Intelligence (AI) is just the latest novelty to divide opinions.

For many experts, the thought of a future dominated by AI is downright frightening, not least

because of its economic implications. Indeed, the world is going through a third industrial revolution during which many jobs will face elimination. That said, many experts - myself included - underscore how AI will change the world for the better, create jobs, and improve the way we work.

Here are three key reasons to stop worrying and learn to love AI:

1. Optimized Value Creation

It's getting to the point where businesses can't afford not to implement some form of AI technology. Chatbots, for one, are fast becoming a customer service must. These artificially intelligent programs are designed to conduct human-like conversations: 24 hours a day, seven days a week, they're available to answer your clients' questions, guide them through product searches, and process orders. Best of all, advancements in AI and natural language processing (NLP) make today's ChatBot almost indistinguishable from a flesh-and-blood customer service representative.

In addition, ChatBots can also act as virtual assistants to help staff better manage their time, allowing them to focus on the more important aspects of their jobs. In other words, ChatBots are like full-time employees that you only need to pay once. But not only do ChatBots cut overhead, they ultimately help businesses increase productivity, handle much larger volumes and grow revenue streams.

AI can also help businesses manage the resulting increase in data volumes related to customers, employees and processes. Analysing large volumes of data is challenging for any business. To facilitate the task, ChatBots can be automated to generate analyses and insights in real time. Even the simplest setting can help identify your business' strong suits, pinpoint weaknesses, and mitigate

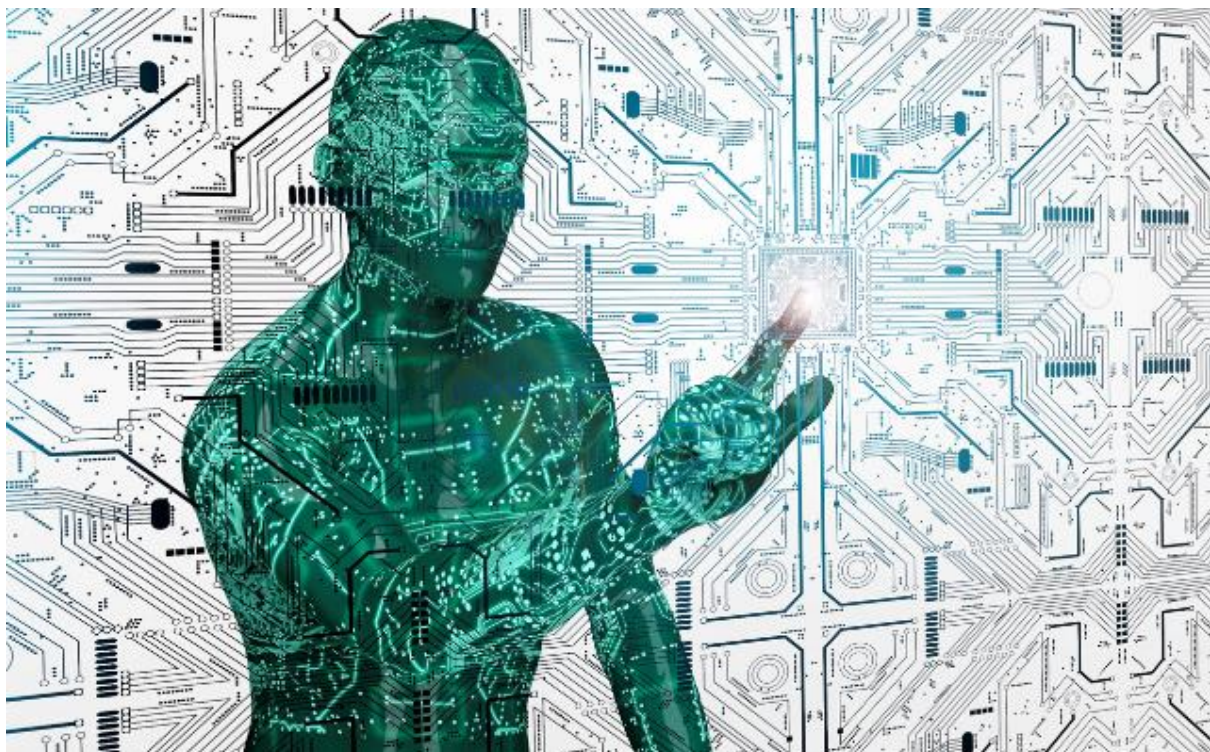
potential risks.

2. More fulfilling work

AI will clearly change the way we work. On the upside, customer service professionals will be freed from the more monotonous aspects of the sales process: ChatBots will handle the bulk of customer questions and concerns, while human intervention will only be needed in certain circumstances. When a ChatBot encounters difficulty, the customer is seamlessly directed to a flesh-and-blood sales representative who'll be better equipped to handle the specific issue. Meanwhile, the ChatBot picks up the specifics of the exchange, and arms itself to handle similar incidents if they recur in the future. The key here is that employees are freed up to concentrate on more meaningful, revenue-generating work.

It's clear that some jobs will be eliminated in the long-term, but new careers will also be created, in AI and beyond. Even with the most advanced mathematical equations, a human mind is needed to effectively distill data, assess the effectiveness of, and improve algorithms. Firms will also expect AI services to improve. We lived through a similar economic shift during the first industrial revolution and survived, let's approach the next evolution as a needed evolutionary step.

3. New solutions for new problems



The world is facing new and challenging problems, and AI may offer viable solutions. The infamous “Fake News” epidemic, for example, could be effectively help separate fact from fiction. Algorithms to tabulate verified facts from reputable news sources and be programmed to fact-check and recognize bias. In fact, AI driven fact-checking could very soon be part and parcel of our online media consumption.

Hacking has increasingly become a serious issue, and AI systems are well equipped to step in and protect our personal data, healthcare records, and financial transactions. For example, AI could identify online safety weaknesses.

In the long run, AI must be developed to serve mankind and human activity, and perhaps even help us surpass ourselves. In fact, since its very beginnings, this is what IT has been all about. Enigma was designed to decipher military messages, GPS was designed to help us travel and get from A to B, and today, Google, Wikipedia, and multiple analysis sites help us collect information and analyse it. We can’t deny that we already draw conclusions in a completely different way from before these technologies existed. Our intelligence is already ‘augmented’ by technology.

As these evolutions continue, it’s important to anticipate future challenges. Learning to embrace AI and augmented intelligence means understanding that technology’s role is not to make decisions for us, but to help us make those decisions. We are free to take into account our ethical, moral, and legal values.



Prof. Nicolas Glady



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WOMEN: ON THE ROAD FOR PROFESSIONAL FULFILMENT

March 26, 2018





The Missing Middle in Microfinance

By Savita Shankar

Savita Shankar, associate professor at **Keio Business School**, Japan, shares her research in a 2-part article on how to address the needs of millions of micro entrepreneurs who form the ‘missing middle’ as their financing needs are met by neither microfinance institutions nor commercial banks.

The missing middle

Anika, Babar, and Saba met during a festival organised by their village community hall and hit it off straight away. All three had a dream to start their own business selling local snacks and specialties to the business people and merchants of the area. They had no

capital, only their passion and expertise in cooking, and the motivation to offer their snacks to people in the village and beyond. Luckily, they had heard of a micro-finance bank in the nearest big town some seventy miles away and, after convincing the lender that their business idea was worth it, they became the happy beneficiaries of an initial Rs25,000 (\$384) loan – enough to set them up in a stall near the market place and pay for the ingredients for their first snacks. Business boomed and Anika, Babar and Saba, naturally encouraged

by the signs, wanted to grow and add an area in front of their stall where customers could sit and eat their snacks and engage in conversation. So they returned to the micro-finance banker and obtained another loan – this time for Rs50,000 (\$768). The stall grew, and the quality of their snacks and passion for service spread by word-of-mouth further and further afield until they realised that the opportunity for yet another venture was there to be explored – a food truck. So once again they returned to the micro-finance banker who, very

pleased with the regular repayments and slight margin he gained from the youngsters' business success, announced that he was ready to accord them a grand Rs100,000 loan, equivalent to \$1,536. Now this might have been enough to purchase a very old van, but certainly not a reliable and newer

van as well as all the outlay required for ingredients, petrol and wages for the two people they wished to hire as driver-sellers of their famous snacks. But when they mentioned this, the lender sadly shook his head – he could no longer help them because his type of bank could not lend over the limit of Rs100,000. It was the law. Thanking the lender for the help already given, undeterred and believing in their dream, Anika, Babar, and Saba decided to go and see a commercial bank in the city for a bigger loan. The commercial banker listened with interest to their story and congratulated them on their success and entrepreneurial spirit. But then, when they had finished explaining their case and fell silent for the banker to make them an offer, all she did was sadly shake her head – she could not, unfortunately, grant them a loan. No – the smallest amount she was allowed to grant was Rs1 million – and that was for targeting small-to-medium enterprises, not informal start-ups. Anika, Babar, and Saba looked at each other in disbelief. Little did they know, but they had just become victims of what might be called the *microfinance graduate* syndrome or *missing middle*.

The context and issues

Savita Shankar, professor at Keio Business School, Japan, decided to research the phenomenon of the

missing middle in three key countries for micro-finance – India, Bangladesh, and Pakistan. The term *missing middle* is generally used to describe the disproportionately small number of SMEs in relation to the number of micro or large enterprises in developing countries. In her research, Prof. Shankar uses the term more specifically to refer to the lack of financing options for enterprises whose needs fall in between the typical loan sizes offered by micro-finance institutions and commercial banks – exactly the



case of our young heroes Anika, Babar, and Saba. They were successful 'graduates' in their entrepreneurial venture but capped on the amount of micro-financing required to grow further, and too small to benefit from the size of loans

offered to SMEs by the commercial banks: almost like striding across a series of stepping stones only to find, mid-river, several of them missing and the other side of the river heart-achingly out of reach. This problem creates something of a conundrum for millions of fledgling entrepreneurs in developing countries. But there is hope.

Financial exclusion and the growth of micro-finance

'In recent times, financial inclusion has been on the policy agenda of many developing countries,' states Prof. Savita Shankar. This implies availability of a continuum of financial services for all income groups, the idea of an inclusive financial system being to 'provide credit to all bankable individuals and firms, insurance to all insurable individuals and firms, and savings and payment services for everyone,' she continues, quoting the United Nations definition of financial inclusion.

The figures speak for themselves. In India, Bangladesh and Pakistan – the three countries analysed in Prof. Shankar's research – financial exclusion is widespread. According to the World Bank's Global Findex database (2014), only 56.3%, 35% and 13% respectively of individuals in those countries above the age of 25 years possessed a

bank account while only 8.8%, 13% and 2% respectively had a formal borrowing account. However, spurred by the UN, the willingness to promote financial inclusion helped pioneers such as the Grameen Bank in Bangladesh and hundreds of others who followed to grow. The result today, is that the microfinance sector, having reached maturity, sees the need for successful micro-financed entrepreneurs to aim for higher loans that don't actually exist. Hence, the 'missing middle' – those whose needs are neither met by microfinance institutions nor commercial banks. Indeed, India, Bangladesh and Pakistan have sizable missing middle segments with considerable employment potential. 'And as employment generation is an important goal for all three countries,' she asserts, 'catering to the missing middle is a priority. This means that it is firmly on the policy agenda.'

Microfinance and the challenges

Prof. Shankar based her research on interviews with key personnel from the microfinance and banking sectors in each of the three countries. Thirty-two interviews were conducted in all, with at least ten interviews conducted in each country, mostly with chief executive officers of microfinance institutions and banks including stars such as BRAC, Grameen Bank and the Basix Group.

She found that the biggest challenge faced in lending to the 'missing middle' firms in the three countries is the high degree of informality of their operations. In India, a large urban-based NBFC-MFI, Janalakshmi Financial Services, surveyed 13,177 potential missing middle customers with surprising results: 90% of them had never filed an income tax return, 67% had not maintained a book

of accounts, and 65% had no enterprise registration of any form. 'This informality,' states Savita Shankar, 'is a primary reason for their financial exclusion, as banks typically ask for various documents and records before lending.'

These entrepreneurs also miss out on finance for another reason: they are unable to offer collateral – security pledged for the payment of a loan – to lending institutions. 'And even if they do have property,' explains Prof. Shankar, 'often the accompanying papers and documents may not be complete, making it hard for lenders to create a title and mortgage it.' As a result, lending to them has to be based on an assessment of their cash flows. But this isn't easy. Try gaining a clear picture of a small company's accounts and transactions when most of their business is cash-based. It makes it tough for financial institutions to obtain a clear picture of their volumes.

High-touch and hand-holding: Where the solutions lie

So how can these challenges be overcome? The top ingredients for success are highlighted in Prof. Shankar's research results, successful models in all three countries having two features in common. First, credit appraisal of potential borrowers must involve a specially designated lending officer who spends considerable time observing the business, interviewing the owners, cross-checking the records, analyzing the business model and assessing suppliers and customers. Altogether, it is a very high-touch and hand-holding experience and it is often the case that these officers themselves draw up cash flow statements for the potential borrowers. The second essential feature often involves training the potential borrowers in

financial accounting practices – either formally or informally.

In addition, other in-the-field factors have an important impact. The issue of collateral can be circumnavigated by banks accepting notional security such as original land documents or identity cards. Pragmatically, microfinance banks can also develop in-house model cash flow statements for specific sectors that are commonly financed. And on another



level – that of eliminating bias – banks can offer a more objective treatment of potential missing middle companies by separating the credit function from the sales function within their organisation.

‘The problem is that these strategies call for upfront investment in employee time before obtaining any financial returns from the enterprise,’ states Prof. Shankar. ‘But if microfinance institutions manage to build a robust lending model, in the long term the benefits of this strategy can pay off by way of potential repeat business as well as savings in recovery and loan write-off costs.’

Stepping up a level

On a more macro level, Prof. Shankar’s interviews and analysis pinpointed other measures that could help increase the availability of funds to missing middle enterprises. For example, in India, Bangladesh and Pakistan it has now become easier for microenterprises to open and operate bank accounts due to the availability of mobile-based digital finance and debit cards. ‘So it should be possible for them,’ argues Prof. Shankar, ‘to switch to account-based transactions.’ However, this will take time – their entire ecosystem, including suppliers and customers, needs to change. And this is where Intervention from NGOs and government may be required to nudge things forward through policy, technical help, funding and training initiatives.

Other recommendations include developing new, customized financial products to address entrepreneurs’ specific needs and constraints – one criticism being that microfinance banks tend to offer a one-size-fits-all model. Another way is what is termed *value chain financing*: microfinance providers can analyse the value chains of small enterprises and finance the various participants with a view to improving the overall efficiency of the chain. ‘This would involve assessing the enterprise’s suppliers and customers,’ explains Savita Shankar, ‘and financing all of them as a cluster so as to reduce overall risk for the lender.’

And finally, other areas for hope include the role of credit bureaus. In India and Pakistan at least, most large microfinance providers now report to them. This means that if individuals have borrowed from these institutions in the past, their credit histories will now be available – a way to both check a small enterprise’s legitimacy for a bigger loan and also

reduce risk for the bank. Moreover, the payment history for utility and telephone bills of potential borrowers can also be scrutinized to check creditworthiness. Not to mention the fact that specialized credit rating agencies focusing on small firms may soon develop.

Steps at the micro level

‘In India, the infrastructure to cater to this segment is being put in place,’ says Prof. Shankar, something that can be seen in the launch of a public sector financial institution, the Micro Units Development and Refinance Agency, known as MUDRA. Its job is to assist micro-finance banks – which report to credit bureaus – with a hefty Rs200 billion available for onlending and Rs30 billion for provision of credit guarantees.

‘Bangladesh, the earliest microfinance market, has also been the first to observe and address the needs of microfinance graduates,’ states Shankar. Larger MFIs dominate the segment as smaller ones are constrained by availability of funds. ‘However,’ she continues, ‘the lack of a credit bureau increases risk levels considerably and is a significant drawback in the Bangladesh microfinance sector.’ This high risk reduces the incentive for lenders to provide larger-value loans and Prof. Shankar stresses the importance for regulatory action to address this lacuna. The prevailing uncertain political climate in Bangladesh also increases the riskiness of microenterprise loans, as small businesses are often adversely affected by shutdowns and at times even sustain damage during political disturbances.

In Pakistan, microfinance banks providing microenterprise loans have met with success and two banks are in the process of scaling up the product to cater for the missing middle. ‘As the loan sizes and number of loans increases,’ asserts Prof. Shankar, ‘the availability of a credit bureau in the country should help lenders. An area for concern,’ she adds, ‘is that the overall penetration of the microfinance sector in the country is low, though the recent efforts being made to increase funding for MFIs may be helpful in this regard.’ Prof. Shankar points to the fact, however, that the political disturbances in the country and prevailing shortage of electricity are risk factors that could affect the performance of microenterprise loans.

‘In all three countries, governments need to support lenders with funding options, make reporting to credit bureaus compulsory, fund financial literacy campaigns targeted at

microenterprises, introduce measures to reduce use of cash-based transactions, and make registration of enterprises easy and universal,' concludes Prof. Savita Shankar. 'Catering to the financing needs of missing middle firms has great potential to invigorate South Asian economies – making them more inclusive and dynamic.'



Prof. Savita Shankar



A man in a dark suit is riding an elephant. The elephant is jumping or running over a wooden roof. The background is a blue sky with white clouds.

Management and *Leadership*

COMPANIES MUST COMMIT TO PROFOUND TRANSFORMATIONS

By Julie Battilana and Anne-Claire Pache

In an opinion piece recently published in France's leading newspaper *Le Monde*, **Julie Battilana** and **Anne-Claire Pache**, professors at Harvard and ESSEC Business School,

By Julie Battilana, Professor of Business Administration at Harvard Business School and Professor of Social Innovation at Harvard Kennedy School, and Anne-Claire Pache, Professor of Social Innovation at ESSEC Business School, holder of the Philanthropy Chair.

emphasize the necessity for a major cultural change to enable companies to combine a social and environmental mission.

In the new year, the question of revamping the corporate model is at the heart of public debate on both sides of the Atlantic. The French government has just launched a project for a legal reform to revisit the purpose of for-profit companies, in order for them to incorporate social and environmental goals. In doing so, France follows the lead of other countries such as the

United States, the United Kingdom, and Italy, which have already created new legal statuses for companies pursuing not only financial, but also social and environmental objectives.

At the same time, in the United States, Larry Fink, co-founder and president of BlackRock, one of the world's most powerful investment groups, signed an open letter to corporate CEOs calling them to integrate the pursuit of social and environmental objectives alongside their companies' financial objectives. Mr. Fink, whose company manages more than \$6 trillion in investments, thus opens the door to systematic consideration of financial, social, and environmental data in investment decisions.

On the wings of a butterfly

If effective actions follow these announcements, 2018 may mark a major change of direction in the evolution of capitalism, resolutely distancing itself from the paradigm of the sole maximization of financial profit for shareholders. But, let's not be naïve. Speaking about and calling for this change will not be enough to make it happen. The change in question requires a radical transformation of the mentality and behavior of all the players in our

economic system. The state, of course, has a key role to play in pushing for a reform of companies' legal status, in partnership with employers and employee unions in France. Likewise, investors such as Mr. Fink will have to move from words to action and support companies in the joint pursuit of financial, social, and environmental objectives.

This joint pursuit represents a true challenge for companies. We have been conducting research on how companies can address that challenge for more than 10 years at Harvard University in the United States and ESSEC Business School in France. Our studies on social enterprises which put social and financial objectives at the heart of their activities show just how difficult it is for companies to stay on course: economic priorities easily override social needs, and the answer to social needs sometimes means making an outright loss on business investments. The risk of drifting from and dropping social objectives is greater still in large public corporations that face the demands of high financial returns from their shareholders and whose internal processes and systems were initially set up to ensure the sole maximization of profit.



Some companies have shown their willingness to take up this challenge. The multinational corporations Danone and Veolia, for example, whose CEOs Emmanuel Faber and Antoine Frérot respectively, have called for a change in the purpose of corporations, have for several years developed initiatives that combine social and commercial objectives. Among other projects, the two groups have developed subsidiaries with the Grameen Foundation founded by Muhammad Yunus – Grameen Danone (specialized in the

mission. The development of such a culture relies on four main levers: translating these dual objectives in business activities; training and mobilizing leaders (administrators, directors, and managers) capable of understanding this duality of objectives and carrying them through to action; setting up of performance measurement and reward processes which take into account these dual objectives; and implementing negotiation and decision processes that facilitate the development of answers to the challenges and conflicts

generated by this duality.

The transformation required is deep and one to which companies must commit themselves – because organizations and individuals that have until now essentially been looking exclusively towards profit maximization will not change their approach overnight, no more than their boards, lawyers, bankers and consultants. It is, moreover, a global transformation that is required which reaches out to



production of nutritious yoghurts for children suffering from malnutrition) and Grameen Veolia (specialized in the production of drinking water in rural areas). Ten years after their creation, these subsidiaries are still struggling to achieve social impact and economic viability.

Going for the hybrid

Our research shows that companies which manage to sustainably pursue financial and social objectives are those which develop, internally, a 'hybrid culture' dedicated not only to operational excellence and profitability but also to their social

companies both large and small. The recent 'French Impact' initiative launched by the French government to support social innovation in local communities may in this respect be of great help.

While these forthcoming developments carry hope and suggest that the capitalist model is undergoing perceptible change, the realization of this hope will nevertheless lie in our collective capacity to act upon it. The young generations, who sit in our lecture halls and classrooms, are powerful drivers for this change – as they invent new models of hybrid enterprises which straddle the divide between the business and social sectors, or

demand from their employers' exemplary conduct in both the economic as well as social spheres. But they cannot succeed alone: the joint effort of companies, policy makers, unions, shareholders, and consumers is essential for the hope raised at the beginning of this new year to become reality.



Prof. Anne-Claire Pache



Prof. Julie Battilana



OF WASHING MACHINES, TRADE WARS, AND ETHICAL PERCEPTIONS

By Qinqin Zheng

Could a China-US trade war be avoided by being aware of your ethical perceptions? Prof. **Qinqin Zheng** of **School of Management Fudan University**, together with fellow researchers Paul Giff, Graziadio School of Business, Pepperdine University, and Michael J. Giff, Faculty of Business Administration, Macau University, carried out research into cross-cultural perceptions of business ethics that may answer the question.

The washing machine as a weapon

Yet another headline recently hit the international news in early February,

stoking up tension and fears of a China-US trade war – this time backing it up with acts. In late January, President Trump announced he would levy tariffs on imports of Chinese solar panels and washing machines which he accused had ‘stolen’ American



jobs. The response, less imaginative in its wording, from the Chinese Ministry of Commerce (MOFCOM) nevertheless implied possible anti-dumping and anti-subsidy investigations into sorghum imported from the US. China buys huge quantities of it – 79% of the harvest in 2017) – and is indeed a big buyer of US agricultural produce that accounts for some \$21bn of trade. And, in what appears to be an up-the-ante, the US President let it be known that China might be in line for a potentially very large intellectual properties fine from the US.

As the world looks on and ordinary folk wonder just where events will lead to, it is interesting to draw on research undertaken by Professor Qinqin Zheng and her peers Michael J. Gift and Paul Gift.

US and Chinese perceptions of business ethics – taken to the cleaners

Professors Zheng, Gift and Gift set their research to task on two questions: do business ethics differ across US and Chinese cultures? And are perceptions of each other’s ethical profiles true to their actual profiles? The questions may be important and useful in understanding today’s stained – and strained – relations between the two countries. This is because ethical profiles affect perceptions and behaviour not only within a given individual, but also *between* individuals and, at a wider level, business dealings between trading nations.

Students entering the job market with an MBA, for example, may choose to target or avoid a potential employer on the grounds of their own ethics, but also their perception of the employer’s ethics and behaviours. It is likely that a student would have thought twice about sending off a CV to Enron, Bernie

Madoff or, more recently Volkswagen, the car-maker tarnished by dubious software and the use of monkeys to study the effects of diesel exhaust fumes. Likewise, businesses might avoid suppliers involved in unethical practices or investors shy away from companies whose practices cause harm to the environment or employees. Ethical differences are important to understand but, this said, it is not necessary for parties to have identical ethical profiles in order to do business together, say Zheng et al. Rather, it is the perception that counts: one party’s perception of another may affect the possibility of engaging in a business deal. And this is magnified when inaccurate perceptions are involved in international business dealings. For the picture can become exacerbated by three factors influencing the relationship: cultural differences, language constraints, and media reports that may sensationalise certain stories.

This begs the question: do business people have sound perceptions of the ethical profiles of their counterparts in other countries? If unsound, then transactions that are otherwise profitable and beneficial to society may lose out.

In order to test their questions, Prof. Zheng and her colleagues used a population of 265 MBA and business master’s students from two universities in the United States and two in China, collecting data from survey questions and personal demographic and background data for each participant. The information was then crossed, crunched and rinsed along two dimensions: comparing ethical profiles

between the two countries, and comparing each country's perception of the other's ethical profiles.

It's not what you are, but the way that you see others

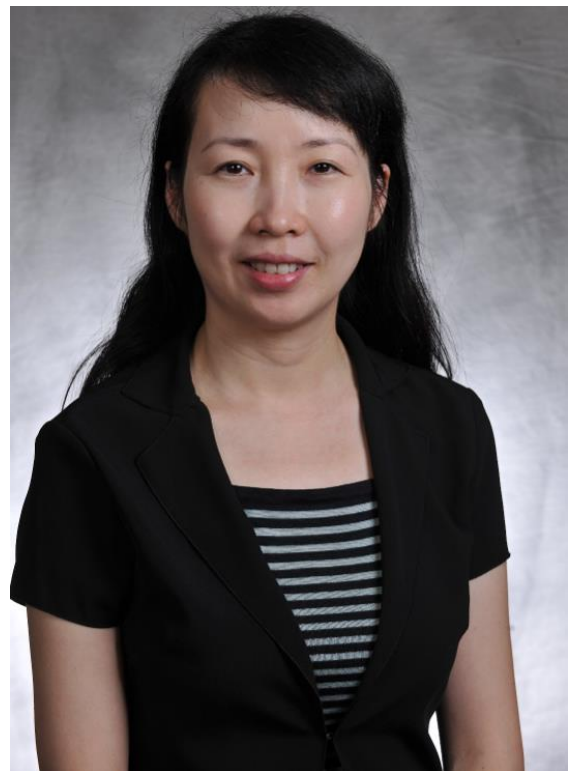


What came out of the wash was clear. The first finding is that there does not appear to be a consistent difference between the ethical profiles of the United States and Chinese business students. Respondents' answers on ethical issues posed by the survey questions tended to reflect a great amount of similarity despite their cultural differences: both business student populations largely believe that companies should be responsible, and that business strategy and practices must include ethics.

But when each country looked at the other, their perceptions of each other's ethical profile were consistent and considerable. Moreover, both the US and Chinese see the ethics of the other both differently than they view their own, and differently than the true profile of the other. In a nutshell "we have ethics and values – and they are better and more altruistic than yours" or "and yours are shadier than and less altruistic than ours". Why is this? Are the inaccuracies due to

human nature, lack of information, bad information, bias or stereotypes? Or is it simply the uncertainty factor when dealing with differences in culture and nationality ("can we trust them!"). Or even the negative stories in the media and lack of attention paid to positive stories – after all, would the fact that mixed marriages between the two cultures produce pretty babies meet the headlines more than military face-offs in the Pacific?

Perhaps not. Professors Zheng, Gift and Gift propose new research in order to answer these questions, but they are sure of one thing: that the fact that we see others in a worse light than reality means it is essential to truly learn about your trading partners, the environments in which they operate, and the cultural and social factors that shape their ethical profiles. Perhaps that could be wise advice for our global leaders too.



Prof. Qinqin Zheng



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Responsible Finance to Change the World

By Hakim Fekih

Hakim Fekih, Grande Ecole programme student at **ESSEC Business School** and member of the association **NOISE**, a student alliance dedicated to sustainability and responsible entrepreneurship, shares his insights into the various dimensions of responsible finance.

Finance – a big word, synonym of an El Dorado for some, and a dragon to slay for others. It is true that since the crisis of 2008, this sector of the economy has become a true bogeyman for every student claiming strong social and ecological convictions.

After all, how can we fail to understand them? Since the 1980s, deregulation in this field has led the world towards a succession of financial crises that whole populations have had to pay a high price for. It has been one of the main vectors for the increase in social inequalities throughout the

world. Moreover, the close links which connect the big banks to companies working in the most polluting industries cannot be denied. In short, finance is evil incarnate – and this has been known for some time.

However, since a few years, we cannot help but hear people speaking of a new concept, for some an oxymoron: ‘responsible finance.’ The most skeptical among us will say that it’s a simple change in banks’ and multinationals’ marketing strategy to clean up their image. The more optimistic of us will see a real opportunity to change the world. But, fundamentally, what is responsible finance?

Socially responsible investing: a change in mindset

Socially responsible investing (SRI) has existed for much longer than we think. It finds its origins in the *Quaker* movement, a philanthropic movement that saw the light in the 19th century and committed to the abolishment of slavery and all forms of violence. In the 19th century, several religious movements in the United States forbade their members to invest in arms manufacturers or alcohol. Nevertheless, SRI *per se* is said to have been born in 1971, a year in which two pastors from the Methodist church – Luther Tyson and Jack Corbett – launched the *Pax World Fund*, an investment fund proscribing investment in companies working in the arms business. Finally, since 2006, the UNO has recognised SRI by integrating the principles of responsible investing (UNPRI) in *Global Compact*.

Four major types of socially responsible investing are usually distinguished:

- *ESG selection*: This is the case when investors select companies in which they want to invest according to environmental, social and governance criteria (ESG). The most employed method is the ‘best in class’ approach which consists in investing in companies having the best marks according to extra-financial criteria.
- *Exclusion*: The so-called ‘exclusive’ approach consists in proscribing investment in companies linked to sectors that harm society and the environment – such as tobacco, arms or the petroleum industry. In the United States, for example, several SRI funds exclude the nuclear sector.
- *The thematic approach*: This entails choosing companies in which to invest according to a specific sector of activity such as renewable energies, water, waste management or help to the handicapped.
- *Shareholder activism*: This entails shareholders having the possibility to discuss with the company to push it to implement strong CSR policies, and by using their right of vote as a means of pressure during general assemblies.

Green finance: A solution to global warming?

Green finance is often defined as the representation of the market in green bonds. According to the French Ministry of the Environment and Ecological Transition, a green bond is ‘a bond put on the market for investors by a company or public body enabling the latter to finance their projects contributing to ecological transition and the development of infrastructure’. As such, it incites companies and state bodies to reorient investments towards a low-carbon economy that is respectful of the environment. According to the NGO Climate Bonds, more than half of these bonds are today issued by the public sector, with 30% coming from companies and 20% from financial institutions. Even if today the sums remain marginal, representing 0.01% of all financial products, their rate of growth is phenomenal. Since the COP 21, the number of green bonds issued has increased by nearly 27%, according to the Green Bonds Initiative. This is explained by the fact that it is a relatively young market.



Then ECB, for example, the leading issuer of green bonds, was only launched in 2007. An increasing number of companies and multinationals, even those reputed as the most polluting, have begun to invest in the energy transition and green energy.

Micro-finance, a weapon against poverty



Developed with the Grameen Bank in the 1970s in Bangladesh by Muhammad Yunus, micro credit consists in granting small loans to people excluded from the classic banking system because of their low revenue. The loans enable them to launch micro-projects with an aim to financially support themselves and lift themselves out of poverty. Today, the Grameen Bank counts more than seven million clients – something that demonstrates its resounding success. Moreover, this experience has shown that those below the poverty line were capable of paying back their loans – and this even with very high interest rates which allowed the bank to cover its costs. Since the success of this experience, micro-finance institutes have continued to grow in number throughout the world, in particular in developing countries. Today, there are more than 665 million accounts affiliated to more than 3,000 micro-finance bodies worldwide. In India, for example, 18% of the total population are account holders in these institutes. These institutes fall into 4 major categories of provider: informal providers, mutual benefit associations, NGOs and institutional financial structures. Moreover, large commercial banks have also now begun to develop micro-credit services.

In conclusion

These examples show that something is beginning to happen in the world of finance. All these movements are recent and they are witness to a change in mentality which is underway. Granted, today there are critics of socially responsible investing, green finance or micro-finance. And indeed, many think they are simply communication strategies without tangible and positive impact on society. But the fact is that these initiatives are real, confronted with various obstacles but they endure and continue to grow in number. We can continue to see finance as a danger to avoid, a dragon to slay – or else we can decide to consider it as a simple tool and use it intelligently to reach social and environmental objectives.



Hakim Fekih, Student



REVERSING THE PYRAMID THROUGH SOCIAL ENTERPRISE

By Edgard Barki

Edgard Barki, Head of the Entrepreneurship Research Center at **FGV Brazil**, base of the pyramid researcher and expert on social enterprise, shares his experience on the Brazilian testing ground.

More than one model of social enterprise

As the idea of business with a wider purpose slowly but surely gains ground around the world, social enterprise is increasingly being seen as an effective way to hit several birds with one stone – create jobs, empower civil society, foster community bonds and innovatively lift people left

on the sidelines off the poverty line. But whereas the social entrepreneur largely seeks to develop an initiative that has a social or environmental impact, social entrepreneurship is not a one-model affair, states Prof. Edgard Barki of FGV-EAESP.

There are several options open to the aspiring social (ad)venturer. One possibility is to create an NGO-type structure that has as its main objective social impact though which is not financially sustainable due to its operations being funded by

donations. On the other hand, some entrepreneurs may choose to create social enterprises adopting business models that diminish social vulnerability or negative environmental impact but avoid dependency on donations through their sales of products or services. Broadly speaking, these types of social enterprises have two operating models. In the first, as defined by Muhammed Yunus, Nobel Peace Laureate and the founder of the Grameen Bank, the organisation's profits are reinvested in the company with no distribution of dividends, the purpose being to avoid dilemma between fostering social impact and maximizing shareholder benefits. The mantra here is "no loss, no dividends". On the other spectrum, other types of social enterprises accept distribution of dividends in order to attract more investment. In Brazil, one of the most active countries in the world in terms of social entrepreneurship, most social enterprises do accept dividend distribution.

Brazil, a testing ground

Why is Brazil so active in responsible enterprise? Paradoxically, Prof. Barki states that it may have to do with the fact that Brazil is one of the most unequal countries of the world, where services such as education, health and housing are inadequately offered in quantity and/or quality by the Government. True, the state offers universal health and education for the population, but the best schools in Brazil are private and it is not too uncommon to find people having to wait for months or even years for surgery. As such, many basic needs are not fulfilled – something that enables social enterprises to fill the gap. And demand is high.

Under such a context, social enterprises seek innovation in order to offer these services with high quality and low cost. But besides the difficulty of offering these types of services, social enterprises also suffer from a high degree of bureaucracy in the country, struggling to both attract and retain talent as well as raise capital. Moreover, although they offer products and services that should be provided by the Government, social enterprises pay the same high taxes as other, traditional for-profit companies.

A cornerstone in the pyramid

The main beneficiaries of social enterprises in Brazil are those at the base of the pyramid – people earning less than US\$ 8 per day. Typically, social enterprises flourish mainly in the education, health, housing and financial services sectors, though there is currently increased interest in social enterprises in the fields of recycling and clean energy.

Brazil is noted for its success stories in terms of social innovation and entrepreneurship, those such as *Banco Palmas*, the developer of a social local currency, serving as a model for many others around the globe. A more recent, and successful, initiative – *Terra Nova* – focuses on the housing sector.

Many cities throughout Brazil are marked by the absence of proper shelter for the poorest – something that gives rise to families illegally occupying private property and the appearance of



shanty housing with no access to light, water and proper sanitation. Brazilian society tends to view the occupants as unwelcome invaders and the families run the daily risk of being evicted.

Terra Nova, one of the organisations dealing with the issue, takes on negotiations between the people that illegally occupy a private property and the landowner in such a way as to ensure that families pay monthly instalments for their presence. This payment eventually leads to the opportunity to gain the property rights to the land. The initiative is beneficial on several levels: the original owner receives money for land, and the families become owners – a turning point in their lives that leads to a feeling of belonging to society since they also gain access to basic services such as water and energy. Moreover, they also gain something that most of us in developed countries take for granted – a zip code. Not only does having one increase self-esteem, families also feel that much safer as it dispels the fear of eviction and opens the way for improving the quality of their housing without the risk of losing everything overnight. The government also wins: the initiative

solves a social and relevant problem, not to mention sparing it the nasty legal and ethical issues such situations can generate. *Terra Nova* is financially sustainable too, having also received financing from the impact investor *MOV Investimentos*.

Another example is the social enterprise *4you2* which operates in the education sector. With a large majority of modestly-off Brazilians unable to speak English, this can be an important differential in getting a job and gaining self-esteem. *4you2* tackles this problem by offering good quality, low cost English classes for the base of the pyramid populations. The difference lies in the fact that *4you2*'s teachers are not volunteers but paid professionals, English-speakers living in Brazil for 6 months to a year and seeking a different kind of teaching experience. This has an advantage, since the students don't just take English lessons but also earn a cultural experience, discussing Brazilian culture with their teachers and themselves reaching out to other ways of living beyond the limits of the poor districts.

Hatching social entrepreneurs

Edgard Barki is involved in an innovative project to build an incubator dedicated to nesting social enterprises. 'In Brazil, most social entrepreneurs come from the high income classes trying to solve a problem of the base of the pyramid,' he states. Inversely, the objective of the incubator, NIP, is to accelerate and support social entrepreneurs that come from the peripheries of São Paulo city. NIP will see the light of day thanks to a partnership between FGV – a foundation created in 1944 and home to a cluster of leading South American higher education institutions – Artemisia, the largest Brazilian accelerator of social enterprises and A BANCA, a social organization with grassroots in the outskirts of São Paulo city.

The focus of the incubator is to find and foster entrepreneurs that have a social impact and need management tools. Workshops and mentoring will be the staple diet during a six-month period, after which fledgling social entrepreneurs will present a business plan and, depending on the quality and perspective of the business offer, gain access to a seed fund of US\$ 7,000 and another six months of mentoring.

For the first semester of 2018, the NIP has mapped 51 social enterprises, five of which have been selected for acceleration. The whole process will

be based at A BANCA, placed at the heart of the community, close to the entrepreneurs, and with an unparalleled knowledge of both the entrepreneurs themselves and the challenges they face.

There are still many obstacles to surmount when it comes to social enterprise, notably that of finding good business models that are at the same time characterized by effective social impact and the potential to scale up and be financially sustainable. Pressing too, is the need to support social entrepreneurs in managerial skills and to offer a higher variety of access to capital. 'Most investments currently available are for the beginning of the operation,' says Prof. Barki, 'or else are aimed at well-developed businesses. There is a gap in the support and investment offered to small organisations that have an already-proven sales record, but aren't yet prepared to raise bigger capital.' But as business with a societal purpose slowly but surely gains ground in Brazil and around the world, maybe these young birds need to sing louder that their bold enterprise is able to effectively hit several others with one stone.



Prof. Edgard Barki

WOMEN: ON THE ROAD FOR PROFESSIONAL FULFILMENT



By Viviane De Beaufort

Prof. Viviane de Beaufort, spokeswoman on gender equality, researcher, and Director of the European Center for law and Economics and Women ESSEC programmes, joins battle to focus on the barriers to knock down and the road to take for women seeking fulfilment in the world of work. Part 1 of the article.

From an Editorial interview with Professor Viviane de Beaufort

A question of non-belief?

Some may express surprise at the professional predicament of women in developed countries. After all, the skills are there, the qualifications are there, and increasingly the law is there to ensure that women have both the credibility and the weight to achieve career success. But inequalities persist. Could it

simply be a lack of self-belief that holds women back?

For Viviane de Beaufort, an obvious initial reason is that of cultural factors, although less present in Anglo-Saxon cultures more at ease with money and generally more egalitarian. 'From generation to generation in many countries,' she states, 'including continental Europe, a sharing of roles and tasks between men and women has been transmitted that is clearly borrowed from the tradition that man goes out to hunt while the woman takes care of the home.' This is often relayed in religions which, to an extent, codify these traditions. 'As such, this doesn't signify that a

woman lacks self-confidence,' asserts de Beaufort, 'but that she can lack confidence within a male environment such as business where the model was created without her.' It can be observed that in exceptional events and periods of history – from yearly harvest time to wartime – this distribution of tasks and roles explodes with women being recognised as able and sometimes being ordered to take over the load of tasks otherwise allotted to men. Food for thought.

Is it the right time to be optimistic?

Viviane de Beaufort has consecrated more than thirty years of her life to the women's cause and gender equality. While delighted that things have generally changed for the better, she notes that there is a long way to go, notably in terms of equal pay and career promotion. 'Are these laws and new egalitarian precepts the result of a change in mentalities, or the result of economic pressure which has led to a penury of talent, and linked to demography?' she asks, with slight irony. Three things have to be taken into account on the road to career fulfilment, she asserts. Firstly, the individual needs of the modern-day couple and the understanding that either partner – whether male or female – would have the right to pursue professional ambitions, even if this meant that the man would step down from the limelight and take care of the home. Secondly, the political and regulatory will to think and act equality, and therefore provide the means for parents to structure an equal double career. And lastly, the question of whether we economically require all a population to be active and at work. 'I'd love to know if, in 15 or 20 years' time,' states de Beaufort, 'with the potential arrival of sophisticated robots and machines able to replace a part or all of human work, it will have an impact on this scenario?'



Do women necessarily need success stories?

When asked the question, Viviane de Beaufort points to the frequent claim that there is a general lack in feminine role models. 'It is true,' she states, 'that to project oneself as a leader, female entrepreneur, director, data scientists, etc., female models are useful.'

However, she believes that for the generations to come – GENY, then Z – the issue is not necessarily a blocking point. For her, women have access to the world as a universe via the web – and therefore finding a role model is easier. In addition, men and women of these new generations do not have the same conception of success than those of older generations. The book *Génération Startuppeuse or the new era*¹ was written in 2017 with the special support of her daughter, Marine de Beaufort² whom she quotes: '*We grew up with mothers, career models, but not always fulfilled women. As a reaction, we rooted the desire to succeed professionally, excluding the issue of being a stay-at-home mother/housewife, but having at heart not to sacrifice our personal lives. This manifests itself 1 – by the desire to have purpose in one's job. 2 – to prioritize one's personal life, and 3 – and as such find innovative solutions to manage all that*'³.

A further point is that women's relationship with power and ambition appears to be different today. In the research on Women and Power undertaken 2011⁴, and developed since then, the majority of

¹ 'Génération Startuppeuse ou la nouvelle ère', Eyrolles, 2017
Viviane de Beaufort with the support of Marine de Beaufort

² <https://www.linkedin.com/in/marine-de-beaufort-6030a71a/>

³ Transmettre ou tout simplement Partager entre générations ? 4 mains mère-fille, <https://www.linkedin.com/pulse/inter-g%C3%A9n%C3%A9rationnel-bienveillant-le-salut-viviane-de-beaufort/> by Marine de Beaufort and her mother

⁴ 'Femmes et pouvoir : tabou ou nouveau modèle de gouvernance ?' October 2012, Viviane de Beaufort, Professor at ESSEC Business School, Director of the ECLE and "Governance, Gender and Empowerment programme, founder of 'Women Be

women no longer appear to be interested in power *per se* but rather achieving something that power can bring symbolically. Women today are team players who do not hesitate to put themselves into question. They thus take part in breaking the now-obsolete dominant vertical model, notably under attack from the GENY which no longer recognises hierarchical power but accepts that of an exemplary model. 'Many men today,' states de Beaufort, 'are turning away from what I call the *royal* leader model to embrace a collective leadership that is more respectful of others, whoever he/she may be. And this is good news.'

Obstacles to reaching professional fulfilment



While today's context appears more or less favourable for women to achieve professional and personal fulfilment, Viviane de Beaufort identifies three factors that remain challenges to be overcome. The first for women is lack of self-confidence or the so-called *imposter complex*, linked not to the fact of their gender but that they still represent the minority in areas of power – including leadership, entrepreneurship, the tech world, finance and politics. It is the same complex that bears down on other minority groups through their origins or social background and that leads to behaviours such as demanding less, expecting others to recognise them on merit, and not asking for more.

A second factor is what de Beaufort calls the complex of the 'nice little girl' that is created by girl/boy education. There are greater demands on a girl to the extent that she ends up integrating limiting behaviours. For example, that she should be good and well-behaved, not raise her voice, not make waves. This type of education naturally reduces the chances of a woman to be able to affirm herself in a competitive world for both fear

of upsetting others and fear of being liked and appreciated.

And finally, the third complex is that of the 'good pupil' that weighs upon women and still leads to those having reached top positions – administrators, directors or emeritus professors – doubting their skills and always searching for what they lack or what they haven't done well enough, rather than focusing on everything they have achieved and do remarkably. 'In some ways,' states de Beaufort, 'we are our worst enemies.'

And life's specific challenges for women too

It can be argued that women face additional challenges to cater with that have either been ingrained through historical-cultural factors or simply those attributed to physical fact of gender. 'The enduring difficulty is the objective to structure a so-called family responsibility and career ambition,' says Viviane de Beaufort. 'The parental model of sharing tasks is evolving and notably with Millennials, but there's still a long way to go. In France,' she continues, 'we have the real chance to be able to demand to try both. In other countries, including those not so far, such as Germany, the culture slows this down by even creating a feeling of guilt among mothers and they therefore make a choice – and the macro consequences in terms of an ageing population are obvious in addition to, and on top of, personal frustration.' The fact that biologically women aren't the same – 'luckily' adds de Beaufort – also has an impact. The existing model for working life and achievement is very much built to a masculine tune, with maternity, age or the menopause being considered as hindrances or even weaknesses, both by men, the system and women alike. Viviane de Beaufort also adds a newer phenomenon and one that looks very likely to grow in developed countries: looking after our old folk and ascendants. It is proven that apart from looking after their children, 90% of women assume the care of elderly parents who live increasingly longer.

Success

When asked to provide her own story to the top, Viviane de Beaufort tends to think that she's not a good example. 'My commitment above the norm carries me and pushes me to lead a lot of actions and initiatives for the "cause"⁵. But I don't consider

European-Board Ready', (with the help of Boyden Executive Search).

⁵ gender.vivianedebeaufort.fr

that I'm "successful" in the business sense. For example, I've never known how to negotiate a pay package: that bothers me in as much as I carry out more than a third of my activities totally free of charge, only rarely raise the question, and have difficulties replying if it's asked me. It's a very particular posture which I don't recommend,' she continues, viewing it as an extreme that necessarily leads to working on projects for others, as well as cultivating a workaholic approach and giving returns that are much less in value than the effort it demands. 'That may suit some people,' adds de Beaufort, 'but it's atypical. However, my clear-headedness enables me to talk about and help others to avoid repeating this picture. You've got to be aware of your value and in a world hallmarked by the logic of the market. Knowing your right price is a real problem for women and even young women – hence the necessity to train them. It's what we now do at ESSEC.'

For Viviane de Beaufort, there are three key pieces of advice for women seeking fulfilment: listening to your inner voice, your inner music, whatever those around you or 'those in the know' say is the first of those. Secondly, never compare yourself and believe in your unique added value – and therefore acquire self-assurance. And lastly, cultivate your differences as an asset rather than conforming to system which in any case is imploding – in the future, only a person's unique characteristics will count. And those who are able to vaunt their individuality will call the tune.

A key message is that the default stereotypes that women have for long been saddled with in their relationship to power – risk avoidance, too great a sensitivity and empathy for others, etc. – will be heavily impacted by the context of the modern workplace. An environment in which agility, teamwork, inventiveness, and trust in others will make all the difference. And factors that will trigger the driving force for action and acceleration to create models that are less vertical and more resilient, more agile and sustainable, and founded on humankind and humanity. 'Let your boys express their sensitivity rather than telling them "you must be strong and not cry!"' states Viviane de Beaufort. 'It's time to end these categorizations at the youngest age with toys and clothes – at home, at school, and in the media.'



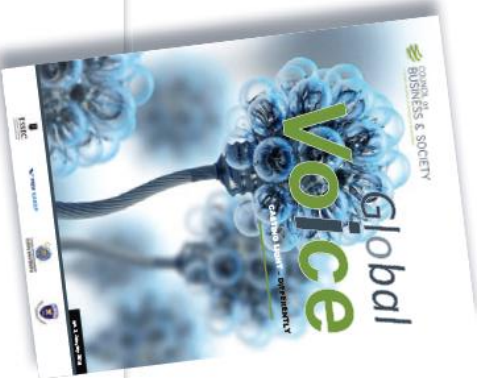
Prof. Viviane de Beaufort



OVER 18 AND (IR) RESPONSIBLE?



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