



COUNCIL on
BUSINESS & SOCIETY
A GLOBAL ALLIANCE OF SCHOOLS OF MANAGEMENT



Global VOICE

**Business and
Society**

Special
Asia-Pacific

number
08

An alliance with a purpose



The Council on Business & Society

Recognising the enormous role business can and must play in helping solve large-scale, global issues facing the world, five 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 five schools that make up the Council on Business & Society



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

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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THE DEANS OF THE COUNCIL'S MEMBER SCHOOLS



Dean and President Vincenzo Esposito Vinzi, ESSEC Business School, France, Asia-Pacific, Africa.

"At ESSEC, we believe that training students and participants for responsible leadership is key for answering the challenges of a complex world. Together with the members of the Council on Business & Society, we strive to promote responsibility so as to impact today's economy and society, and shape tomorrow's world."



Dean Luiz Artur Ledur Brito, FGV-EAESP

"Being recognized worldwide as a think-tank, FGV-EAESP not only produces academic research in management and public policy, but also applies research via its close relation with the corporate world. Its participation in the Council on Business & Society enriches its global vision through the multiple perspectives generated by the Council's initiatives."



Dean and Professor Xiongwen Lu, School of Management, Fudan University, China

"The School of Management, Fudan University joined the Council to communicate, exchange and collaborate with our global partners, absorb advanced management ideas and share China's unique experience. As a leading business school in China, we will make continuous efforts to drive the mutual development of global management education and the social economy."



Dean Hirokazu Kono, Keio Business School, Japan

"As the leading business school in Japan, it is our duty to investigate how business should maintain a balance with global societal issues. We desire to explain to the world what Japan has experienced through rapid growth by means of the Council on Business & Society."



Dean Andy Lockett, Professor of Strategy and Entrepreneurship, Warwick Business School

"As a leading European Business School with a global outlook at the heart of a world-class University, Warwick Business School is committed to developing transformational ideas and people that shape how we do business. Along with our partners in the Council we believe in the power of education to create the policymakers and business leaders of tomorrow to tackle societies' great challenges. Only through working together across disciplines to produce cutting-edge research can we develop the new thinking and ideas that will lead us through the challenges of global warming, ageing populations, increasing inequality and the need for greater diversity and equality. Through our common values of curiosity, openness, restlessness and the continuous striving for excellence we can produce the entrepreneurial, socially aware and responsible leaders the world needs."

/Editorial

By Tom Gamble, Associate Director, Council on Business & Society

Dear Readers,

Welcome to this special issue of Global Voice magazine dedicated to a region which is very much in the news and, it seems, there to stay – Asia Pacific. Turning our gaze away from the Americas and Europe to the east and flicking back through the history books to the beginning of modern history, we learn – and not without a hint of surprise perhaps – that the world's two greatest economic powers for many centuries were China and India, and that Korea and Japan also flourished alongside them during the Middle Ages.

Today, the Asia-Pacific is once again the leading power house of development and economic growth and everyone from The Economist to the Wall Street Journal points towards tomorrow being Asian and Pacific – hopefully, for the world, “pacific” in more ways than one.

Presence and impact

Not a day goes by without the region being in the world news – all of them dealing with issues that affect or will impact people around the globe and on a global scale – trade, innovation, the environment, economics, politics, art, discovery, space exploration, the military, the digital revolution, people. It is within this context that the Council on Business & Society has the great chance of having presence and impact in the Asia-Pacific region via its member schools.

- In Singapore, ESSEC Business School, ranked 8th in Europe, boasts a brand new campus inaugurated in 2015 and which offers the cream of its programmes and expertise such as the Global MBA, Global BBA and Master in Management.
- In Shanghai, School of Management Fudan University, China's leading business school, offers a full portfolio of undergraduate, graduate, local and international degrees to all those wishing to obtain experience of a China with a world outlook.
- And in Yokohama, Keio Business School, ranked first business school in Japan and part of the prestigious Keio University founded by the emblematic Yukichi Fukuzawa, educates tomorrow's top industry leaders in its MBA, EMBA and PhD programmes.

In short, ESSEC Asia-Pacific, School of Management Fudan and Keio Business School are home to students from all over the world wishing to gain insight into the specifics of business, management and innovation in Asia.

A mission

Moreover, through the Council on Business & Society they strive to train tomorrow's responsible leaders – open to cultures and diversity, sensitive to the impact of business practices on the common good and the environment, ready to walk the talk of ethical leadership and convinced that business should and can have a positive impact on helping the world progress.

The Council on Business & Society will not stop here. The global alliance will enlarge its membership, seeking even greater cooperation in the Asia-Pacific region to carry out joint research projects, launch inter-school student projects, and leverage its networks to bring together leading figures from industry, NGOs and international institutions. The knowledge generated by these will serve the Council's overriding purpose – that of serving the wider good.

This currently involves disseminating research-based insights for businesses, entrepreneurs, managers, NGOs, academia and instructors. In 2018, the Council reached out to three-quarters of a million readers and viewers. In 2019 and beyond, the Council hopes to gain even more impact, offering its wider audience a series of toolkits and multimedia assets for self-learning and use in their companies and careers.

A need, a purpose

More than ever, it is essential to bring people of different cultures and backgrounds together. Changing times, international dispute, climate issues, populism, brinkmanship and fear generated by unprecedented technological advances has a strange taste of déjà-vu about it for those who choose to get informed and who stop a moment to think. History repeats itself – for good, as in the new era rising in the Asia-Pacific – and for bad when in the past what began as a spark led to fire and misery for millions.

This is where the Council on Business & Society and its Schools come in with their students, faculty, corporate partners, international networks – and you. Together we serve as part of the counter-balance in the bigger picture of things. A level-headed objectivity, an informed opinion, and decision shaped by goodwill, open-mindedness towards other cultures, positive values and empirical facts. It might be too much to say that together we are helping to maintain world peace and positive benefit for people, planet and businesses. But then again, it could be true that if we did a lot less, then there would be nothing of much meaning to say at all.

The Council on Business & Society is both ours – and yours. For a better, brighter, educated Asia-Pacific that sits at the world table bringing prosperity and wisdom beyond its own geographical sphere to the wider world.

I invite you to keep up to date with our innovative education programmes, news and research insights by following us on Twitter @The_CoBS, visiting our Council Community blog or discovering our website at www.council-business-society.org where you can download a host of publications on business at the crossroads of society.

Kind regards,




Tom Gamble

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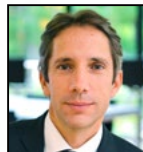
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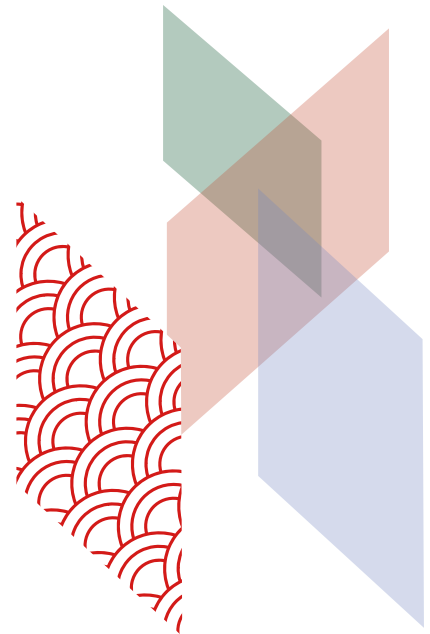


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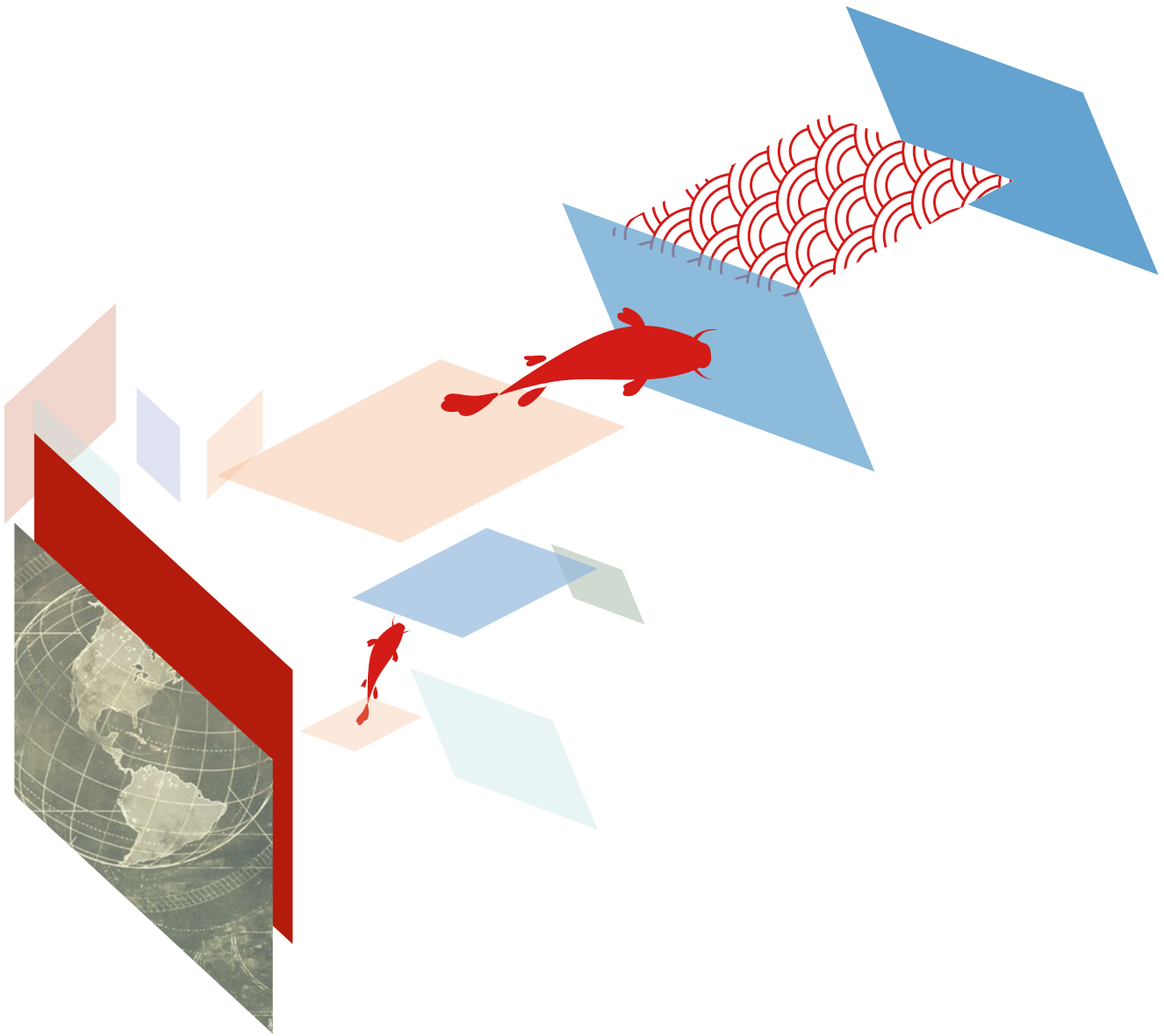
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A large number of dark blue umbrellas are open, creating a dense, repeating pattern of curved shapes. In the center of the image, one umbrella is a vibrant lime green, standing out from the rest. A large, semi-transparent yellow-orange shape, resembling a stylized umbrella or a wave, is positioned over the center of the image, partially obscuring the green umbrella and the text below it.

BUSINESS & SOCIETY

OF LOVE AND POWER: HOW PARTNER CHOICE MAY MAKE OR BREAK A (WOMAN'S) CAREER



Prof. Aarti Ramaswami of **ESSEC Business School, Asia-Pacific** and her fellow researchers George F. Dreher at the Kelley School of Business at Indiana University, and Tom Dougherty from Trulaske College of Business at the University of Missouri, share new research on the influence of partners on career attainment.

From the forthcoming research paper *Women Reaching the Senior Executive Suite: A Framework of Life Partner Advocacy and Power*, George F. Dreher, Aarti Ramaswami, Thomas W. Dougherty in the journal *Research in Human Resource Management*.

COMMENCEMENT DAY. Among the cheers, laughter, and mortarboards flying high through the air in a celebration of years of hard study that come to an end, two bright young people of similar stamp catch each other's gaze through the tumult. There

is something serene about them. As though their eyes were meant to meet, as though the new life out there waiting was meant to be their journey, *together* – first jobs, careers, home, little ones, happiness and fulfillment. In that precise moment in time, their

eyes locked, a decision was waiting to be taken. And of course, because we believe that good and lovely things happen in life, they took that meaningful first step forward to each other that was to lead to a common path taken.



But what if they had stepped back, thrown a little perspective on that odd happening in such a noisy event? What if there was already a nagging question in their minds? No – not the one anticipating the mental state of the future mother-in-law – a question that says: *Is this person going to help me or hinder me in my professional ambitions?*

CAREER – AND THE COUPLE – AT A CROSSROADS

Couples change. Lives change. And many of these changes are associated with our jobs and how we evolve in the world of work over time. From beginnings that research has showed bring people together of similar level of education and career-oriented values, initial parity will likely give way to the career of one of the partners in heterosexual couples outpacing that of the other half. What happens then? Do the men among us swallow the fact that our spouse earns more, goes to cocktails and flies off to exotic locations on business trips? Do the women among us simply bury our dreams and sacrifice our careers to look after the kids and support hubby – who, incidentally, also goes to cocktails and flies off to exotic locations on business trips? Among the upper echelons of management, the picture is telling: according to *Catalyst*, a global nonprofit organization focused on empowering and ac-

celerating women in business, as of June 2018, there were only 23 Fortune 500 companies lead by female CEOs. Why should that be?

The field of career development and especially women's career development has been widely studied and researched. This research, however, has mainly dealt with factors such as human capital development, motivations, bias, barriers and discrimination – leaving the view empty of other variables required to fully understand men's and women's career attainment.

This is where new research kicks in, carried out by Prof. Aarti Ramaswami of ESSEC Business School and her fellow researchers George F. Dreher and T.W. Dougherty. It focuses on the extent to which a life partner acts as a catalyst or inhibitor in the competition to reach the so-called C-suite – the corporation's top tier of senior executives. Returning to the Fortune 500 statistics, it is indeed during the final round of the career tournament that a life partner may play a particularly decisive role.

Prof. Ramaswami's research has led to four profile types of partner to be proposed and the various linkages and impact each of these has on a partner in reaching the C-suite. In addition, gender and culture dynamics are kneaded into the model to show how these variables affect and moderate the linkages.

Sheryl Sandberg, COO of Facebook, says in her book *Lean In: Women, Work, and the Will to Lead*: 'I truly believe that the single most important career decision that a woman makes is whether she will have a life partner and who that partner is.' In that light, Ramaswami et al propose the question: 'What would be the most advantageous personal situation for a high-potential woman to be in at mid-career if she aspires to be a senior manager? Here's what their research came up with.'

THE PARTNER AS CAREER COMPETITOR

Their first profile, the Career Competitor, takes on many of the characteristics of the alpha male/female who typically believes that his or her career is the lead career in the relationship with career ambitions at the very heart of their *raison d'être*. They are typically 'the leader' in the couple and lend little support to their other half. This is bad news for the couple, especially the one left behind – the development of the more powerful partner coming to be seen as an infringement on the development of the other's. Conflict naturally results, one of the main issues being that while one partner has to relocate to a higher salary as part of the promotion package, the second partner loses out with a lower increase or even decrease in earnings. Typically, the latter tends to be the female partner in the couple.

You might think that two educated people would find a middle ground. But here again, research shows that the spouse in command of the most resources is able to impose decisions and outcomes that further their own goals to the detriment of their partner's. Culture also plays a part. For those exposed to societal values that put emphasis on hierarchy, status and achievement, early career success will more likely spur those partners to believe that their career is the lead career in the relationship – to the detriment of the other partner even if catching up at a later stage. And what about gender? It seems that it's harder for male partners to accept that their spouse earns higher pay. As such, a high-earning female will tend to take on a higher amount of housework and chores in an attempt to relieve the male partner's unease with the situation – thus freeing up the lower-paid male partner to catch up the gap. In a nutshell, there are two lessons to be learnt from shacking up with a Career Competitor. First, that forming



and maintaining a personal partnership with a career competitor will reduce the likelihood of reaching the C-suite. And second, that the negative effects of hitching up with a Career Competitor will be less pronounced for male contenders for the C-suite than for women.

THE PARTNER AS CAREER MENTOR

Couples may start out with goodwill and perceive each other's career advances as beneficial to the development of each other's. However, as the climb to the top reaches ever-higher heights, it becomes increasingly difficult for couples to sustain two C-suite-oriented careers. To maintain stability in the couple, one has to give while one has to push on – and invariably it is the partner with the most family power that will see his/her career take precedence. The partner who gives way

will then tend to take on a Career Mentor role, stepping off the accelerator to their own career and using their acquired experience and networks to propel the other. This can come in the form of coaching, influencing and encouraging the other for key opportunities and roles, providing exposure and visibility to powerful others, and even protection from potentially harmful situations or people. For the ambitious C-suiter, this is a boon – having a high achieving partner who is willing to act as a broker within powerful networks, act as a mentor, provide support and understand career-oriented problems and stress factors, is advantageous when competing in the senior management career tournament. But here again, gender has an impact. And it's the man, of course, who has difficulty in asking for or accepting career advice from his female partner and who suffers the negative effect. For women, the Career Mentor coin has another, more advantageous side. Typically, their

male partners will be older and their greater working experience and access to power resources to which women may not have, can be potent for helping their female spouses in striving for career success.

THE PARTNER AS A CAREER RESOURCE

As mentioned earlier, one way in which to scratch the other's back in return for increased family income and stability is to scale back on your career and provide additional support to the lead careerist. This might take the form of taking up a part-time job, flexible hours, early retirement or even quitting work altogether to take up the role of stay-at-home spouse. A key contribution of the latter is the capacity to offer social support that saves the physical and mental resources of the working partner, and may even take the form of caring for children and elderly parents, entertaining, or even taking off some of the workload from the other by organising schedules, planning business trips or writing up memos and reports. All in all, because of the extra availability of time and a flexible schedule, possible ongoing income and knowledge of the workplace, this partner type has the potential to enrich their partner's career.

But there is a downturn. Because work in the office is more valued, staying at home – even with a workload – is a source of additional inequality between people. Very simply, it increases the decision-making and bargaining power of the employed partner.



Moreover, men seem to benefit more from this type of partnership, mostly due to how we have been shaped by gender roles. Traditional fathers (with stay-at-home wives), for example, are perceived as being more stable, professional and requiring increased financial needs. All this leads organisations to boost male career advancement. The numbers crunched from research speak for themselves: married men with working wives earn less than married men with stay-at-home wives. And finally, women lose out because even if their male spouse stays at home, they will continue to perform a disproportionate amount of childcare and household work.

NO PARTNER – LUCKY FOR SOME, LESS FOR OTHERS

Being in the no-partner category produces forces working both for and against the likelihood of you reaching the C-suite. No Partner can mean the eternally single, the currently on-a-break, or even the divorced and widowed. The odd thing is that at first glance this category of individual may seem to hold the upper hand when it comes to career advancement: they have the time, lack of commitment, and – able to eat whenever they want – don't have to be present at 6:30 P.M. sharp with a napkin tied around their necks. However, think twice – being single presents its own set of problems to bear. Research shows that they are subject both to cultural biases and discrimination that have a negative impact on their capacity to reach the C-suite. Men are especially losers in this field because despite the increasing number of adults choosing to be single, cultural norms place a high value on marriage and married couples. Marriage signals maturity, family values and meaning in life with married men especially considered as more productive and effort-oriented. We even talk of a marriage premium of 15% higher wages. Lo-behold the single guy – less responsible, immature, carefree and even delinquent. For a woman it is different: here the research leads to the conclusion that single women are likely to advance more than married women (with or without children) – they are likely to have more time for energy-intensive jobs than married women, have fewer employment disruptions than married women and are more likely than married women to be perceived as having financial need because such resources are presumed to be provided by married women's husbands.

BITTER C-SUITE SYMPHONY OF LIFE

Altogether, Profs. Aarti Ramaswami, George F. Dreher and T.W. Dougherty provide us with an interesting insight into the little researched area of the impact our partners have on our careers. The race to reach the C-suite for women may be handicapped from the outset – naturally so, because there is a universal preference found in virtually all cultures for women to prefer male partners who are three to four years older than themselves (or for men to prefer younger female partners). As such, this gives a head start for men in amassing both social, experiential and financial capital as they begin work earlier. It also means that women are more likely to fall into a relationship with an alpha male career competitor – the partner type that offers the greatest negative career consequences for becoming a top exec. Cultural context may also hamper a woman's ascension to the summit – just think of Sweden compared to India, for example. All in all, choosing a perfect partner is a difficult thing. If you're hell bent on reaching the C-suite, then it is a partner who acts as a career resource that helps most. And a partner who is a career competitor who hampers most.

Should we stop, step back and assess future career attainment each time that mischievous cherub harpoons us with an arrow? And what if we return to the beginning and the young couple whose gaze met on Commencement Day? Many of us have no doubt had such a moment – and it takes your breath away. Better to gulp in new air, step forward and see where things end up mid-career. After all, we want to believe in good and happy endings.

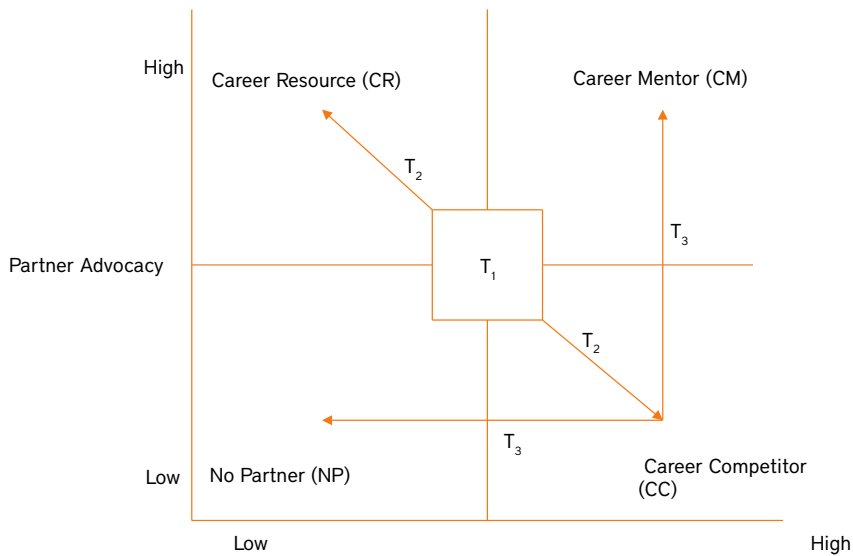


“
Couples change.
Lives change.
And many of these
changes are associated
with our jobs
and how we evolve
in the world
of work over time.
”



© Mike Kory

FIGURE 1
A TYPOLOGY OF PARTNER TYPES



Aarti Ramaswami



A PERSONAL PARTNERSHIP WITH A "CAREER COMPETITOR" WILL REDUCE THE LIKELIHOOD OF A PERSON REACHING THE C-SUITE. IT IS LESS PRONOUNCED FOR MALE CONTENDERS FOR THE C-SUITE THAN FOR WOMEN.

HAVING A HIGH-ACHIEVING PARTNER WHO IS WILLING TO ACT AS A "MENTOR" IS ADVANTAGEOUS WHEN COMPETING IN THE SENIOR MANAGEMENT CAREER TOURNAMENT. WOMEN BENEFIT MORE THAN MEN.

HAVING A PARTNER IN A STAY-AT-HOME "CAREER RESOURCE" ROLE HAS THE POTENTIAL TO ENRICH THEIR PARTNER'S CAREER. THIS BENEFITS MEN MORE THAN WOMEN.

HAVING "NO PARTNER" PRODUCES PROS AND CONS. RESEARCH SHOWS THAT THEY ARE SUBJECT TO CULTURAL BIASES AND DISCRIMINATION THAT HAVE A NEGATIVE IMPACT ON THEIR CAPACITY TO REACH THE C-SUITE. SINGLE WOMEN ARE MORE LIKELY TO BENEFIT FROM SINGLE STATUS THAN SINGLE MEN.



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The pioneering spirit

OF WASHING MACHINES, TRADE WARS AND ETHICAL PERCEPTIONS



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 Gift, Graziadio School of Business, Pepperdine University, and Michael J. Gift, 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

ALMOST EVERY DAY yet another headline hits the international news, stoking

up tension and fears of a continuing US-China trade war. Declarations are rife and it started in late January 2018 with President Trump announcing 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 appeared 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, the trade war deepens, 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.



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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 business populations saw 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?

“ 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. ”

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.



Qinqin Zheng



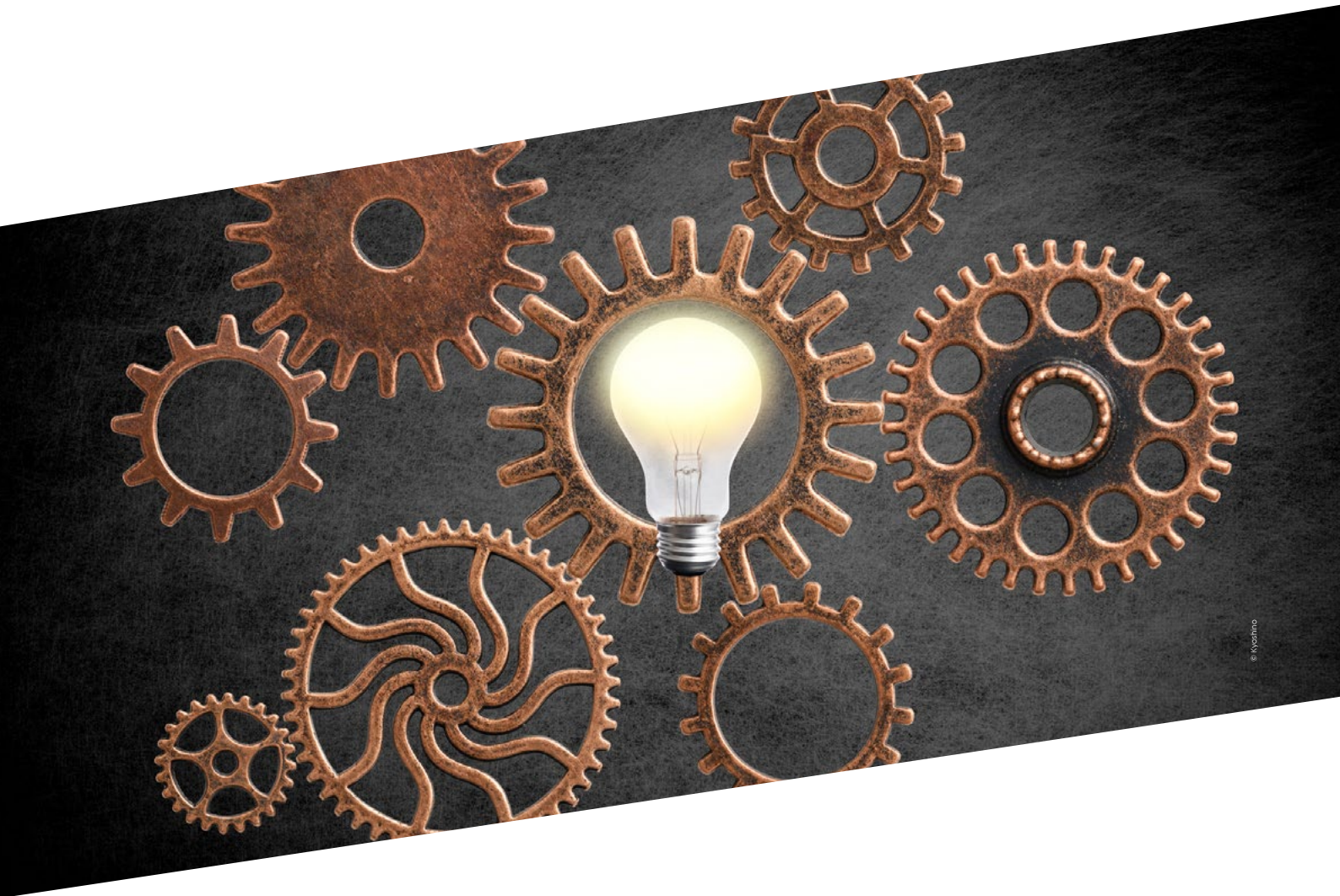
ETHICAL PROFILES AFFECT PERCEPTIONS AND BEHAVIOUR NOT ONLY WITHIN A GIVEN INDIVIDUAL, BUT ALSO BETWEEN INDIVIDUALS AND, AT A WIDER LEVEL, BUSINESS DEALINGS BETWEEN TRADING NATIONS.

THE PICTURE CAN BECOME EXACERBATED BY THREE FACTORS INFLUENCING THE RELATIONSHIP: CULTURAL DIFFERENCES, LANGUAGE CONSTRAINTS, AND MEDIA REPORTS THAT MAY SENSATIONALISE CERTAIN STORIES.

THERE IS NOT A CONSISTENT DIFFERENCE BETWEEN THE ETHICAL PROFILES OF THE AMERICAN AND CHINESE BUSINESS STUDENTS.

BUT BOTH THE US AND CHINESE BUSINESS POPULATIONS SEE THE ETHICS OF THE OTHER BOTH DIFFERENTLY THAN THEY VIEW THEIR OWN, AND DIFFERENTLY THAN THE TRUE PROFILE OF THE OTHER.

WHY THE WORLD MAY NEED YUKICHI FUKUZAWA



Professor Hirokazu Kono, Dean of **Keio Business School**, shares the story of Yukichi Fukuzawa, founding father of Keio University, Japanese statesman and enlightened modernizer, and contends that his life and actions may well provide a model to follow in today's world.

THINGS HAVE CHANGED. Look back over the past ten years and you will notice that our lives continue against a background of tumultuous technological, political and social change. Look back at even more recent years and you will also notice that a certain instability has occurred. Change is now more rapid than ever, new technologies are disrupting the pattern of things, communication

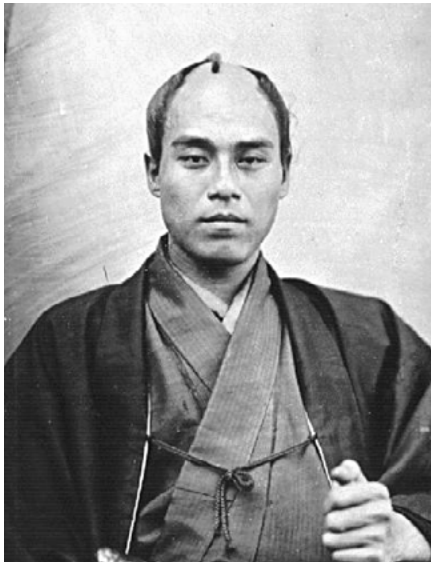
leads us fast and often in directions we do not wish to go, political instability and uncertainty touch us every day. And from a world economy that previously and openly embraced globalization there has been a backlash among many into a mindset of anti-globalization and much-aided rhetoric on protectionism. It is at times like this that we need to look back in time at our figureheads

and role models – those who in their own time had a visionary understanding of what was needed for the future and whose values and actions remain universal and enduring for the generations ahead of them.

One such figurehead is Yukichi Fukuzawa (1835-1901), a man of uncommon courage, vision and wisdom who defied the esta-

blished powers of the time to champion a global outlook beyond Japan's isolation and who created the foundations of the country's higher education system. Most notably, he was the founder of Keio University that today houses Keio Business School. Today, Fukuzawa still provides the driving values and vision for the institution's teaching body and students. It is in Fukuzawa's life, actions and values that this little known figurehead for western cultures may serve as a truly universal role model for our modern world – regardless of nationality and, most importantly, regardless of background. 1835-1901.

THE JOURNEY TO UNDERSTANDING



Born in Osaka in 1835, Yukichi Fukuzawa's early life – as with many of those who reach the status of greatness – was characterized by trial and hardship, almost as if misfortune were a test in which to understand the world from a different perspective. With the sudden death of his father, a minor treasury official, Fukuzawa's family was reduced to poverty. He spent most of his youth doing odd jobs until money for his education became available and he began studies at the age of 14, nearly ten years later than the usual starting age. A fast learner, he excelled at school. At 18, the arrival of the US fleet off Japanese waters had a profound effect on the direction his life would take: it was the time of the Meiji – the enlightenment – and Japan was in the throes of discarding nearly three hundred years of national isolation. The vision of the fleet and the modernism it incarnated sparked him to want to find ways

of improving his understanding of all things western. After a first setback in the Dutch trading enclave of Nagasaki, he headed, penniless, for Tokyo with a dream of furthering his education. Learning Dutch and English, he found himself in Yokohama, one of the three sea ports open to western traders, and volunteered as a Japanese government envoy to the United States. A brief stay in San Francisco was followed two years later by a long stay in Europe, with lengthy visits to Great Britain, France, Germany, Holland, Portugal and Russia. When just 30, Fukuzawa returned to Japan with an immense wealth of observations, knowledge, and books. Just four years later, he travelled once again, this time to Washington DC, Philadelphia and New York.

AIM FOR THE HORIZON AND YOU WILL LEARN

Through his travels, Fukuzawa came to realize that technical progress had made western countries more prosperous and he began to believe that if Japan were to experience similar results, a revolutionary change in people's knowledge and thinking was necessary to make it happen. As such, after his return from the US, Fukuzawa created his own school to teach others according to his beliefs and experiences: it was the birth of Keio Gijuku, the forerunner of Keio University. By 1867, one hundred students were studying at the school with Fukuzawa lecturing political economy, and it was not long before he brought in professors from overseas, thus providing students with a completely new educational experience. Little by little, Keio opened its studies to private stu-

dents coming from the popular classes and over two decades other subjects appeared on the curriculum – mathematics, economics, and medicine among them.

NEW WORDS, UNIVERSAL VALUES

By being outward-minded, exploring the wider perspective and introducing new concepts, Fukuzawa and his teaching colleagues found themselves having to coin new Japanese terms to describe these in ways that could be understood by the average person. Of particular significance was the word *enzetsu* used to describe the English word speech. The art of debate and speech-making were alien to Japanese society at the time, but without them Fukuzawa believed that the ultimate goal of democracy would be impossible.

Aiming to make Keio a source of noble character and a model of intellect and virtue for Japan, Fukuzawa wrote down the principles and values of the school that he hoped would inspire daily behaviour that would benefit not only the student and the institution but society as a whole. These principles are inscribed in Keio University's code of conduct until this day and include *Dokuritsu Jison* – independence and self-respect – that is, protecting the dignity of oneself and others and acting with discretion and responsibility in every matter. *Jitsugaku*, or science, is another. In this, Fukuzawa called for students to solve issues by thinking critically in order to reveal the empirical truth rather than focus on short-term practical solutions. Further principles included *Hangaku-hankyo* which





can be translated as learning while teaching, teaching while learning which calls for making no distinction between student and professor – that is, between the learned and those just on the outset of learning – both alike having the capacity to both teach and learn together. Jiga Sakko – creating history to define the future – urges students to acquire a sense of purpose and courage to achieve something unprecedented and stay true to this aim while enduring setbacks and overcoming hardships and challenges along the way. And finally, there is Shachu Kyo-ryoku which literally translates as ‘collaboration with the company’, company able to be applied to a wider sense of stakeholders. In Keio’s case, this means teachers, staff, students, graduates and even the parents – all working together in a common cause and the will to make improvement.

NOT A CLOSED ISSUE

In many ways, the model that Yukichi Fukuzawa provides is valid for the world we live in today. Indeed, it may well be essential. Change, even in its most anodyne form, brings with it the natural emotions of denial, anger, and fear. Think of what has changed in those last ten years referred to at the beginning of this article. In Today’s global context, there are those who may fear the loss of their roots and identity, those who express fear at the impact that technology, in the next decade or so, will have on their jobs – indeed some job areas will disappear completely. And there are those who show anger when they see their national industries open to fierce competition from abroad. One reaction is to choose the defensive, close ranks and form a wall against the outside and everything that is different and new. Another reaction, in line with the life and actions of Yukichi Fukuzawa, is to open

up to the wider world, seek knowledge, learn from the best practices of others and use this to positively transform one’s own home country. It is by learning and a purpose towards the wider community that real progress is always made. It keeps our mind fresh, hopeful and youthful. Any barriers, both physical and mental, are artificial and cannot split our society. After all, as any enlightened child understands, walls are built by us to be climbed over by ourselves.



Hirokazu Kono



FUKUZAWA’S VALUES INCLUDE:

DOKURITSU JISON – INDEPENDENCE AND SELF-RESPECT – THAT IS, PROTECTING THE DIGNITY OF ONESELF AND OTHERS AND ACTING WITH DISCRETION AND RESPONSIBILITY IN EVERY MATTER

JITSUGAKU, OR SCIENCE: SOLVE ISSUES BY THINKING CRITICALLY IN ORDER TO REVEAL THE EMPIRICAL TRUTH RATHER THAN FOCUS ON SHORT-TERM PRACTICAL SOLUTIONS

HANGAKU-HANKYO OR LEARNING WHILE TEACHING, TEACHING WHILE LEARNING – MAKE NO DISTINCTION BETWEEN STUDENT AND PROFESSOR, BOTH ALIKE HAVING THE CAPACITY TO BOTH TEACH AND LEARN TOGETHER.

SHACHU KYORYOKU (LITERALLY TRANSLATES AS ‘COLLABORATION WITH THE COMPANY’ OR ‘WIDER STAKEHOLDERS’). WORK TOGETHER IN A COMMON CAUSE AND THE WILL TO MAKE IMPROVEMENT.

FROM BUSINESS DISPUTE TO POLITICAL FIGHT: CAN INVESTMENT TREATIES HELP?



Prof. Srividya Jandhyala, ESSEC Business School, Asia-Pacific along with Prof. Lauge N. Skovgaard Poulsen from University College London and Dr. Geoffrey Gertz of Brookings Institution, takes a radical new approach to assess the impact of investment treaties on the de-politicisation of investment disputes.

ONCE UPON A TIME, IN THE AMAZON RAINFOREST...

The American firm "Occidental Petroleum" entered into a contract with the government of Ecuador to explore oil in the Amazon in 1999. Five years later, the Ecuadorian go-

vernment claimed that "Oxy" had improperly sold a minority stake in the deal and thus threatened to expel them from the country. The dispute escalated rapidly onto the diplomatic agenda, with Oxy reaching out to the American embassy. Soon enough, the US Ambassador had raised the issue in separate discussions with Ecuador's President, Trade

Minister and other influential people in the government – the US Ambassador categorically pointing out that Ecuador would lose several trade benefits with the US if it cancelled the Oxy contract. But despite the coercions, the Ecuadorian government followed through with its threat and rendered the Oxy contract void, with the result that



the US retaliated immediately by suspending the Preferential Trade Agreement negotiations with Ecuador.

This is a classic example of how a dispute between a private, foreign investor and a host country can become politicised, with consequences boiling over to the national level. Indeed, private investors often rely on diplomatic protection and lobby with their own governments to impose sanctions on the host government. And of course, this strains the diplomatic relationships between countries, resulting in direr repercussions than the ones that could arise from just a botched investment.

AN ALTERNATE SYSTEM OF DISPUTE RESOLUTION

Diplomatic consequences are bound to arise the moment private investors start leveraging state power to advance their own interests. One solution comes in the form of the international investment treaty regime. This regime allows private investors to directly hold host countries accountable for property rights violations through international arbitration. A private tribunal would have the jurisdiction to decide the dispute and award damages – in this way, occasional disputes around a private investment would not stop nations from enjoying the benefits of strategic alliances and cooperation.

For quite some time now, it has been asserted that such treaties are also in the best interest of developing countries who are on the receiving end of an investment. These countries often have limited economic, poli-

tical, and military power to defend their interests. As such, international law is the best instrument available at their disposal to promote their agenda.

STEPPING INTO THE HIDDEN REALM OF NON-LEGALISED DISPUTE SETTLEMENTS

Experts believe that such legalised, third-party settlement of disputes can prevent individual disagreements from spilling over into other aspects of the bilateral diplomatic agenda between countries. In other words, access to investment treaty arbitration is expected to de-politicize an investment dispute between a private foreign investor and a host state. Professor Jandhyala and her colleagues decided to test this hypothesis. While past research typically relied on data from publicly-known arbitration claims, meaning that these studies ignored a larger category of disputes which never make it to arbitration, their work was different. They relied on new data gleaned from US State Depart-

ment diplomatic cables. About 250,000 diplomatic cables consisting of internal communications within the US State Department were publicly leaked by WikiLeaks in 2010-11. This gave them access to information on 219 investment disputes involving American investors and foreign governments in 73 developing countries from 1996 to 2010.

DO THE NUMBERS ADD UP IN SUPPORT OF INVESTMENT TREATY REGIME?

The diplomatic cables divulge a world of non-legalised dispute settlements. Sometimes, the US government took no actions on behalf of the investors. In other cases, responses of US officials ranged from the mundane to the dramatic; from writing letters of support or making phone calls to extensive diplomatic lobbying. In cases of serious diplomatic intervention on behalf of investors, the actions taken by the US government included either (i) explicit threats to cut aid, trade or other US benefits, or (ii) implicit pressure by raising the issue with the heads-of-state or in official diplomatic visits.

The results of the study have been rather counter-intuitive. The share of disputes with serious US diplomatic engagement is almost the same in countries with and without US investment treaties: 30% vs 29%. It was also found that for an “average” dispute which is not covered by a US investment treaty, the predicted probability of serious diplomatic intervention is 12% vis-à-vis 15% for a similar dispute with an investment treaty. This difference is small and statistically insignificant. The regression analyses revealed that host country characteristics such as GDP and investment risk profile are also not a significant predictor of US intervention.



In a nutshell, the authors found no evidence that diplomatic intervention is less likely in disputes where American investors had access to investment treaty arbitration than in those disputes where investors lacked such access.

These findings were further reinforced when examining events through a more qualitative lens. Looking back at the Occidental Petroleum case mentioned earlier, it is interesting to note that the US and Ecuador actually did have an investment treaty in place. In fact, this treaty allowed Oxy to eventually sue the Ecuadorian government and receive \$1.8 billion in compensation. But that did not stop Oxy from first working with senior American diplomats to assert political pressure and economic sanctions on the Ecuadorian government. Moreover, there seems to be no evidence that US diplomats were reluctant to intervene in this dispute because of the treaty.

On the other hand, despite the absence of an investment treaty, disputes between the Brazilian government and American energy companies such as Enron, El Paso and NRG Energy never veered to the political territory. In these disputes there was only minimal US diplomatic engagement.

TREATIES ARE NOT THE SURE-FIRE RECIPE TO AVERT CONFLICTS

Developing countries are routinely encouraged to consent to investment treaty arbitration in return for less politicisation of their investment disputes. But it is time to question whether the benefits of de-politicisation may have been oversold to them. Just as the presence of an investment treaty did not result in a de-politicisation of investment disputes in Ecuador, the absence of an investment treaty did not result in a politicisation of investment disputes in Brazil.

It appears that investment arbitration is considered merely to be an additional tool for protecting investment, rather than an alternative to diplomatic intervention. While it is true that diplomatic interventions have grown less aggressive and coercive over the past decades, there is no denying that the explosion in investor claims still cost developing countries heavily. We may have reached a point where policymakers need to step back. And take a long hard look at the whole purpose behind investment treaty regimes.

“Policymakers need to step back and take a long look at the whole purpose behind investment treaty regimes.”



Srividya Jandhyala



A DISPUTE BETWEEN A PRIVATE, FOREIGN INVESTOR AND A HOST COUNTRY CAN BECOME POLITICISED OUT OF PROPORTION, WITH CONSEQUENCES BOILING OVER TO THE NATIONAL LEVEL – CAUSING STRAIN ON DIPLOMATIC RELATIONSHIPS BETWEEN COUNTRIES AND DIRER REPERCUSSIONS.

DISPUTES RELATED TO FOREIGN INVESTMENT AND PROPERTY RIGHTS COULD BE PREVENTED FROM ESCALATING INTO STATE-TO-STATE CONFLICT THROUGH INVESTMENT TREATY REGIMES; BY KEEPING THEM IN THE REALM OF LAW RATHER THAN THE REALM OF DIPLOMACY.

RESEARCH RESULTS HAVE PROVEN COUNTER-INTUITIVE: THE PRESENCE OF AN INVESTMENT TREATY DOES NOT APPEAR TO SIGNIFICANTLY ALTER THE LIKELIHOOD OF SIGNIFICANT DIPLOMATIC INTERVENTION IN INVESTMENT DISPUTES.

INVESTMENT ARBITRATION IS CONSIDERED MERELY TO BE AN ADDITIONAL TOOL FOR PROTECTING INVESTMENT, RATHER THAN AN ALTERNATIVE TO DIPLOMATIC INTERVENTION.

POLICYMAKERS THUS NEED TO RE-ASSESS THE PURPOSE BEHIND INVESTMENT TREATY REGIMES.

THE CHINESE ENTREPRENEUR: SUCCESS, POLITICS, AND CONFUCIUS



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Do successful Chinese business people choose to govern national life or preserve world peace? Professor **Xu-Hong Li** of the **School of Management Fudan University** shares her 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 regu-

latory 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.



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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?

Professor Xu-Hong Li 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 hu-

mans 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. Professor Li 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'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.

“

Your life or career
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if they fail to progress
from cultivating
the self to serving
the universal world.

”



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ONE BELT, TWO ROADS

Li'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 professor Xu-Hong Li, 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 sees 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



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.

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.

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 ARE MORE LIKELY TO HAVE POLITICAL APPOINTMENTS WHEN THEIR FIRMS ARE MORE SUCCESSFUL.

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THE MISSING MIDDLE IN MICROFINANCE



Savita Shankar, Associate Professor at **Keio Business School**, Japan, shares her research 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 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 en-

terprises 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.'





“Catering to the financing needs of missing middle firms has great potential to invigorate South Asian economies – making them more inclusive and dynamic.”

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.

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.'





'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 micro-finance 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.'



Savita Shankar



IN EMERGING ASIAN ECONOMIES, ENTREPRENEURIAL VENTURES ARE 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.

THE MICROFINANCE SECTOR, HAVING REACHED MATURITY, SEES THE NEED FOR SUCCESSFUL MICRO-FINANCED ENTREPRENEURS TO AIM FOR HIGHER LOANS THAT DON'T ACTUALLY EXIST.

CREDIT APPRAISAL OF POTENTIAL BORROWERS MUST INVOLVE A SPECIALLY DESIGNATED LENDING OFFICER TO OBSERVE, DISCUSS, CROSS-CHECK AND ANALYSE THE BUSINESS MODEL.

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.

IF INDIVIDUALS HAVE BORROWED FROM CREDIT BUREAUS 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.

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.

DOING WELL WHILE DOING GOOD



Professor **Reetika Gupta** of **ESSEC Business School, Asia-Pacific** and Researcher Sankar Sen share their research on how a change in consumer beliefs is affecting the ethical products market.

A 'SWEET SPOT' THAT CONSUMERS ARE NOT ENTIRELY CONVINCED OF... YET!

EVERY ONCE in a while, consumers and NGOs raise a hue and cry when unethical practices of a company are brought to light. It is, indeed, quite easy to condemn the widespread use of child

labour in sweatshops in Sudan or Myanmar from the comforts of our homes. However, when push comes to shove do we really refrain from buying products that come forth from organizations that have a track record of engaging in activities that are detrimental to the environment or are in violation of human rights? The answer reveals interesting insights on consumer psychology!

When responding to polls, consumers often express interest towards products that have positive attributes pertaining to the environmental sustainability, poverty alleviation, and/or the support of human rights and animal welfare. Yet, at the point of purchase these considerations are prioritized below functional attributes of the product.

This discrepancy between stated intention and actual behaviour can be attributed to a number of factors.

a) Distinct temporal frames: This is by far the most significant reason behind the intention-behaviour gap. Consumers tend to value ethical attributes very strongly in consumption decisions when the decision is to be implemented in the distant future as opposed to the near future. When a decision needs to be taken immediately, consumers tend to focus almost exclusively on functional attributes such as performance and durability. In the near future, consumers seek immediate gains and ethical attributes do not signify immediate gains to them.

b) Lack of Consumer Awareness: Consumers often do not proactively seek information regarding ethical attributes of products and hence remain unaware about the potential synergies between functional and ethical attributes. Many tend to think that there is a trade-off made by companies when they divert valuable resources away from their core competencies in pursuit of crafting products with high ethical attributes.

c) Marketing Methods: Marketers often do not promote the ethical aspects of their products adequately. As a result, consumers tend to perceive ethical products as “good-to-have” rather than “must-have.” A myriad of other product attributes assumes relevance at the point of purchase.



IS THE SIZE OF THE PIE REALLY FIXED?

Consumers often believe that when a firm devotes resources to ensure ethical attributes, it comes at the cost of resources that could otherwise have been devoted to improving functional utilities of the product. This is also known as Negative Resource Synergy Beliefs. In consumer mind, it is a zero-sum game where high product functionality and full compliance to ethical standards are not simultaneously attainable. However, the truth is that in today's day and age, resources devoted to ensuring ethical attributes actually reinforce the firm's efforts in developing desirable functional attributes. This school of thought is referred to as Positive Resource Synergy Beliefs.

A DEEP DIVE INTO THE INTRICACIES OF CONSUMER DECISION-MAKING

Gupta & Sen (2012) conducted a study to demonstrate the role that resource synergy beliefs plays in the consumer decision making process. 128 subjects were asked to evaluate a hypothetical athletic shoe based on:

3 functional attributes (comfort, style, shock absorption)

1 ethical attribute (child labor policy prohibiting the employment of children in factories)

A purchase time frame of either “tomorrow” or “six months from now”.

However, before they had to make their decision, the subjects were exposed to one of two articles examining the correlation between CSR activities and company profitability. One article suggested that the two are positively correlated (Positive Resource Synergy Beliefs), while the other one contended that more attention to CSR or ethical activities eroded company profitability (Negative Resource Synergy Beliefs).

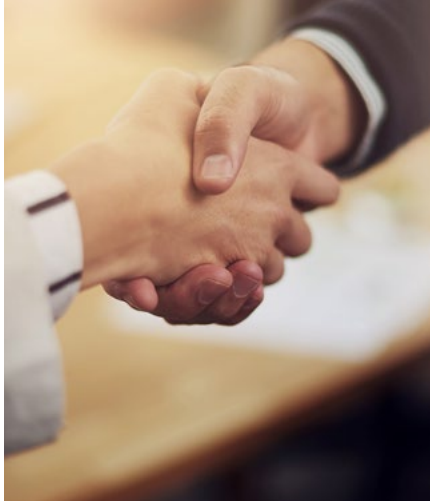
The results were interesting. Respondents valued the functional attributes in the same way regardless of whether the purchase time frame was the near future or the distant future. However, this was not the case for the ethical attribute. This attribute seemed to be valued more strongly by participants who were placed in the distant time frame of “six months from now” as opposed to “tomorrow.” Also, near versus far purchase time frames had an impact on the weighing of ethical attribute only in case of the subjects who were exposed to ‘negative resource synergy beliefs’.



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Consumers need to be made aware that being ethical and being competent are not two mutually exclusive slices of a zero-sum game.

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The same researchers conducted a second study where participants had to state their relative preference between two brands of shampoo. The two brands were stated to have the exact same features and price. The only difference was in the extent to which each adhered to ethical practices. This time too, the participants were assigned a temporal purchase frame and were exposed to one of the two articles on resource synergy beliefs.

The results showed that consumers exposed to the article on negative resource synergy beliefs ascribed a functional disadvantage to the brand of shampoo that was rated higher on ethical standards. This perception persisted across the two different time frames tested in the study. However, they were more likely to state an intention to buy the more ethical product in the long term rather than in the short term. Such temporal frame-based differences were, naturally, not evident among consumers who believed that positive synergies existed between ethical practices and profitability.

CONNECTING THE DOTS FOR CONSUMERS TO PROVE THAT ETHICAL PRACTICES AND SUPERIOR PRODUCT PERFORMANCE CAN GO HAND-IN-HAND

Consumers need to be made aware that being ethical and being competent are not two mutually exclusive slices of a zero-sum game. They can co-exist, and not merely co-exist but create shared value too. This is possible because increasingly more firms are moving away from non-strategic philan-

thropy and towards the concept of creating shared value. Companies should thus formulate and communicate their CSR strategies in a way that can ensure positive resource synergy perceptions.

It is also important to be specific, since for many consumers being ethical is some abstract, unrelated concept. Rather than saying that one complies with labour rights, it would be better to talk about fair trade sourcing which can generate positive synergies with the core business.

Quite understandably, skeptical consumers will require some time to understand the win-win dynamic between ethical practices and a product's functional superiority. Meanwhile, it could be a good idea for companies to segment their markets based on the resource synergy beliefs of their consumers – as such, they could send customized CSR messages to each segment in an effort to maximize positive synergy beliefs and trigger ethical consumption.



Reetika Gupta



CONSUMERS EXPRESS INTEREST IN BUYING ETHICAL PRODUCTS BUT PUT ETHICS BELOW FUNCTIONALITY WHEN IT COMES TO THE PURCHASE.

CONSUMERS TEND TO VALUE ETHICAL ATTRIBUTES VERY STRONGLY IN CONSUMPTION DECISIONS WHEN THE DECISION IS TO BE IMPLEMENTED IN THE DISTANT FUTURE AS OPPOSED TO THE NEAR FUTURE.

FOR COMPANIES, BEING ETHICAL AND BEING COMPETENT ARE POSSIBLE BECAUSE INCREASINGLY MORE FIRMS ARE MOVING AWAY FROM NON-STRATEGIC PHILANTHROPY AND TOWARDS THE CONCEPT OF CREATING SHARED VALUE.

MANY CONSUMERS REMAIN UNAWARE ABOUT THE POTENTIAL SYNERGIES BETWEEN FUNCTIONAL AND ETHICAL ATTRIBUTES.

IT IS IMPORTANT TO BE SPECIFIC WHEN MARKETING, SINCE FOR MANY CONSUMERS BEING ETHICAL IS AN ABSTRACT, UNRELATED CONCEPT.

COMPANIES CAN SEND CUSTOMIZED CSR MESSAGES TO EACH CUSTOMER SEGMENT IN AN EFFORT TO MAXIMIZE POSITIVE SYNERGY BELIEFS AND TRIGGER ETHICAL CONSUMPTION.

TAKE A WALK ON THE WILD SIDE

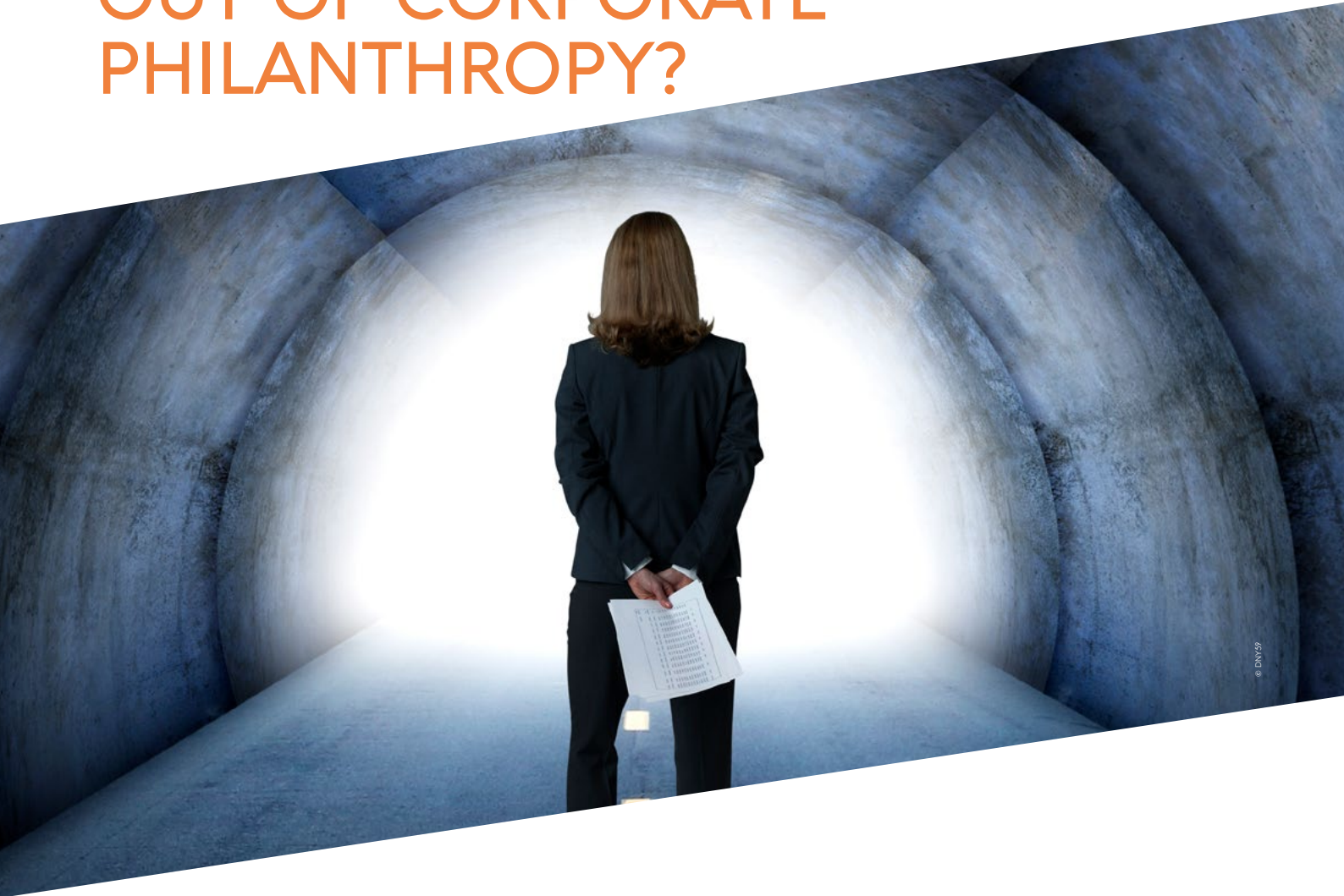


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ARE CHINESE FIRMS “TUNNELING” THEIR WAY OUT OF CORPORATE PHILANTHROPY?



Yuejun Tang, Associate Professor at the **School of Management, Fudan University** and Justin Tan, Professor of Strategic Management/Policy at York University set out to investigate why Chinese firms are reluctant to donate money from a corporate governance perspective.

STRONGER BRAND value, better relationship with stakeholders and improved financial performance – these are just a few of the myriad benefits arising from corporate philanthropy. Yet, it has been found that less than 1% of Chinese firms make charitable donations and a vast majority have

no philanthropic agenda whatsoever. Why is China lagging so far behind the US and Europe when it comes to charitable giving? Surely it is not due to a lack of resources. China, after all, is perfectly cut out to surpass the US as the world's largest economy by 2030. It has lifted more people out of po-

verty than any other country. What, then, is keeping Chinese firms from donating?

TUNNELING: A CRIPPLING AFFLICTION IN CHINESE FIRMS

The answer lies in the corporate governance of Chinese firms. Chinese companies have a pyramid control structure whereby the ownership is highly concentrated in the hands of a few. More often than not, these few shareholders end up exploiting the rights and interests of small - and medium-sized shareholders, by virtue of their superior controlling powers. In other words, they engage in "tunneling" activities to channel private benefits towards themselves at the cost of the minority shareholders' interests.

The ultimate controllers are unlikely to devote their resources to corporate philanthropy because the tunneling effect promises a much greater earning potential than corporate philanthropy does. Also, any benefit arising from corporate philanthropy would have to be shared with all shareholders while the fruits of tunneling activities are reserved exclusively for the ultimate controllers. Our study with 1,100 Chinese A-share listed companies revealed that the higher the voting rights of ultimate controllers the lower their ratio of charitable donation to revenue. Instead the ultimate controllers readily turn to tunneling behaviors for private gains.

WHOSE MONEY SHOULD CHINESE FIRMS DONATE?

Interestingly enough, although ultimate controlling shareholders in A-share listed companies are reluctant to donate assets they control, they are more willing to donate if most of the money comes from minority shareholders. While ultimate controlling shareholders have greater voting rights than the other shareholders, they often have much lower cash-flow rights. This means that most of the corporate resources actually come from the minority shareholders, but it is the ultimate controllers who decide how to utilise these resources. In such cases, ultimate controllers donate some money that belongs to minority shareholders in pursuit of a win-win scenario whereby they get to enjoy the benefits of corporate philanthropic behaviors without spending any of their own resources. We found that the greater the deviation of voting rights and cash-flow rights among private enterprises, the higher is their total donation ratio.



ARE WE REALLY DONATING FOR THE RIGHT REASONS?

Private enterprises (PEs) fare relatively better than state-owned enterprises (SOEs) when it comes to corporate philanthropy in China. They tend to engage in corporate philanthropy, albeit with the resources of minority shareholders, to boost political legitimacy and acquire precious resources, ranging from fewer government regulations to preferential tax policies and restricted competition. The SOEs, on the other hand, are less motivated to donate – even during times of crisis. For example, we discovered that after the devastating Wenchuan earth-

quake of 2008, the ultimate controllers of A-share listed private enterprises offered more donations than those of state-owned enterprises.

Unfortunately, a lot of the magnanimity of giving fades away when we realise that many PEs consider corporate philanthropy merely as a kind of insurance against their tunneling activity. For such enterprises, philanthropy serves as nothing more than an enticing opportunity to discourage external monitoring by minority shareholders, and mask tunneling behaviors.





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The government could play a critical role by encouraging strategic philanthropic behaviour, supervising social responsibility and increasing tax allowances.

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THE SILVER LINING

Yes, Chinese firms are indeed ‘tunneling’ their way out of corporate philanthropy. They are disproportionately more focused on tunneling activities than on charity. However, despite our dismal findings, we still harbour hopes as business ethics and institutional reforms continue to evolve in China. The government could play a critical role here by encouraging strategic philanthropic behaviour, supervising social responsibility and increasing tax allowances. A tighter supervision over the pyramid structure can surely serve to prevent the ultimate controllers from gaining private benefits by donating only the money that comes from minority shareholders.



DESPITE THE BENEFITS ARISING FROM CORPORATE PHILANTHROPY – STRONGER BRAND VALUE, IMPROVED RELATIONS WITH STAKEHOLDERS, IMPROVED FINANCIAL PERFORMANCE – LESS THAN 1% OF CHINESE FIRMS MAKE CHARITABLE DONATIONS AND A VAST MAJORITY HAVE NO PHILANTHROPIC AGENDA.

RESEARCH SHOWS THAT THIS IS BECAUSE THE GOVERNANCE STRUCTURE OF CHINESE FIRMS IS HIGHLY CONCENTRATED IN THE HANDS OF A FEW AND THESE ENGAGE IN “TUNNELING” ACTIVITIES TO CHANNEL PRIVATE BENEFITS TOWARDS THEMSELVES AT THE COST OF THE MINORITY SHAREHOLDERS’ INTERESTS.

THE HIGHER THE VOTING RIGHTS OF ULTIMATE CONTROLLERS THE LOWER THEIR RATIO OF CHARITABLE DONATION TO REVENUE.

PRIVATE COMPANIES TEND TO ENGAGE IN CORPORATE PHILANTHROPY, ALBEIT WITH THE RESOURCES OF MINORITY SHAREHOLDERS, TO BOOST POLITICAL LEGITIMACY AND ACQUIRE PRECIOUS RESOURCES.

THE GOVERNMENT COULD PLAY A CRITICAL ROLE BY ENCOURAGING STRATEGIC PHILANTHROPIC BEHAVIOUR, SUPERVISING SOCIAL RESPONSIBILITY AND INCREASING TAX ALLOWANCES AND MONITORING TIGHTER SUPERVISION OVER THE PYRAMID STRUCTURE OF CHINESE FIRMS AND BEHAVIOURS OF THEIR ULTIMATE CONTROLLERS.



Yuejun Tang



WILL TOTAL QUALITY MEAN THE END OF IMPERFECT PEOPLE?



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 Hono-

ré 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 necessa-

rily 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.

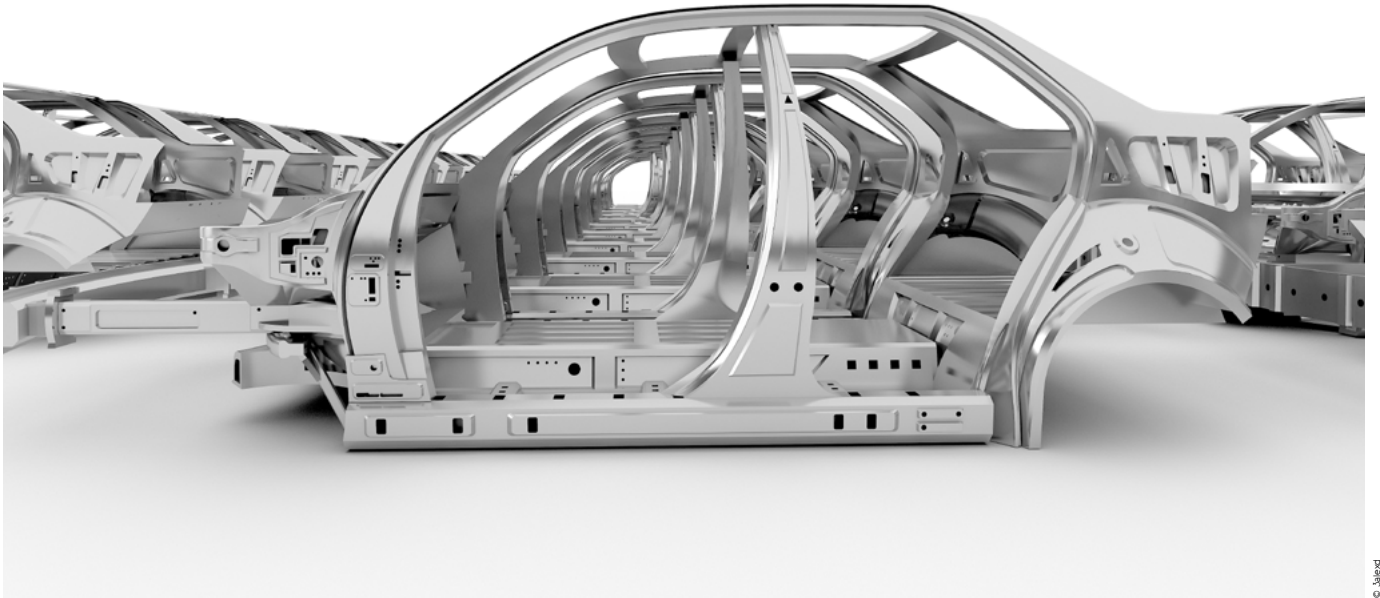
Moreover, while machines actually produce the product, in many cases humans carry out the final touches. Cars rolling off the production line, for example, are better finished by humans who do a much better polishing job than machines. Another example of finishing touches – we dare to say the final step 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.



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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.

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 pro-

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It is empathy, understanding and awareness that make the human experience unique.

”

duction 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.



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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.



Hirokazu Kono



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, WERE FOREFATHERS OF THE IDEA OF INTERCHANGEABLE PARTS AND AUTOMATED PRODUCTION PROCESSES. IN THE '50S AND '60S, JAPAN BECAME THE WORLD LEADER IN AUTOMATION AND THE QUALITY PROCESS.

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.

WHEN SEARCHING FOR BIGGER PRODUCTION CAPACITY AND GREATER QUALITY, IT IS OFTEN A QUESTION NOT OF WHICH TECHNOLOGICAL SOLUTION TO USE, BUT OF THE PEOPLE, STRATEGY, METHODS AND IMPACT.

IMPERFECT HUMANS CREATE SOPHISTICATED MACHINES WHICH ARE IMPERFECT THEMSELVES. THINGS WHICH ARE BEYOND A MACHINE'S IMPERFECT CAPACITY HAVE TO BE TAKEN CARE OF – BY 'IMPERFECT' WORKERS.

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.

HAVING PLANTS MANAGED BY A SINGLE PERSON OR A SMALL, SCATTERED TEAM, WILL INDUCE ISSUES REGARDING THE IMPACT OF LOW SOCIAL INTERACTION ON PEOPLE'S HEALTH.



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A conceptual image featuring a man in a dark business suit riding an elephant. The elephant is depicted in a dynamic, almost running pose, set against a vast, blue sky filled with soft, white clouds. A semi-transparent blue diagonal band runs across the middle of the image, serving as a background for the title text. The bottom of the image shows a wooden plank floor.

MANAGEMENT & LEADERSHIP

A SPOONFUL OF ETHICS, A SPRINKLING OF CULTURE

Downsizing: What makes a bitter recipe sweeter?



© Carlo Francini

Professor Aarti Ramaswami, ESSEC Business School, Asia-Pacific, Director of the **ESSEC Global MBA** programme, digs deep into the sensitive issue of downsizing to reveal the factors across countries that make it either indigestible for stakeholders – or easier to swallow.

From the paper Ethics Trumps Culture? A Cross-National study of Business Leader Responsibility for Downsizing and CSR Perceptions: C. Lakshman, Aarti Ramaswami, Ruth Atlas, Jean F. Kabongo, J. Rajendran Pandian. Journal name to add?

Downsizing – the conscious, planned effort to reduce employee numbers to achieve objectives – has been used since the 1980s to cope with the tough demands of a rapidly globalizing and increasingly technological economy. It can be a bitter pill to

swallow – not only for employees but also for communities and, paradoxically, for the very leaders who make the decision to cut the workforce: they may ultimately end up carving themselves out of a job too. What makes the medicine – if indeed downsi-

zing is medicine – easier to swallow? What is the effect on how both victims and survivors view the company's responsibility? And is downsizing more easily accepted in America, western Europe, Asia, or Eastern Europe? These are the questions Prof. Aarti

Ramaswami of ESSEC Business School and her fellow researchers sought to explore through their study. The results are revealing.

A RECIPE FOR ALARM

Downsizing a firm's workforce is sometimes necessary. At other times it can be viewed with skepticism bordering on cynicism. Research in 2007 by Jeffrey Brookman of Idaho State University indeed seemed to demonstrate a positive relationship between the equity portfolio incentives of CEOs and their layoff decisions. Other research points to the commonly held beliefs among top execs that downsizing announcements are associated with positive stock returns. In any case, downsizing is a dirty job all told, that inevitably leads to generating victims, survivors, and perceived persecutors – each shouldered with their resulting psychological side effects. But not only are a firm's employees and management concerned. In many cases, it is the wider community of stakeholders that is impacted – be they the stores next door which rely on the spending power of the firm's workforce, local schools, and even the firm's shareholders themselves. If the firm's downsizing is perceived as unjust, then share price can plummet.

This is where the notion of CSR comes in – the commitment of businesses to contribute to sustainable economic development while acting as a good corporate citizen by balancing the interests of everyone – employees,

the local community, and society at large. As seen on many occasions through media coverage of factory closures and business layoffs, public opinion is important. It can even, in certain cases, bring governments to intervene to broker emotions and attempt to quash wider unrest that may in turn damage their own credibility in the popularity polls. It is crucial then for management to show their internal and external stakeholders that the decision to downsize is justified. Moreover, it is necessary to be seen as ethical for it to be also seen as socially responsible.

CUTTING ACROSS CULTURES

Aarti Ramaswami's research builds on previous work to include an interesting new angle: that of how downsizing is experienced not only through the layers of a firm and its outside stakeholders, but also across borders and cultures. She and her colleagues took populations from four countries – 626 working professionals and master's students from the USA, France, India and Estonia – to see if the same effects were felt and whether the fact of having different cultures modified the feelings of either unacceptable injustice or justified acceptance at the downsizing decision.

The choice of culture was shrewd, the USA being where downsizing is perhaps most commonly used to turn around organisational performance; France using downsizing

despite often largescale public outcry and a complex labour law; India in its traditions versus economic growth showing an increase in downsizing incidence and finally Estonia, sitting between Scandinavian and eastern European cultures, having undergone immense change from guaranteed jobs and passive business performance under the former soviet regime to a full market economy within EU membership – with all its vacuum of meaning this shift has left.

THE GOOD, THE BAD, AND THE UGLY

The effects of a botched downsizing strategy can be disastrous on a human level. Those that are laid off – the victims – may go through the typical range of psychological states when faced with shock or trauma: denial, anger, shame, sadness, depression. In the worst cases, this process may repeat itself in an infernal emotional loop that goes on for years after. We might also believe that those who keep their jobs – the survivors – come out of it happy. In fact, their lot can be almost as traumatic as the victim's: anger, fear for the future, lack of motivation to continue the effort to work and interact harmoniously with their management, relief but also guilt. The degree of reaction – negative or positive – depends on two things.

The first is how those chosen to lose their jobs are selected. If individual employees are treated on the merit they each deserve and the criteria is considered fair – not simply sacking someone because they fail to wear a smile or because their skin colour is different, but measured by their level of work performance, commitment or skills sets – then the downsizing decision is likely to be seen as ethical and pragmatic. Organisations that do not use clearly specified criteria are seen by employees as socially irresponsible. Unsurprisingly, communities outside the firm will also take the same view.

The second factor is all about employee perceptions of procedural justice – use of improper procedures and lack of employee involvement leave the decision-makers wide open to claims of being unethical. Prof. Ramaswami suggests that when employees are kept in the dark with little communication and detail – and subject to having downsizing imposed on them – they are likely to find that unethical. This dimension is also an



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important area of assessment for CSR. Supervisory support, clearly defined lay off criteria, good procedure, the possibility for employees to express themselves and trust in management are therefore key to obtaining the notion that although tough, the decision to downsize is justified and fair.

RESPONSIBILITY COMES WITH A PRICE

People tend to search for someone responsible for the plight of those who lose their jobs or faced by job insecurity and uncertainty. As such, the CEO's decision to downsize is critical in influencing people's reactions. As already stated, there might be a temptation to streamline in the belief that the firm's stock price increases, though new evidence points to this being short-term in nature and only effective in periods of economic non-recession. In any case, a CEO's prestige, power and influence are ultimately damaged through layoffs.

The arguments for reducing the workforce are many – globalization, and technological change among them – but it can also be the case that incompetent management has been the cause of poor results. And when the workforce and wider community get a whiff of this, any downsizing attempt will be seen as wholly unjustified. Here again, clarity and communication are capital in shaping stakeholder acceptance of downsizing. Naming the responsible cause – be it difficult times or fierce competition – means that both victims and survivors will consider downsizing as socially responsible and inevi-

table in order to save the firm. In contrast, when downsizing is due to management failures, workers do not see things in the same eye.

CULTURE CLUB

Do nationality and culture have a part in culling acceptance of a downsizing decision? Take Prof. Ramaswami's club of 4 – the USA, France, India and Estonia. Anyone's initial guestimate would tend to see US employees being more open to accepting downsizing – it happens more frequently there and Americans are more used to the dangers of an economic system that hinges on profit and growth. Some might also – given France's image of strong unions and cultural penchant for refusal in the face of change – be tempted to say that workers in France would tend not to accept.

To put this to the test, Aarti Ramaswami and her fellow researchers used well-researched models of cross-cultural values. One of the dimensions used to measure cultural influence in approaches to work is that of 'power distance' – the nature and acceptance of inequality, hierarchical relationships, and decision-making in different cultures. The USA in a corporate context, for example, is seen as basically flat in terms of hierarchy with easy access to management and quick decision-making, while France is seen as pyramidal in nature with successive layers of subordination from the top down and lower scope for initiative and decision-making among employees.

Research showed that all four cultures (USA, France, India and Estonia) were equally sensitive to fairness in the selection criteria for lay-offs, the equity of procedures, and the opportunity for employees to communicate. If these are seen as just, ethical and justified, then employee acceptance of downsizing is likely to occur. In these three specific areas – criteria, procedures, and communication – it means that a universal set of ethics has greater leverage than one's specific culture.

However, it was when tackling a fourth area – that of responsibility for the downsizing decision – that differences in culture were seen to have the edge over universal ethics. Survivors – those keeping their jobs – in low power distance cultures (USA and Estonia) seemed to react more negatively to downsizing than those in high power distance cultures (France and India) when downsizing was due to poor management. Whether this is due to closer relations and trust between employees and management in low power distance organisations – and therefore greater subsequent feelings of betrayal – remains to be studied. But the message here is that top management needs to be wary of culture when planning and rolling out their downsizing strategy. The motivation and performance of their employee survivors is at stake. So is their reputation. Shaping the blame of downsizing must be done carefully and responsibly. It takes a large spoonful of ethics and a sprinkling of cultural awareness to do so.



“ Shaping the blame of downsizing must be done carefully and responsibly. ”



IF EMPLOYEES ARE MEASURED BY LEVEL OF PERFORMANCE, COMMITMENT, AND SKILLS, THEN THE DOWNSIZING DECISION IS LIKELY TO BE SEEN AS ETHICAL AND PRAGMATIC.

SUPERVISORY SUPPORT, CLEARLY DEFINED LAY OFF CRITERIA, GOOD PROCEDURE, AND THE POSSIBILITY FOR EMPLOYEES TO EXPRESS THEMSELVES ARE KEY

LEADERSHIP CLARITY AND COMMUNICATION ARE CAPITAL IN SHAPING STAKEHOLDER ACCEPTANCE OF DOWNSIZING.

TOP MANAGEMENT NEEDS TO BE WARY OF CULTURE WHEN PLANNING AND ROLLING OUT THEIR DOWNSIZING STRATEGY



Aarti Ramaswami

PARIS

MANNHEIM

SINGAPORE

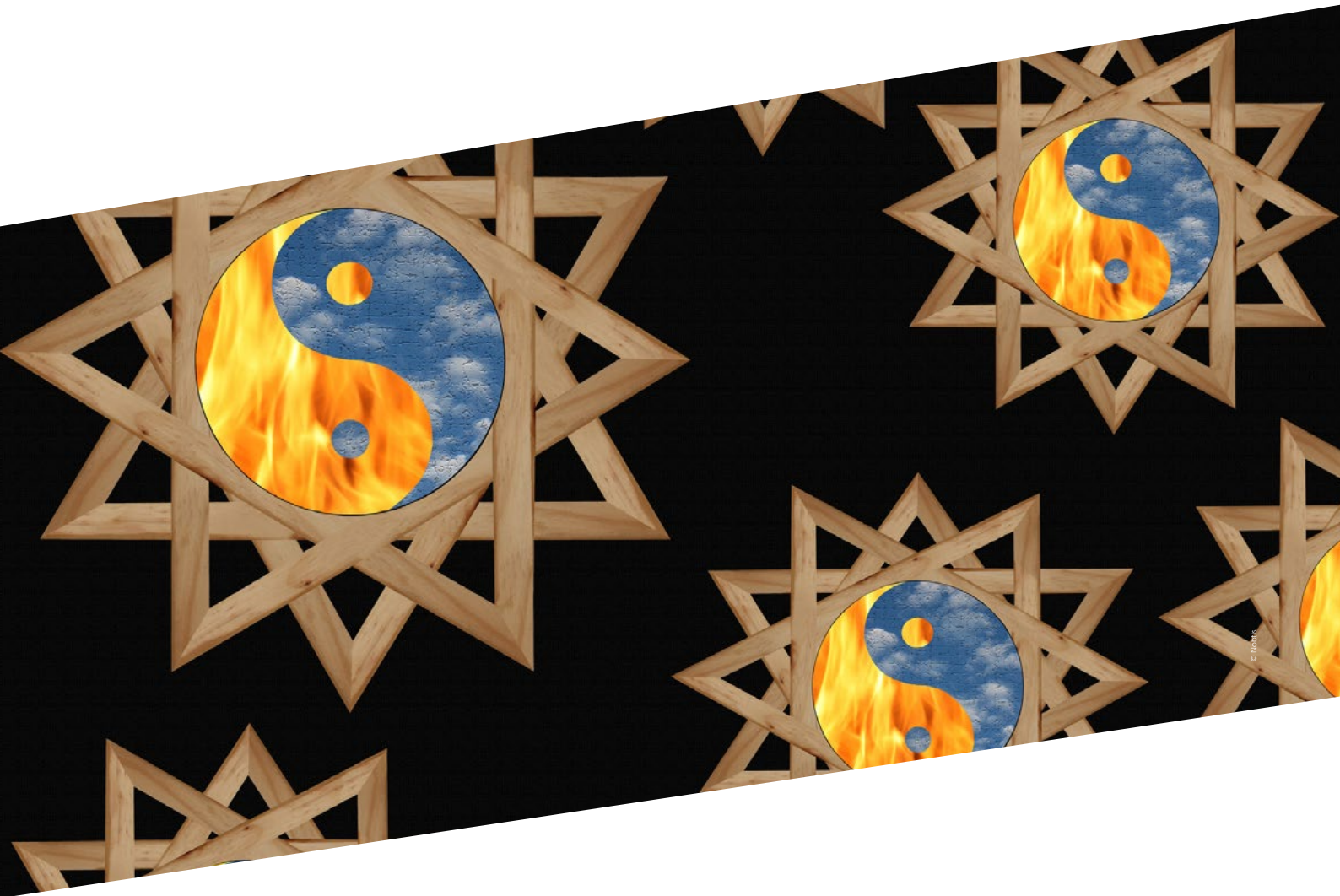


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ETHICAL LEADERSHIP, WORDS OF WISDOM



Prof. **Qinqin Zheng** of the **School of Management Fudan, Fudan University**, shares her research into how traditional Chinese wisdom may play an important part in shaping ethical leadership in China.

POWER TO THE PEOPLE

PICTURE, if you will, the following scenario. A major natural disaster has just struck a country causing many deaths and great damage to infrastructure and the race to search for trapped survivors is imperative. Spontaneously, the country's big firms decide to help by donating money and resources. One of these, a star performer in high-price real

estate, surprisingly makes only a token gesture. Public outcry is immense and the firm's image, share price and customer relationship asset immediately plummet. This prompts the CEO of the real-estate firm to hastily appear in the media, offer a public apology and slap on a second donation that raises the initial sum of 2 m to 100 m.

Did it happen in Europe where sensitivity to

ethics and corporate responsibility is high? In the USA where folk hunker together in times of crisis? Neither. In fact, it happened in Wenchuan, China after the earthquake of 2008 with VanKe the firm involved. It is a probing example of how the traditional Chinese ethics and wisdom that have shaped a sense of community and social commitment have a say in how businesses should behave.



CONFUCIUS SAID...

Since the early 2000s, great interest has been shown in the notion of ethical leadership – and most of it from the English-speaking world. However, Prof. Zheng argues that practical wisdom from Chinese classical traditions may be of great guidance in contemporary management – in China and beyond. The Art of War by Sun Tzu is a telling example, with managers the world over searching the book for inspiration in competitive business situations. What is often overlooked is that besides tactics and strategy, The Art of War also promotes a set of leadership attributes that put in a modern context boil down to ethical leadership. Among these are humanity, sincerity, wisdom, benevolence, discipline and trust.

The teachings of Confucius also provide much influential thought, not only in China but throughout Asia. It comes as no surprise then that Confucianism is deeply embedded in leadership and business codes. Among one concept is that of 'Zheng' – ethical leadership, or, more precisely, governance. Confucius explains that three aspects are necessary for ethical leadership. The first is the leader's personal code of conduct: if he/she acts correctly and properly, people will do their duty without the issuing of orders – which in the modern world might relate to walking the talk, consistency or setting an example. Public spiritedness and dedication make up the other two – notions that are easily transposed to the current context of shareholders, customers and suppliers.

Qinqin Zheng, professor at Fudan School of Management and an expert on corporate ethics, researched the wider subject with her colleagues Mia Wang and Zhiqiang Li. How is ethical leadership important in China for a firm's customer relationship and social capital – and also to what extent is the influence of traditional Chinese teachings still pertinent for Chinese business leadership?

is rare and difficult for rivals to replicate, it produces higher company performance and greater shareholder value. The stability of customer relationship is particularly critical in China where Guanxi – a social philosophy based on mutual obligations, reciprocity and trust that finds its origins in Confucianism – is still important. According to Prof. Zheng, there are two factors that positively influence this customer relationship – ethical leadership and social capital.

CUSTOMERS LOVE ETHICAL LEADERSHIP

While China has experienced high-speed economic growth in the past decades, there has been increasing disclosure of immoral corporate conduct. This is paradoxically a good thing. When corruption, labour rights, product quality and safety-related issues continue to implicate Chinese firms, it means three things: that for employees and customers, unethical conduct touches a nerve-end that they rightly feel requires attention; that for the authorities, business ethics is a dimension that has to be taken seriously; and finally that ethical leadership and business ethics in China are increasingly a subject for discussion and debate among academic, government and professional circles.

It is good for business too. It has long been established that long-term customer relations are good for sustainable competitive advantage. Indeed, customer loyalty is beneficial for corporate profits. While a loyal and intimate relationship with customers



ONE WHO STAYS NEAR VERMILLION GETS STAINED RED

In recent years, growing research has pointed to broader groups such as communities and stakeholders having an effect on corporate performance. This is where the notion of social capital comes in, the network of cross-cutting relationships in society characterized by trust and reciprocity and even – in the best of worlds – where goods and services are sold for a wider, common good. As trust grows, social networks create more relationships and strengthen existing ones. According to Qinqin Zheng, this is especially important in China – a nation that ranks lower than any other Asian country in terms of individualism in Geert Hofstede's famed national culture dimension scores. Indeed, argues Prof. Zheng, traditional Chinese perspectives long-ago took into account the importance of communities comprised of social capital and many other resources. Quoting Mencius, she adds: "One who stays near vermillion gets stained red, and one who stays near ink gets stained black" – a nugget on the impact of communities on individuals. For a leader, therefore, gaining the support of the people (and potential customer relationship) around him or her leads to business success.

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It has long been established that long-term customer relations are good for sustainable competitive advantage.

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If a leader acts correctly and properly, people will do their duty without the issuing of orders.

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WORDS OF WISDOM

Prof. Zheng's research among 215 companies in China reveal that practical wisdom from Chinese classical traditions can be a positive influence for contemporary management. Developments in this area – to foster ethical leadership and its positive returns on customer relationships – should therefore incorporate community norms and codes that are mainly derived from traditional philosophical perspectives. Unfortunately, research shows that there are still few organisations that do integrate these into their educational or training programmes. Prof. Zheng sees this as an opportunity to therefore strengthen Chinese management, however. Innovating on education in ethical leadership at business school level, especially among MBA students, combined with in-house discussion of ethical issues connected to daily business dilemmas in the workplace, would sharpen both manager and employee awareness. The after-effect would also greatly satisfy the innate wisdom of the Chinese customer.



Qinqin Zheng



DISCLOSURE OF CORPORATE MISCONDUCT IN CHINA

I) RAISES EMPLOYEE AND CUSTOMER CALLS FOR ATTENTION

II) MAKES THE AUTHORITIES AWARE THAT BUSINESS ETHICS IS IMPORTANT

III) INCREASES DISCUSSION OF ETHICAL LEADERSHIP IN CHINA AMONG ACADEMICS, GOVERNMENT AND PROFESSIONAL CIRCLES

STORIES OF MISCONDUCT STRENGTHEN COMPANIES' AWARENESS THAT LONG-TERM CUSTOMER RELATIONS ARE GOOD FOR SUSTAINABLE COMPETITIVE ADVANTAGE

GUANXI – A SOCIAL PHILOSOPHY BASED ON MUTUAL OBLIGATIONS, RECIPROCITY AND TRUST THAT FINDS ITS ORIGINS IN CONFUCIANISM – IS STILL IMPORTANT

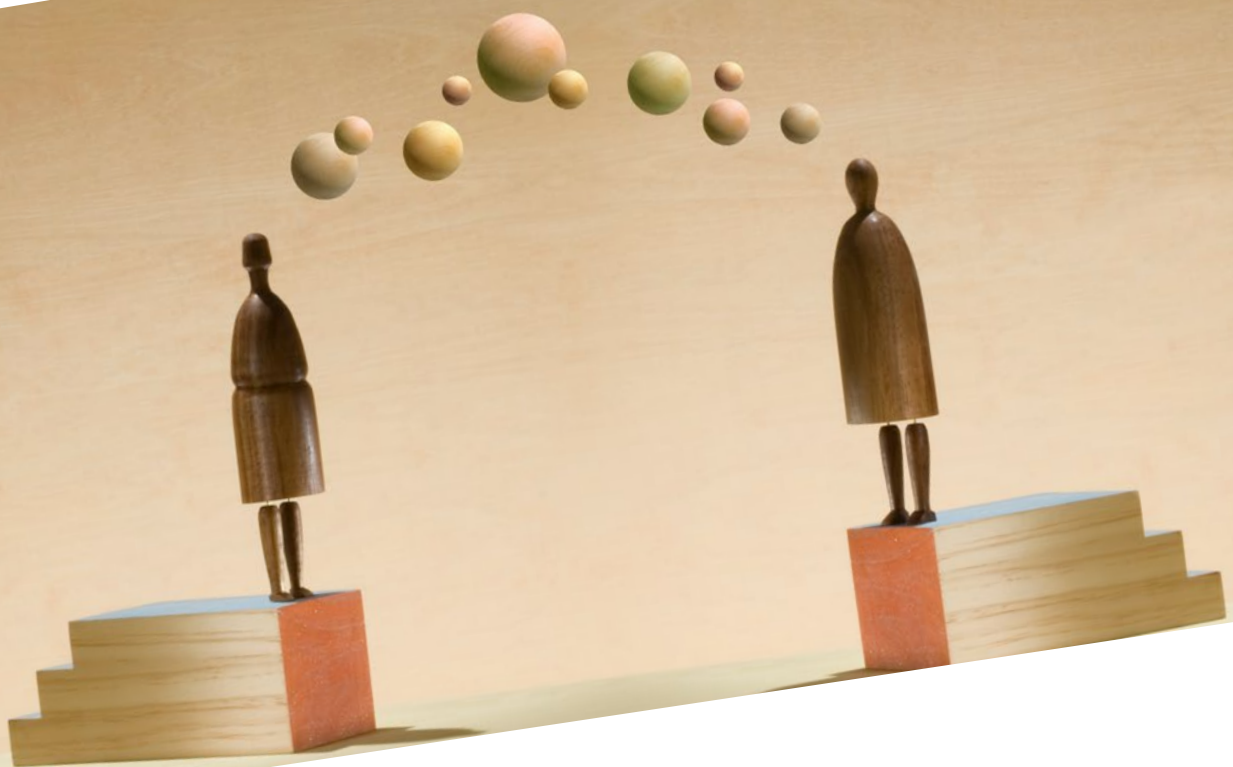
CONFUCIANISM SAYS THAT THREE ASPECTS ARE NECESSARY FOR ETHICAL LEADERSHIP: THE LEADER'S PERSONAL CODE OF CONDUCT, PUBLIC SPIRITEDNESS AND DEDICATION.

FOR A LEADER IN CHINA, GAINING THE SUPPORT OF THE PEOPLE (AND POTENTIAL CUSTOMER RELATIONSHIP) AROUND HIM OR HER LEADS TO BUSINESS SUCCESS.

EDUCATION AND AWARENESS OF ETHICAL LEADERSHIP AT BUSINESS SCHOOL LEVEL, ESPECIALLY AMONG MBA STUDENTS, AND IN-HOUSE DISCUSSION OF ETHICAL ISSUES IN COMPANIES WOULD SHARPEN BOTH MANAGER AND EMPLOYEE AWARENESS.



MULTINATIONALS: 3 KEYS TO UNLOCKING KNOWLEDGE TRANSFER



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Sachiko Yamao, Associate Professor of Organisational Behaviour at **Keio Business School**, Japan, and fellow researcher Professor Vesa Peltokorpi, Hiroshima University, crystalize their research into multinationals and their subsidiaries' knowledge transfer – how can they ensure it happens?

SHIFTING INTO GEAR

IN AN INCREASINGLY global marketplace, the business world has seen an increasing number of corporations go multinational, snapping up local champions and incorporating them into the fold of a single parent brand managed from a centralised headquarters. This is the MNC – or multi-

national corporation – and the big ones are established household names: AXA, BP, Samsung, Sony, Volkswagen, Pfizer or Cadbury Schweppes to mention only a very few.

For these giants, competitive advantage resides in their ability to transfer knowledge effectively and efficiently through their various subsidiaries and networks. There

are two ways of doing this: forward transfer when the HQ cascades down information and expertise to their branch-network, and reverse transfer when knowledge is relayed from the subsidiary to the parent Headquarters. According to Prof. Sachiko Yamao of Keio Business School, Japan, and her fellow researcher Prof. Vesa Peltokorpi, Hiroshima University, the latter increasingly



to which knowledge is transferred. And lastly, unlike many countries, there is publicly available data in Japan that enables researchers to validate that collected from their surveys. Profs. Yamao and Peltokorpi also included social identity theory (SIT) into their research: people gain a sense of common identity and togetherness through shared values and views. It is not surprising then that having a common language is one of the key factors in fostering this togetherness. Put simply – to get closer, people have to communicate.

has a pivotal role, enabling HQ to access a diverse set of resources and R&D in subsidiaries across the globe that contribute to the improvement and development of new products, services and technologies for the Group. But enabling this to occur is a difficult task. Whereas forward, top-down transfer requires those working in subsidiaries to be able and willing to receive and understand – and, because of power differences, HQ may send down knowledge regardless of whether foreign subsidiaries find it useful or not – reverse transfer meets with an additional challenge: the ability and willingness of subsidiary employees to explain to and convince their hierarchical superiors at HQ. It requires a considerable commitment and effort, especially if the parent organisation's culture is one influenced by domination or aloofness. Nevertheless, reverse knowledge transfer is highly important – it could mean harvesting the next best thing since sliced bread... or losing out on a billion-dollar earning innovation.

JAPAN, A TESTING GROUND

Aware of this, Profs. Yamao and Peltokorpi decided to test out several hypotheses linked to fostering the best possible strategies to generate positive knowledge transfer from subsidiaries to headquarters of large MNCs. They collected data from Japanese middle managers working in 574 functional departments of foreign subsidiaries in Japan. Why Japan? Profs. Yamao and Peltokorpi cites three reasons: first, Japan has some

of the most advanced and sophisticated technology in the world, meaning that Japanese subsidiaries can have active roles in transferring knowledge; secondly, Japanese employees in subsidiaries are found to have low levels of proficiency in English and this could in itself have an effect on the extent



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SPEAK, SEE, SHARE

The importance of the language factor cannot be underestimated. Think of when you find yourself a tourist in an exotic destination, frustrated at not being able to tell your host that you've lost your passport or missed your plane. Luckily there is lingua franca, today the most used being English. But here again problems may arise: the vast majority of non-native speakers generally have a much larger receptive vocabulary than productive vocabulary – meaning that we are able to understand much more than we are able to speak and explain. And this is a common occurrence for those of us who work in the subsidiaries of multinationals. Language therefore, in its role as a transfer capability, naturally impacts the amount, willingness and quality of knowledge that a subsidiary can transfer to headquarters. Two other dimensions were put to the test: shared vision, which gives rise to a common identity and goals, and the frequency of communication that takes place between headquarters and subsidiary staff.

Crunching the numbers gathered during their research, Profs. Yamao and Peltokorpi came up with the following. Language proficiency positively impacts on a shared vision – people not only understand it but they are able to share a common identity, direction and set

of goals. Likewise, a shared vision partially brings about an increase in language proficiency and ramps up the probability of a subsidiary sharing knowledge with its multinational parent headquarters. In addition, it is the frequency of communication between the headquarters and the subsidiary that also impacts – positively or negatively depending on how often it occurs – language proficiency and shared vision: the more you talk, the more you walk the talk. Too little communication may also have a negative impact on the shared relationship between shared vision and reverse knowledge transfer – the less you speak to each other, the less bonding there is and the less knowledge is shared.

“Reverse knowledge transfer is highly important – it could mean harvesting the next best thing since sliced bread... or losing out on a billion-dollar earning innovation.”

HOW TO ENSURE REVERSE KNOWLEDGE TRANSFER HAPPENS

Profs. Yamao and Peltokorpi see several very practical managerial implications in all this. As a basis, it is imperative for organisations to incentivise and support the language training of subsidiary employees in order to boost proficiency in the headquarters' mother tongue. This means HR is being charged with a mission to map out language development needs among staff and perhaps even linking language proficiency to performance appraisals and reward. The positive impact of shared vision – both on knowledge transfer, language proficiency and shared identity – also points to MNCs giving this dimension priority attention, with the kneading in of knowledge transfer into the values and ambitions of the organisation being a possible strategy to undertake. And finally, headquarters must provide foreign subsidiaries with opportunities to carry out reverse knowledge transfer, not least by motivating employees through consistent and increased communication on strategies. Further initiatives could include matrix-type reporting throughout the organisation and the opening up of global knowledge databases, as well as sending foreign subsidiary staff to headquarters for training, get togethers

and periods of inpatient. This is all good business news for the language providers and their huge, behind-the-scenes industry many of us use at one time or another – especially those providers of English in today's world, Chinese in perhaps tomorrow's.



FOR MNCs, COMPETITIVE ADVANTAGE RESIDES IN THEIR ABILITY TO TRANSFER KNOWLEDGE EFFECTIVELY AND EFFICIENTLY THROUGH THEIR VARIOUS SUBSIDIARIES AND NETWORKS.

THERE ARE TWO WAYS OF DOING THIS: FORWARD TRANSFER WHEN THE HQ CASCADES DOWN INFORMATION AND EXPERTISE TO THEIR BRANCH-NETWORK, AND REVERSE TRANSFER WHEN KNOWLEDGE IS RELAYED FROM THE SUBSIDIARY TO THE PARENT HEADQUARTERS.

FORWARD, TOP-DOWN TRANSFER REQUIRES THOSE WORKING IN SUBSIDIARIES TO BE ABLE AND WILLING TO RECEIVE AND UNDERSTAND. REVERSE TRANSFER HAS THE ADDITIONAL CHALLENGE OF THE ABILITY AND WILLINGNESS OF SUBSIDIARY EMPLOYEES TO EXPLAIN TO AND CONVINCE THEIR HIERARCHICAL SUPERIORS AT HQ.

SUCCESS FACTORS FOR REVERSE KNOWLEDGE TRANSFER ARE: LANGUAGE PROFICIENCY THAT POSITIVELY IMPACTS ON A SHARED VISION; A SHARED VISION PARTIALLY BRINGS ABOUT AN INCREASE IN LANGUAGE PROFICIENCY INCREASING THE PROBABILITY OF A SUBSIDIARY SHARING KNOWLEDGE WITH ITS MULTINATIONAL PARENT HEADQUARTERS; AND THE FREQUENCY OF COMMUNICATION BETWEEN THE HEADQUARTERS AND THE SUBSIDIARY.

COMPANIES SHOULD INCENTIVISE AND SUPPORT THE LANGUAGE TRAINING OF SUBSIDIARY EMPLOYEES WITH HR MAPPING OUT STAFF LANGUAGE DEVELOPMENT NEEDS AND EVEN LINKING LANGUAGE PROFICIENCY TO PERFORMANCE APPRAISALS AND REWARD.

HEADQUARTERS SHOULD MOTIVATE EMPLOYEES THROUGH CONSISTENT AND INCREASED COMMUNICATION ON STRATEGIES.



Sachiko Yamao

E FOR ECOSYSTEM: GIVING POWER TO CORPORATE PURPOSE



Jan Ondrus, Prof. of Information Systems and Associate Dean of Faculty at **ESSEC Business School, Asia-Pacific**, Singapore Asia-Pacific, looks at the pitfalls of corporate purpose and how business ecosystem orchestration can dovetail value creation with the common good.

Drawn from the research and book chapter by Professor Jan Ondrus, ESSEC Asia-Pacific, et al, Business ecosystem orchestration in the service of corporate purpose.

INS AND OUTS

PURPOSE can be an elusive notion for companies and organisations to grasp. Take the following: make better products, don't be evil, understand and solve the healthcare needs of people across the world. Who got

it right and why? While Nissan, Google and Sanofi – the respective organisations behind the above statements – all had purpose in mind when they created their rallying calls, only Sanofi it seems managed to successfully pin it all down. Let's look closer.

Purpose has long-featured as a way to empower organisations with a higher and more meaningful objective than just profit. And this, not only to positively impact its employees but also the wider community beyond the organisation. The problem is that in many cases, purpose has mainly

been applied inside the corporation. The example of Nissan is telling. Making better products indeed galvanized its workforce into doing just that, with great results – but it acted more as an inwardly-focused ambition rather than an outwardly focused purpose, failing to both clarify benefits to customers let alone a broader circle of stakeholders. Likewise, Google's don't be evil missed the target, being so wide and generic that it failed to differentiate the firm from other organisations – after all, no business organisation deliberately aims to be evil.

So how can purpose reach its full purpose? On the one hand, states Prof. Ondrus and his colleagues, it is authenticity that counts. Leaving behind empty rhetoric, purpose must be characterised by appropriate action. Purpose should also provide a vision of the 'new world' the organisation wishes to take its community of stakeholders to. Moreover, it should be broad but not so much so that it loses its relevance to the corporation's business activities. And finally, purpose and vision are linked to change and transformation.

THE CHALLENGE

It is here that things become challenging for an organisation. If purpose is outward-oriented for the benefit of the common good, then making positive social impact the primary objective goes far beyond the traditional CSR approaches of reducing or making amends for the negative impact business activities might have. Social objectives can even run counter to business objectives. And, because classic management and leadership is inwards-oriented, inside the firm, transforming behaviours and mindsets to the wider perspective may stretch and strain the corporation, not only systemically but also psychologically. Purpose beyond profit implies expansion and transformation in the ways it does business with the outside world – and such novel interaction might prove daunting to achieve, most notably because it calls for tying links with a wider, more diverse community of stakeholders. This is where Jan Ondrus and his colleagues step in. With fellow researchers, Jan Ondrus, Prof. of Information Systems and Associate Dean of Faculty at ESSEC Business School, Singapore Asia-Pacific, turns a new leaf among the volumes on corporate vision and purpose to focus on business ecosystem orchestration

as an answer.

CONDUCTING BUSINESS NOT-AS-USUAL

What is a business ecosystem? Ondrus defines it as a community of diverse stakeholders who put resources in common to co-create value. For him, the pace and scope of changes across industries and accelerated innovation across the economy – sparked by digitization – mean that business are increasingly no longer able to compete alone to create value. Planning, organising, and coordinating (i.e. orchestrating) such ecosystems has been recognised as the expertise of such household names as Apple, Google and Amazon, each of which work within a highly complex ecosystem of very diverse stakeholders. The latter refer not only to connections such as suppliers, but unconventional types of organisations like non-profits

or communities. As such, concludes Prof. Ondrus, the business ecosystem fulfils an essential prerequisite for corporate purpose in that it harnesses diverse stakeholders from outside the boundaries of the organisation, thereby achieving real social impact without compromising profit.





GO FORTH AND CO-CREATE

Co-creation opportunities are a crossroads where business ecosystems and corporate purpose meet, states Prof. Ondrus. With each encounter with a stakeholder, companies may ask themselves if it provides an opportunity to further their purpose. However, stakeholders should be chosen wisely. Building a limitless network of them might disrupt the balance of who exactly owns and drives the purpose. Moreover, the simple fact of being impacted by or impacting the corporate purpose isn't enough to justify an interaction between the company and the stakeholder. Unless the interaction is a form of value creation, it leads to nowhere and will hardly have impact on the wider, social dimension that is sought after through a corporate purpose. In fact, very few stakeholders actually meet the mark. There may be a divergence of goals, unwillingness to cooperate through a lack of belief in the corporation's social impact, an absence of complementarity between resources, or simply the fact that company and stakeholder resources are located on opposite sides of the planet.

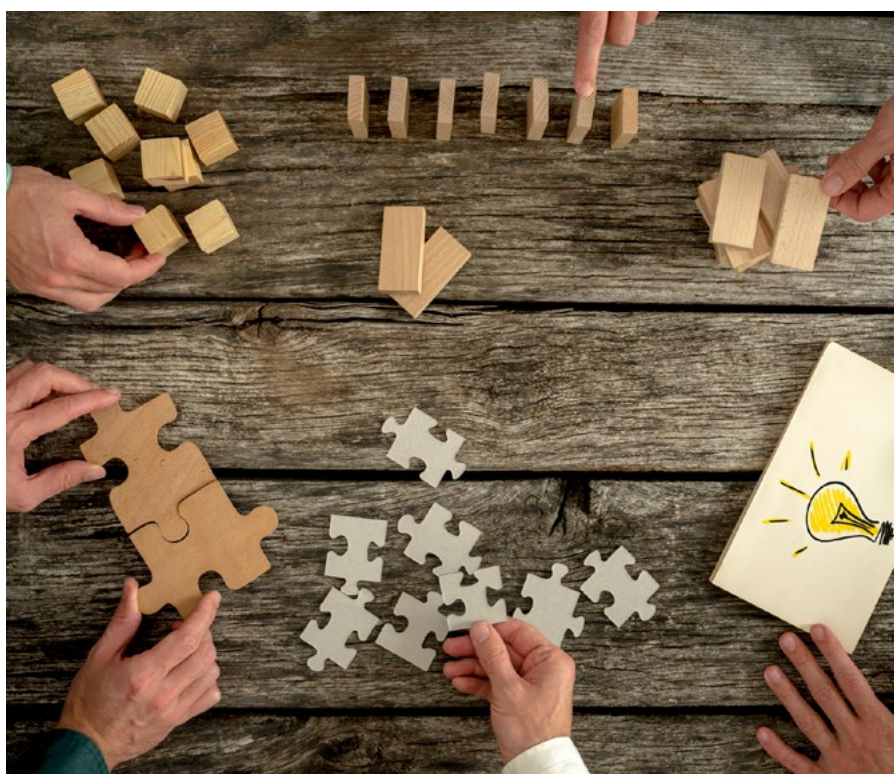
BE THE EXTERNAL CHANGE YOU WANT TO SEE

If business ecosystems embrace a wider scope of stakeholders and interactions, they are also a great way to understand the business environment as a much bigger community of stakeholders than was formerly perceived. Not only suppliers, customers and competitors are included in the stakeholder net, but those having related objectives, aligned goals or complementary resources. Take pharma companies, for example. These are frequently involved with government bodies, health agencies, practitioners, hospitals and patient organisations – but not just in the role of supplier, customer or competitor. They may also co-create value. Spurred by more complex and fast-changing business environments, improved communications and digital innovations, stakeholders increasingly need to co-create competitive bundles of products and services. They join forces, pool resources, share knowledge or jointly develop new knowledge or solutions – not independently inside each stakeholder as is the traditional case, but interdependently. Moreover, business ecosystems also encompass value exchange through market transactions. Take aircraft manufacturers. Traditionally, they exchange products or services with upstream components suppliers and downstream airlines. But to remain competitive, they also now need to co-create with non-primary stakeholders – airports, industry associations and flight servicing providers. Co-creation can also take place when companies co-create with their own suppliers or even customers – like software companies where user communities actively contribute to enhancing products.

“

Co-creation opportunities are a crossroads where business ecosystems and corporate purpose meet.

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Intelligent orchestration of a business ecosystem and its various players may, however, provide opportunities for all, especially if the stakeholders' various purposes can be broken down into goals and aligned in order for co-creation to occur. Co-creation does not, indeed, necessarily have to be purpose-driven per se: the simple fact of co-creating value means that a stakeholder naturally inherits some of the value produced – thereby representing an actual piece of the social impact the corporate purpose intends.

Prof. Jan Ondrus points to the practical implications of ecosystem orchestration for corporations. It enables assessment of stakeholders in co-creation opportunities, aligning wider purpose to co-exist with profit, and breaks down the high ambitions of a broad purpose into manageable and very tangible steps. So when Sanofi offers a vision of understanding and solving the healthcare needs of people across the world, it does so with a whole ecosystem of stakeholders and value co-creation at hand. And corporate purpose no longer seems that elusive at all.



Jan Ondrus

PURPOSE BEYOND PROFIT IMPLIES EXPANSION AND TRANSFORMATION IN THE WAYS IT DOES BUSINESS WITH THE OUTSIDE WORLD.

THE BUSINESS ECOSYSTEM HARNESSSES DIVERSE STAKEHOLDERS FROM OUTSIDE THE BOUNDARIES OF THE ORGANISATION.

ECOSYSTEM ORCHESTRATION ENABLES ASSESSMENT OF STAKEHOLDERS IN CO-CREATION OPPORTUNITIES, ALIGNING WIDER PURPOSE TO CO-EXIST WITH PROFIT, AND BREAKS DOWN A BROAD PURPOSE INTO MANAGEABLE STEPS.

INTELLIGENT ORCHESTRATION OF A BUSINESS ECOSYSTEM AND ITS VARIOUS PLAYERS CAN PROVIDE OPPORTUNITIES FOR ALL, ESPECIALLY IF THE STAKEHOLDERS' VARIOUS PURPOSES CAN BE BROKEN DOWN INTO GOALS AND ALIGNED IN ORDER FOR CO-CREATION TO OCCUR.

CO-CREATION DOES NOT, INDEED, NECESSARILY HAVE TO BE PURPOSE-DRIVEN PER SE.

CO-CREATING VALUE MEANS THAT A STAKEHOLDER NATURALLY INHERITS SOME OF THE VALUE PRODUCED – THEREBY REPRESENTING AN ACTUAL PIECE OF THE SOCIAL IMPACT THE CORPORATE PURPOSE INTENDS.

WHY AND WHEN DO PEOPLE HIDE KNOWLEDGE?



He Peng, Professor of Business Administration at **School of Management, Fudan University** in Shanghai, looks into the question that makes the Fortune 500 companies lose an estimated \$31.5bn a year by failing to share knowledge.

IMAGINE that you work for a fast-paced company, a leader in its field and up against stiff competition from a number of other renowned firms. Thanks to a chance meeting at your daughter's school open day at the weekend, you've learnt that there are three golden leads open to your company, each with a potential contract in hand. Do you

tell it to the sales guys across the corridor? Working on a commission basis they might be only too happy to take the information – and the glory – from you. Or do you keep it for yourself and the meeting you have in mind to request with your CEO? You look through the door of your office that gives out to the sales department and meet the

eye of one of the Key Account Managers. Little do you know that she too was at your daughter's school open day and by chance happened to chat with the same contact as you. At this very moment, your gazes briefly meeting across the office floor, she is thinking, her mind grappling with the very same decision to make as yours.



HIDE AND SEEK

Professor He Peng of School of Management, Fudan University has carried out research into knowledge hiding – the conundrum that may face us all at one point in our working lives. It is also an issue that faces our companies and organisations, knowledge hiding accounting for an estimated \$31.5bn a year in lost revenues among those listed on the Fortune 500.

Professor Peng's angle is that while a lot of attention has been paid to knowledge sharing and how to encourage this – indeed, the competitive advantages of more and more organizations depend on effective knowledge management – little research has been made into what makes people hide it.

Knowledge hiding is all about withholding or concealing task information, ideas, and know-how and its effects can be many and varied. It implies, for example, that an employee will give less than the maximum in contributing to the firm's knowledge. It also puts up barriers to collaborations within a company, new ideas, or the implementation of policies or procedures. And in the end run, it will negatively impact the team and organisational performance. It may be argued that hiding knowledge is sometimes for a good cause – like protecting a colleague's feelings by not mentioning that his boss thinks his work is of no use. But the usual meaning hiding knowledge carries is negative and bears on an individual's contribution in most work settings. Knowledge sharing, on the other hand, is wholly positive.

Carrying out research using a web-based survey questionnaire, Prof. Peng tested out several hypotheses, collecting and crunching the data of 161 male and 69 female employees working in a Shanghai IT industry company. The results supported his theory that hiding knowledge comes about through two factors, with a third coming into play that could reduce the impact the former: the notions of an employee's psychological ownership of knowledge, territoriality, and his/her degree of psychological ownership for the organisation. What are these? And how do they impact knowledge hiding?

A FINE LINE BETWEEN 'ME' AND 'MINE'

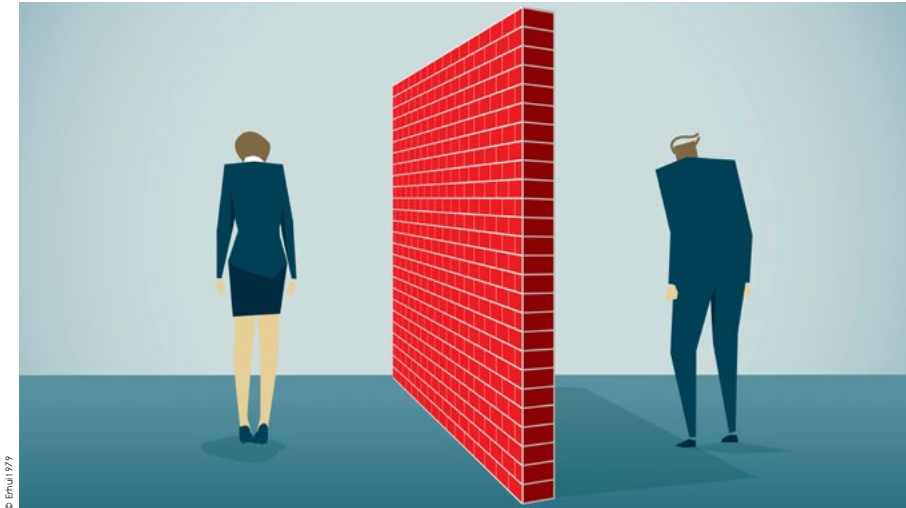
We've all met the John and Mary's of this working world who have sat behind the department's newly acquired technological gizmo on which to develop their website or turn stats into amazing radar charts. They work long hours on it, invest much effort, begin to control it and become so familiar with it that they begin to see it as theirs – almost a natural extension of the self. And when one day you happen to need the machine for a one-off assignment, you can almost hear the words coming loud and clear from John or Mary's minds as you approach their desk: *"It's mine!"* You've just been a witness to what is termed psychological ownership.

According to Prof. Peng, individuals can easily form an ownership feeling over a target if they have constant control over it, invest much time or energy on it, or are familiar with it. Ownership will tend to generate an unwillingness to share with others. To do so would amount to an experience of loss of control and give rise to negative emotions that would typically follow such a loss, including frustration, stress and dysfunctional behaviours. Moreover, seeing that the owner has become, in sort, a specialist with insider knowledge and skills, this knowledge becomes a source of bargaining power, elevating their own power and status in the organisation. In this sense, psychological ownership for knowledge will be positively related to knowledge hiding. After all, why share something with your co-workers if it can bring you praise and a pay rise?

THIS LAND IS MY LAND

Psychological ownership of an object or knowledge will lead to a strengthening of the probability to hide knowledge. This is because the stronger an individual's psychological ownership of an object, the greater the likelihood he or she will treat that object as his or her territory. Such a phenomenon is also present in animals. Nudge into a rrgclearing where a tiger is chomping into a freshly hunted prey and you'll most probably come up against an acute sense of territorial ownership. Studies first carried out in the animal kingdom by Edney in 1974, were then transferred to the human work environment, in the mid-1980s scholars seeing human territoriality over physical space and objects as a means to organise people so that violence, aggression, and overt domination would become unnecessary. New studies point to territoriality existing over all aspects of the workplace with specific behaviour sets being played out by employees: marking their territory and defending it. This means that employees take on perceptions of not only who should enter the territory, but what should go on there, who should take care of it and what types of activity that are allowed to take place in it. Marking will occur – names on doors, posters, photos of themselves on the wall holding sporting club trophies and even – we may have well seen this – skull and crossbones stickers warning potential invaders of the risks of entering. Defending territory means that the individual will take a variety of ways to prevent or respond to infringements into his/her territory that include holding knowledge privately, complaining to superiors, or yelling at invaders. Those with a high level of territoriality are therefore more likely to withhold knowledge than those with a low level of territoriality.

“ Thinking of the company as part of yourself – and vice-versa – makes you more willing to share ideas, knowledge and objects with your colleagues. ”



AND THIS COMPANY IS MINE, BUT ALSO YOURS...

There is something else that employees may become attached to and see as their own. This is the company or organisation they work for. And the effect of this isn't at all bad. Prof. He Peng argues that an individuals' psychological ownership for the organisation will weaken the effects of territoriality. This is because if an employee has his company at heart and in mind, he'll come to believe that he is significant, worthy, and valuable to the organization, and will subsequently form a strong organisation-based self-esteem – something that academics call OBSE. A marked feature of high OBSE employees is that they'll put their efforts into adopting behaviours that will benefit the organisation in order to maintain or even enhance their self-image. Since territoriality may do harm to organisations, employees with a high ownership feeling for the organisation will in turn inhibit the negative effects of territoriality. In this light, it can be argued that the relationship between territoriality and knowledge hiding will be weakened by organisation-based psychological ownership. In a nutshell, thinking of the company as part of yourself – and vice-versa – makes you more willing to share ideas, knowledge and objects with your colleagues.

This indeed has practical implications for companies. One way they can reduce knowledge hiding is to focus on management practices that decrease an individual's self-perception of possession – for example, by adopting knowledge management tools, promoting teamwork, stressing the collective ownership of knowledge, and advancing individuals' organisational commitment.

Adopting open space working areas also might be a cure for territoriality. And finally, knowledge hiding can be reduced or made to disappear by strengthening employees' sense of psychological ownership of their company or organisation. Give your employees the possibility to participate in your organisation's activities and decisions and even give them stock ownership – and the levels of entrepreneurship and innovation inside your firm just might rise dramatically.



He Peng



KNOWLEDGE HIDING ACCOUNTS FOR AN ESTIMATED \$31.5BN A YEAR IN LOST REVENUES AMONG THOSE LISTED ON THE FORTUNE 500

KNOWLEDGE HIDING IS WHEN EMPLOYEES WITHHOLD OR CONCEAL TASK INFORMATION, IDEAS, AND KNOW-HOW. IT NEGATIVELY IMPACTS TEAMS AND ORGANISATIONAL PERFORMANCE.

KNOWLEDGE HIDING OCCURS THROUGH AN EMPLOYEE'S PSYCHOLOGICAL OWNERSHIP OF KNOWLEDGE AND AN EMPLOYEE'S DEGREE OF TERRITORIALITY

A MODERATING FACTOR IS THE EMPLOYEE'S DEGREE OF PSYCHOLOGICAL OWNERSHIP FOR THE ORGANISATION. THINKING OF THE COMPANY AS PART OF YOURSELF – AND VICE-VERSA – MAKES YOU MORE WILLING TO SHARE IDEAS, KNOWLEDGE AND OBJECTS WITH YOUR COLLEAGUES.

COMPANIES SHOULD:

- ADOPT KNOWLEDGE MANAGEMENT TOOLS
- PROMOTE TEAMWORK
- STRESS THE COLLECTIVE OWNERSHIP OF KNOWLEDGE
- ADOPT OPEN SPACE OFFICES

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CAN ENGLISH LANGUAGE PROFICIENCY FOSTER EMPLOYEE COMMITMENT TO GLOBALISATION?



Dr. Sachiko Yamao, Associate Professor at **Keio Business School**, and Professor Tomoki Sekiguchi of Kyoto University explore the extent to which a strong grasp of English can influence employee commitment towards embracing the globalisation of their firms.

By CoBS editorialist Afifeh Fakori based on the research paper Employee commitment to corporate globalization: The role of English language proficiency and human resource practices, Sachiko Yamao, Tomoki Sekiguchi

LET'S GET THIS STRAIGHT: GLOBALISATION CAN BE STRESSFUL FOR EMPLOYEES.

AM I GOING TO MEET my targets? Are costs going up? Will I get that pay rise? Indeed, there's no paucity of stress in daily corporate life. Now imagine your company decides to expand beyond national borders where your native language skills will no longer suffice.

English is the de facto language for global business and lack of proficiency in this language can be a significant, new cause of stress for employees. Poor English language skills can hinder interpersonal communication and relationships within an

organisation, while the resulting frustration adversely affects collaboration and task performance within the firm.

Attitude towards globalisation is thus often influenced by non-native English speakers' perceptions of their English-language proficiency. However, it is imperative to remember that regardless of this self-perceived language proficiency, the organisation in question can also play a role in aligning commitment towards globalisation through HR practices promoting the development of language skills.

This commitment can have 3 components:

a) Affective Commitment: This relates to the employees' desire to engage with the change (which in this case is globalisation) taking place within the firm

b) Normative Commitment: This is associated with the employees' sense of obligation to commit to organisational change

c) Continuance Commitment: This pertains to employees' calculative attitude based on a cost-benefit analysis which they do to decide whether or not they should comply with the change.



In the specific case of globalisation, a self-perceived level of English language proficiency is important towards shaping positive attitudes of employees towards globalisation.



SELF-PERCEPTION OF LANGUAGE SKILLS INFLUENCES DEGREE OF COMMITMENT

When employees believe that they are adequately fluent in English, they have the confidence to cope with the multilingual work environment that accompanies the globalisation of their firm. They are less anxious about communication at work and thus more likely to be motivated to embrace working in a global setting. This is an instance of affective commitment.

In fact, this commitment can go one step further with some employees believing that not only can they contribute to globalisation but also that they should contribute. Employees who are great in English often begin to develop their identities as 'international employees' capable of engaging in international transactions. With this identity, comes a strong sense of responsibility and obligation – that is, a normative commitment – towards contributing to globalisation.

Then there is also the fact that most people, consciously or unconsciously, engage in a cost-benefit analysis of not committing to corporate globalisation. The decision not to commit could lead to slower career progression, smaller increments and limited career options. In order to avoid such costs, employees with high levels of self-perceived English language proficiency often tend to develop a continuance commitment to align themselves to a multilingual work environment. However, this commitment is not particularly strong because English language skills are easily transferrable. As such, employees may not really feel that their jobs are threatened even if non-committed to the globalisation of their firm – after all, all they have to do is switch firms.





HR PRACTICES ALSO IMPACT EMPLOYEE ATTITUDE

Many firms offer language and cross-cultural training to their employees as a means to facilitate the process of globalisation. Such organisational support motivates employees and gives rise to a positive social exchange relationship between a firm and its employees. They also feel an obligation to reciprocate the support that they receive from their organisation.

Some organisations go so far as to link language skills to performance appraisals. Fluency in English could also be set forth as a criterion for promotion. Under such a carrot and stick approach, employees tend to be eager to develop their language skills and contribute to the firm's globalisation as the cost of not doing so would entail a stunted career progression. The ultimate result is that employees are more likely to put in efforts to help their firms throughout the globalisation process. This is particularly true for employees with low levels of self-perceived proficiency in English. These employees are often aware that they lack a resource of much instrumental and symbolic value – the ability to communicate well in English. As a result, they appreciate HR support towards attaining this resource more than the other employees. They are more responsive to HR practices and eventually exhibit stronger commitment to the globalisation of their organisation.



THE JAPANESE CONTEXT

Japanese companies serve as interesting examples of globalisation. They are diversifying operations across borders rapidly and even firms which have had multinational operations for quite some time now are re-vamping their strategies. Fast Retailing, Nissan and Rakuten have moved towards using English as the official corporate language while Toyota is sending more and more local employees on expatriation for career development.

Carrying out research among 693 Japanese employees, Dr. Yamao and Prof. Sekiguchi found that self-perceived English language proficiency and relevant HR practices indeed enhance affective and normative commitment to globalisation. However, it was observed that a cost-benefit analysis of not complying to globalisation was not a key

driver of commitment in Japan. This can be attributed to the very specific style of HR management in Japan – a style that is characterised by long term employment. Since firing employees in Japan is difficult, losing one's job due to low commitment to globalisation is not a particularly probable scenario.

SO, WHAT DOES THIS IMPLY FOR MANAGERS?

Regardless of the type of organisational change (globalisation or otherwise), it is of paramount importance to identify the employee skills critical for a given organisational change – if not, managers remain unaware of how to nurture positive employee attitude towards it – and HR unable to implement practices necessary for acquiring the relevant skill.

In the specific case of globalisation, it has been observed that self-perceived level of English language proficiency is important towards shaping positive attitudes of employees towards globalisation. HR can reinforce this commitment through language training and by linking English fluency levels to recruitment and promotion. One word of caution though: such practices should be applied to all functions within the firm and across all levels – if not, conflict and power distance will result. In the case of limited resources, however, the focus should first be on employees with low levels of English language proficiency since it would be more effective for and appreciated by this group of employees. These efforts are long term investments that will eventually help an organisation to move smoothly from local to global.



ENGLISH IS THE DE FACTO LANGUAGE FOR GLOBAL BUSINESS AND LACK OF PROFICIENCY IN THIS LANGUAGE CAN BE A SIGNIFICANT, NEW CAUSE OF STRESS FOR EMPLOYEES.

POOR ENGLISH LANGUAGE SKILLS CAN HINDER INTERPERSONAL COMMUNICATION AND RELATIONSHIPS WITHIN AN ORGANISATION, WHILE THE RESULTING FRUSTRATION ADVERSELY AFFECTS COLLABORATION AND TASK PERFORMANCE WITHIN THE FIRM.

ATTITUDE TOWARDS GLOBALISATION IS OFTEN INFLUENCED BY NON-NATIVE ENGLISH SPEAKERS' PERCEPTIONS OF THEIR ENGLISH-LANGUAGE PROFICIENCY.

ORGANISATIONS CAN PLAY A ROLE IN ALIGNING COMMITMENT TOWARDS GLOBALISATION THROUGH HR PRACTICES PROMOTING THE DEVELOPMENT OF LANGUAGE SKILLS.

EMPLOYEES WITH GOOD SKILLS IN ENGLISH DEVELOP IDENTITIES AS 'INTERNATIONAL EMPLOYEES' CAPABLE OF ENGAGING IN INTERNATIONAL TRANSACTIONS AND WILLING TO CONTRIBUTE TO GLOBALISATION.

TO BOOST LANGUAGE PROFICIENCY, ORGANISATIONS CAN LINK LANGUAGE SKILLS TO RECRUITMENT, PERFORMANCE APPRAISALS, AND AS A CRITERION FOR PROMOTION.



Sachiko Yamao

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to liberate every human being."***

Hirokazu Kono, Dean and Professor,
Operations Management, Keio Business School

MANAGING THE BOTTOM LINE IN TURBULENT TIMES



Delivering excellent results is one way to impress your investors or your boss – but what do you do when you cannot deliver? **Professor Tuck Siong Chung** of **ESSEC Business School, Asia-Pacific** and Professor Angie Low, Nanyang Business School, follow up on the tendency of managers to ‘manage the bottom-line’.

Based on the paper ‘The impact of investor impatience and environmental turbulence on myopic marketing management and stock performance’ by Tuck Siong Chung and Angie Low.

PICTURE this: you are in your office on a Friday evening, working on your division's budget for the year. You need to present it to your CEO, who is already under a lot of pressure from the shareholders, first thing Monday morning. What's more, your

marketing team has just informed you that sales are going to be significantly lower this year. You are aware that if you do not deliver encouraging numbers this time around, you may not get another chance to. So how would you present your budget?

IT'S ALL ABOUT THE MONEY

The capitalistic economy today is driven primarily by the interests of investors. These shareholders provide capital for the com-



income statement of the company. What's more, there is a chance that these investments may not even yield these 'generous' results after all. Google Glass, for example, a heavily researched and much anticipated product, was unable to capitalize and had to be discontinued in 2015.

As such, managers have ample incentive to cut marketing and R&D spending and give in to investor pressure.

CHANGING WITH THE TIMES

The business environment is witnessing major transformations today, with consumers constantly changing their tastes in products and not afraid to experiment with newer ones. Businesses are also rapidly turning digital and letting go of traditional technologies for more unconventional ones in order to stay relevant. How do these factors affect the way business is conducted? How should managers react under such circumstances? Professor Tuck Siong Chung and associate Angie Low, on the basis of an extensive research comprising over 5,000 firms, paint the following picture.

MANAGING IN TURBULENT WATERS

Changing customer preferences and expectations are what create market turbulence. Customers in such market turbulence are seen to be less loyal to one particular brand and are likely to make their purchases

pany's operations in exchange for growing returns on their investment. However, these investments only grow if the company is prospering. Upon its failure to do so, a dismayed investor might just walk out. This negatively affects not only the value of the company, but also the salaries of the managers which are usually dependent on the company's performance. In some cases, it may also entail a loss of employment for them. Blackberry, for instance, a smartphone company based in Canada, saw a drop in the share value by over from \$58 to \$6, along with Billions of dollars in losses and restructuring costs, and global job cuts, all in a span of 6 years (2010-2016).

In light of such consequences, managers of companies feel pressurized by the investors to portray a healthy balance sheet and an upwards pointing arrow on the stock markets. For a company that is performing favourably, this obviously proves less of an issue. However, the managers of companies on the other end of the spectrum feel the heat. To portray a positive bottom-line, they show a tendency to cut budget spending, primarily in Marketing and Research & Development.

MANAGING LIKE THERE'S NO TOMORROW

Budget cuts for Marketing and R&D are usually the first activities that managers engage in if they suspect that they cannot meet the earnings target. Such myopic management involves cutting spending in long term investments like new product development, customer relationships and branding. The irony is that these activities are expected to deliver generous results in the long run and are crucial for creating long term value for the company but ironically only show up as profit reducing expenses in the





Managers of companies feel pressurized by their investors to portray a healthy balance sheet and an upwards pointing arrow on the stock markets.



elsewhere the second time around. To complicate matters further, rival firms are prone to take advantage of this instability and try to poach customers through various tactics. As a result, companies need to go the extra mile in order to retain their client base.

Likewise, an environment where there is rapid advancement in technology – or technological turbulence – can alter the way business is conducted. Data storage technology, for example, has seen 23 stages of evolution within the past 50 years, from cassettes back in the '70s to Cloud storage that we use today. Unable to adapt to this fast-paced transformation, several big companies have bitten the dust. Moreover, in such an environment the advantage of being an experienced company is lost and it needs to be compensated by additional efforts. Essentially, states prof. Chung, companies should increase marketing and R&D spending in order to keep their customer from drifting away and stay ahead of the technological demands of the industry.

PENNY WISE, POUND FOOLISH

Fundamentally, the objective of myopic management is to keep investors satisfied by creating an illusion of superior company performance which leads to a higher valuation on the stock market. Profs. Chung and Low have observed this phenomenon and noted that although managers are able to trick the exchanges, it is only partially successful.

The study shows that the stock markets react more favourably in the short-term to the myopic company that posts a positive

bottom-line as compared to a company that invests in long term activities. However, reality sets in eventually, the short-term gain in valuation is compensated by the company's gradual decline on the financial markets. To make things worse, the decline intensifies proportionally to the degree of turbulence in the business environment.

Turbulence or not, Prof. Chung and Prof. Low assert that managers consider the pros and cons of myopic management and are keeping track of the environmental implications, before deciding whether to yield to investor pressures or not.

WORD TO THE WISE

These findings should serve as caution to executives everywhere who wish to engage in short-term management practices. The researchers highlight the importance of adopting a long-term perspective when operating in market and technological turbulence and, as such, avoid conceding to investors.

Chung and Low also recommend that companies should invest in shareholder relationship building programmes in order to attract long-term investors. Firms must also communicate effectively to the shareholders the importance of marketing assets, capabilities, in determining a firm's market value and for building a loyal shareholder base. According to Profs. Tuck Siong Chung and Angie Low, these actions would as such reduce investor pressure on the companies' managers, enabling them to focus on creating long-term value for the enterprise instead of their own corporate survival. So, how will your budget look on Monday?





THE CAPITALISTIC ECONOMY TODAY IS DRIVEN PRIMARILY BY THE INTERESTS OF INVESTORS. INVESTMENTS ONLY GROW IF THE COMPANY IS PROSPERING.

MANAGERS OF COMPANIES THEREFORE FEEL PRESSURIZED BY THE INVESTORS TO PORTRAY A HEALTHY BALANCE SHEET AND AN UPWARDS POINTING ARROW ON THE STOCK MARKETS.

THE OBJECTIVE OF MYOPIC MANAGEMENT IS TO KEEP INVESTORS SATISFIED BY CREATING AN ILLUSION OF SUPERIOR COMPANY PERFORMANCE WHICH LEADS TO A HIGHER VALUATION ON THE STOCK MARKET.

HOWEVER, THE SHORT-TERM GAIN IN VALUATION IS COMPENSATED BY THE COMPANY'S GRADUAL DECLINE ON THE FINANCIAL MARKETS.

ALTHOUGH THE MARKETING FUNCTION IS IMPORTANT IN GENERATING FUTURE VALUE, BUDGET CUTS FOR MARKETING AND R&D ARE USUALLY THE FIRST ACTIVITIES THAT MANAGERS ENGAGE IN IF THEY SUSPECT THAT THEY CANNOT MEET THE EARNINGS TARGET.

IT IS IMPORTANT TO ADOPT A LONG-TERM PERSPECTIVE WHEN OPERATING IN MARKET AND TECHNOLOGICAL TURBULENCE AND AVOID CONCEDING TO INVESTORS.

COMPANIES SHOULD INVEST IN SHAREHOLDER RELATIONSHIP BUILDING PROGRAMMES IN ORDER TO ATTRACT LONG-TERM INVESTORS AND COMMUNICATE EFFECTIVELY ON THE IMPORTANCE OF RETAINING MARKETING ASSETS WITHIN THE FIRM.

THESE ACTIONS REDUCE INVESTOR PRESSURE ON COMPANY MANAGERS, ENABLING THEM TO FOCUS ON CREATING LONG-TERM VALUE FOR THE ENTERPRISE INSTEAD OF THEIR OWN CORPORATE SURVIVAL.



Tuck Siong Chung



DOES LAUGHTER BOOST TEAM PERFORMANCE? IT DEPENDS



Scientists have proven that laughter can be good for an individual's well-being, but what of laughter in the work environment? Does it make for better performance? **Prof. Lorna Doucet** of **School of Management Fudan University** researched the question among a population of flight crews and found that everything depends on what type of laughter is expressed.

From the research paper by Lorna Doucet, Lu Wang, Mary Waller, Karin Sanders, Sybil Phillips (2016) A Laughing Matter: Patterns of Laughter and the Effectiveness of Working Dyads. Organization Science 27(5):1142-1160.

NO LAUGHING MATTER

DESPITE being the bedrock of modern companies and organisations; despite the

enormous investment organisations make in team training; and even despite the time spent trying to get the right team mix, team performance often fails to live up to expect-

tations. Among the reasons for this, communication stands out as an important factor – or rather the lack of it. Poor communication within a team often means that task-re-



Putting this to the test on a selection of flight crews in a North American university flight training centre, she and her colleagues investigated the question from the perspective of different laughing patterns – shared laughter when team members frequently laugh together, and unshared laughter – when laughter comes primarily from only one team member. For Prof. Doucet and her colleagues, different patterns of laughter serve different purposes with consequently different effects on team communication and effectiveness. A twist in the tale – they also chose to investigate whether having an agreeable person on the team hinders or enhances laughter and hence, team communication and effectiveness.

levant information is not shared or openly discussed – important factors for fostering trust, problem-solving, or meeting deadlines. Indeed, every manager and team member's dream scenario would be a weekly meeting that saw co-workers sharing information freely and honestly, even if the information shared is at odds with team consensus. In reality, this rarely occurs, not least because such frank exchange is often perceived by team members to be socially risky. And perhaps even professionally so too – after all, no-one wants to risk sticking their necks out too much.

From this observation, Prof. Lorna Doucet of School of Management Fudan, China, and her research colleagues decided to test if laughter enhanced team communication, triggering effective task collaboration and therefore boosting team performance.

LOL

Laughter can be beneficial. Research has shown that even the sound of it can provoke an immediate and positive response in others that puts them at ease, increases their sense of liking towards the other and reduces the social and psychological gaps between them and the other. Laughter can also be as beneficial in good times as in bad – even in bereavement it can help saddened adults acquire support by triggering positive emotions in others. Its origins are ancient. Researchers from Darwin in the 19th century to Ruch and Ekman in the early 2000s focused on laughter's place in the human communication repertoire, suggesting that it developed before language as an evolved

form of play face and breathing patterns that occur in primates during social interactions such as mock fighting. Further research has shown that "laughter occurs thirty times more frequently in social situations than in solitude". However, it also demonstrated that what comes before a burst of laughter – a statement, expression, joke or comment – isn't, in many cases, actually funny in itself. This may reassure those of us who do not have the knack of telling them in the way Bob or Karen down the corridor do: it is the speaker rather than the listener who is often the first to laugh. This has led researchers to see laughter not as an involuntary expression of emotional reaction to humour but as an "interpersonal communication tool that serves explicit social functions". Laughter therefore has a social intention behind it. And when a co-worker declines an invitation to laugh along this can be interpreted as a lack of interest in bonding. Indeed, continuously closing the door on a colleague's efforts to share a laugh carries the risk of generating strong negative emotions linked to social rejection and even antisocial reactions. So do not laugh and it is at your risk and peril.

TEAM PERFORMANCE: TO SHARE OR NOT TO SHARE

Laughter can be fun – up to a point. Moreover, laughter can be positive in a working context – up to a point. Building on previous research, Prof. Doucet points out that while laughter helps create a supportive and inclusive atmosphere in teams, there are times when it may draw attention away from task-related information and steer the serious away towards the silly and irrelevant.

They found that when laughter was unshared in a crew – with principally one crew



member (either the pilot or the co-pilot) doing all the laughing – it caused a significant and positive boost in open communication between the pilot and co-pilot and hence, crew effectiveness. On the other hand, when laughter was shared – both pilot and co-pilot expressing laughter – there was a negative relationship between how much the crew laughed and their openness and effectiveness. In a nutshell, while shared laughter can be good for the overall feel-good factor, it tends to deviate team members' minds from the job and make them less effective. When there is a sole co-worker mainly doing all the laughing, it creates the necessary feel-good factor among the team while preserving the attention given to the job at hand. In this context, having a nice guy on the team may in fact get in the way of a team's task focus. Prof Doucet and her colleagues found that agreeable team members – who are more prone to fostering good relationships – are more likely to laugh along when other team



members are laughing. And this may reduce team effectiveness as it pushes team members too far towards a social and too far away from a task orientation.

THE LAST LAUGH

Past research has shown the positive effect of laughter in interpersonal interactions and many have since thought that team members should therefore share as much laughter as possible when working together. The research of Prof. Doucet et al seems to caution against such an approach. Laughter is not simply about fun and lightness but can also be used to facilitate the sharing of sensitive and difficult information and is most likely to benefit teams when linked to the task at hand, and expressed by one main protagonist. Having someone too agreeable on the team – while good for overall team feel-good – could also harm effectiveness by influencing the pattern of laughter that

arises in team interactions – and distracting from the task at hand. This may indeed provoke the ire of the team manager. This is reassuring for the more sombre professionals among us: as members of a team, the nice guys on our teams should not always be encouraged to have the last laugh.



Lorna Doucet

“ Different patterns of laughter serve different purposes with consequently different effects on team communication and effectiveness ”



TEAM PERFORMANCE OFTEN FAILS TO LIVE UP TO EXPECTATIONS. POOR COMMUNICATION IS OFTEN BLAMED, NOT LEAST BECAUSE FRANK EXCHANGE IS OFTEN PERCEIVED BY TEAM MEMBERS TO BE SOCIALLY RISKY.

LAUGHTER CAN BE BENEFICIAL TO EASE COMMUNICATION: IT PUTS PEOPLE AT EASE, INCREASES THEIR SENSE OF LIKING TOWARDS THE OTHER, REDUCES THE SOCIAL AND PSYCHOLOGICAL GAPS BETWEEN PEOPLE AND IS BENEFICIAL IN BOTH GOOD AND DIFFICULT TIMES.

DIFFERENT PATTERNS OF LAUGHTER SERVE DIFFERENT PURPOSES WITH CONSEQUENTLY DIFFERENT EFFECTS ON TEAM COMMUNICATION AND EFFECTIVENESS.

- WHEN LAUGHTER IS UNSHARED (ONE PERSON IN A TEAM DOING THE LAUGHING) IT CAUSES A SIGNIFICANT AND POSITIVE BOOST IN OPEN COMMUNICATION.

- WHEN LAUGHTER IS SHARED (TWO OR SEVERAL PEOPLE INTERACTING WITH LAUGHTER), THERE IS A NEGATIVE IMPACT ON OPENNESS AND EFFECTIVENESS.

HAVING SOMEONE TOO AGREEABLE ON THE TEAM – WHILE GOOD FOR OVERALL TEAM FEEL-GOOD – COULD ALSO HARM EFFECTIVENESS BY INFLUENCING THE PATTERN OF LAUGHTER THAT ARISES IN TEAM INTERACTIONS AND DISTRACTING PEOPLE FROM THE TASK AT HAND.

SCIENTIST BY DAY, ENTREPRENEUR BY NIGHT

HOW GLOBAL COMPETITION IS TRANSFORMING
SOCIETY'S BRAINS INTO BUSINESSMEN.



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Since the 1940s, the United States has had a clear lead in commercializing their scientific research. **Professors Kazuhiro Asakawa** of **Keio Business School** and Mark Lehrer of Suffolk University explore this phenomenon through the examples of Japan and Germany as they play catch up.

Based on the research paper *Pushing Scientists into the Marketplace: Promoting Science Entrepreneurship*, Mark Lehrer and Kazuhiro Asakawa Published by California Management Review Publication (2004).

WORLD WAR II left much of the industrialized world in ruins and conferred an unprecedented technological lead on the United States. Several countries have played

catch-up ever since and even surpassed the U.S. in technologically mature industries. Japan and Germany are prime examples of such countries that now consistently lead

the U.S. technologically in established sectors such as automobiles, consumer electronics, and machine tools.

Arguably, however, the 'final frontier' of technological catch-up is a nation's capacity to pioneer new science-based technologies and industries – essentially to develop scientific research and commercialize it. And biotechnology was seen as the hub for this trend.

BASIC RESEARCH VS APPLIED RESEARCH

Several Successful firms in this sector today have been founded by scientists. Such "science entrepreneurship or Scien-trepreneurship"—the simultaneous dedication of scientists to academic science and to commercial profit—has a well-established history in the U.S. and, from the 1980s in the UK, but is relatively new in Germany and Japan where there is strong distinction between research and industry.

In Germany, there is a lack of encouragement for academic scientists to commercialize their discoveries, while in parallel Japan has always given more emphasis to applied technology fields with direct commercial uses as compared to basic scientific research. As is evident, lack of excellence in science entrepreneurship is not just due to a lack of venture capital. It has to do with the way these scientists are perceived in the market economies.

The occupational identities of those who work to expand the principles of fundamental science are defined around norms of sharing and diffusing, not appropriating knowledge. This contrasts with applied research, which constitutes private knowledge-production which can be regulated through patents and delegated to private parties.

A COMPLICATED DIVERGENCE

The divergence between basic research and applied research can be explained by a post-war era mobilization that took place when most of the countries outside the borders of the US decided to set up Federal research institutes outside of the universities. The objective was to allow universities to concentrate on general education while research centres focused on increasingly specialised areas of science.

The disparity can also be seen in hospitals where in the US medical centres combined facilities for treating patients with laboratories for medical research while most of the rest of the world bifurcated such activities.

As such, it was relatively harder for university scientists outside of the US to set up their own firms. Meanwhile, the commercially focused academic labs had become hotbeds

of biotech innovation. At the end of 1999, U.S. companies had over 200 biotech therapeutics in Phase II/Phase III testing whereas German and Japanese companies together had less than five. The figure shows how US garnered a strong lead over Japan and Germany due to its post war era policies. So what caused this disparity?

THE STUMBLING BLOCKS TO SCIENCE-ENTREPRENEURSHIP: WE ARE ALL JUST STATE EMPLOYEES

Both Germany and Japan have more or less shared the same issues. Ever since the beginning, virtually all universities and scientific research centres in Germany were and still are state institutions, so the bulk of academic scientists conducting basic research were doing so at the pleasure of the taxpayer. In a way, it could be said that any additional state incentives to encourage scientists to start their own firms would mean taxpayers were "bribing" state employees to pursue private profit. As such, it was difficult for science entrepreneurship to emerge under the public-sector norms governing these universities. However, unlike Japan, there was no law that forbade scientists to pursue outside paid activities.

In Japan, despite there being far more private universities than in Germany, most of them were tuition-funded teaching schools without sufficient resources to support extensive research. What's more, professors at National Universities were classified as civil servants – and legally, civil servants were not allowed to serve on or found private companies. A legal exception for professors would require action at the highest levels of the central government and legislature.

In addition, as opposed to the case of Germany where policy governance was carried out by the Federal Research and Education Ministry (BMBF), the Japanese policy institution had to be cut across five ministries and agencies including the Ministries of Education, Health and Welfare, Agriculture, Forestry and Fisheries, and International Trade and Industry (MITI). It comes as no surprise then that the formulation of policies more often than not found itself faced with a mountain of bureaucracy to climb. So how did each of these two countries tackle the situation?



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GERMANY: FROM RESEARCH CENTRES TO TECHNOLOGY PARKS

Germany was different in the sense that while the infrastructure for R&D was well developed, there was a lack of push for science entrepreneurship. The BMBF recognised the need for enhanced focus on the 'commercial productivity' of public R&D and from 1995 began advocating for it to an unprecedented extent.

The ministry began referring to tech start-ups as SMEs as a sign of their support and to include them into mainstream policies since SMEs formed the very backbone of the German economy.

In 1995, the BMBF organised an interregional competition in biotechnology for federal support funds. The policy objective was to encourage the self-organising formation of clusters of variegated organizations that would network to create new ventures. This so-called BioRegio Competition led to the formation of 17 regional biotechnology offices. These were essentially tech parks, that not only housed biotech firms but also provided a wide range of entrepreneurship support services such as providing advice, financing and marketing to scientists who wished to step into the field. The offices also subsidized patenting activities for them.

Technology parks benefitted from an already well-developed scientific infrastructure. These clustered around pre-existing laboratory installations at universities and research centres and German scientists jumped at this opportunity of potentially substantial returns with minimal risk owing to the high support from the federal programmes. The end-result was a boom in the number of biotech firms in Germany, tripling from 75 to 222 in a span of just 3 years (1995-1998). However, German Science entrepreneurship can be seen to be largely riding on the existing system of public sector science without any real reform of the latter. This is where the contrast with Japan is illuminating.



JAPAN: THE POLICY OF COMPLETE OVERHAUL

In Japan, policies did not simply add a new layer to existing science and technology, but instead sought to overhaul the system of scientific research.

A first wave of reforms began with the government's first Science and Technology (S&T) Basic Plan in 1996-2000. It promised to increase research infrastructure for biotechnology and to revamp the patent evaluation system. This policy incentivised the commercialisation of research, bringing in more competitive and government funding. Like Germany, assistance was made available in patenting research results.

Addressing the issue of scientists' status as civil servants, the policy allowed professors at national universities to serve as officers of private firms. It also advocated to allow universities to set up their own TLOs (technology licensing organisations). As a result, there were over 300 biotechnology venture companies founded within a span of 5 years by 2003.

Reform did not stop there. Japan went one step further and set up a second basic policy which envisioned Japan as a leading science nation. The efforts included revamping the complete system of funding and career tracks for scientists and its policy of merit-based funding and hiring as opposed to patronage

and seniority was ground-breaking, albeit slow progressing. And finally, to ensure that these policies were implemented, a Council for Science and Technology Policy (CSTP) was set up in 2001 – a step that their German counterparts passed up on.

THE FINAL FRONTIER – REVISITED

At one level, Germany and Japan have been fairly successful in accelerating their growth in Biotechnology start-ups. These countries will continue to make headway for years to come. At another, catching up the US in science entrepreneurship is a long and arduous process and will continue to be challenging for both these countries – while it may be easy to reform political structure and encourage individual science entrepreneurship, it is a lot more difficult to foster it at institutional level.

While Germany and Japan, through the implementation of policies, have piggybacked on the existing R&D infrastructure to promote science entrepreneurship, research institutions in the US are entrepreneurial at the institutional level itself. Here, the research institutions do not merely allow links between their scientists and private sector, but positively encourage them. The top administration of US universities and medical centres act more like private sector managers than bureaucratic leaders.

The competitive advantage of academic scientists in the US does not lie in knowledge or professionalism but simply in the extra efforts that they are required to put in to thrive in their highly competitive environments. University Scientists are regularly engaged in seeking outside research funding along with their regular classroom, laboratory and publishing duties. Scientists abroad are unlikely to advocate for equal working conditions such as these – even if it led to diminishing this clear advantage over them.

As such, science and science entrepreneurship in this sense represent the final frontier of catch up with the US and remain – at least for the present – one of the last unquestioned bastions of institutional integrity and excellence in the United States.

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Kazuhiro Asakawa

THE 'FINAL FRONTIER' OF TECHNOLOGICAL CATCH-UP IS A NATION'S CAPACITY TO PIONEER NEW SCIENCE-BASED TECHNOLOGIES AND INDUSTRIES – ESSENTIALLY TO DEVELOP SCIENTIFIC RESEARCH AND COMMERCIALIZE IT.

THE US AND UK HAVE A LONG HISTORY OF SCIENTISTS WORKING FOR PROFIT. IT IS RELATIVELY NEW IN GERMANY AND JAPAN WHERE THERE IS STRONG DISTINCTION BETWEEN RESEARCH AND INDUSTRY. IN JAPAN AND GERMANY, LACK OF EXCELLENCE IN SCIENCE ENTREPRENEURSHIP IS NOT JUST DUE TO A LACK OF VENTURE CAPITAL. IT HAS TO DO WITH THE WAY THESE SCIENTISTS ARE PERCEIVED IN THE MARKET ECONOMIES.

GERMAN SCIENCE-ENTREPRENEURSHIP CAN BE SEEN TO BE LARGELY RIDING ON THE EXISTING SYSTEM OF PUBLIC SECTOR TECHNOLOGY PARKS WITHOUT ANY REAL REFORM OF THE LATTER.

IN JAPAN, POLICIES AND THE OVERHAULING OF THE SYSTEM OF SCIENTIFIC RESEARCH HAVE IMPROVED SCIENTIFIC INFRASTRUCTURE, PATENT EVALUATION, FUNDING AND CAREER PATHS.

UNIVERSITY SCIENTISTS IN THE US AND UK ARE REGULARLY ENGAGED IN SEEKING OUTSIDE RESEARCH FUNDING ALONG WITH THEIR REGULAR CLASSROOM, LABORATORY AND PUBLISHING DUTIES.

JAPANESE AND GERMAN SCIENTISTS WOULD BE UNLIKELY TO WISH TO FOLLOW THIS MODEL.

INNOVATION IN EDUCATION



RE-THINKING EDUCATION THROUGH IMAGINATION



Professor Xavier Pavie, Director of the iMagination Centre and Academic Director for the Master's in Management programme at **ESSEC Business School, Asia-Pacific**, turns his gaze towards the forthcoming BETT Show 2018 to focus 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 trans-disciplinarity 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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It is
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IN THE LAST TWENTY YEARS, 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.

INNOVATION PROCESSES AND TOOLS - FROM BLUE OCEAN STRATEGY TO BRAINSTORMING, TO SCAMPER, OPEN INNOVATION, BUSINESS MODEL CANVAS AND DESIGN THINKING - HAVE SUCCEEDED IN MAPPING INNOVATION AND LIMITING FAILURE.

HOWEVER, NONE OF THEM CAN REPLACE INNOVATORS' BEHAVIOUR AND THE ATTITUDE THEY MUST ADOPT TO PROPOSE THEIR ORGANISATIONS NEW SOLUTIONS FOR VALUE CREATION.

ARISTOTLE TELLS US THAT THE FIRST QUALITY OF A PHILOSOPHER IS HIS CAPACITY TO MEET WITH SURPRISE AND WONDER. THIS QUALITY IS FUNDAMENTAL IN INNOVATION.

IMAGINATION IS NOT INHERENT AND WE ARE NOT BORN WITH MORE OR LESS CAPACITY TO IMAGINE.

MODERN EDUCATION, WHETHER BUSINESS STUDIES OR ENGINEERING STUDIES, MUST OFFER STUDENTS TRANSDISCIPLINARITY TO ENABLE THEM TO HATCH AND DEVELOP INNOVATIVE IDEAS.



Xavier Pavie

TIMES HAVE CHANGED



AN OUTSTANDING CASE

A SCHOOL OF MANAGEMENT AS THE LOCOMOTIVE FOR
OUTSTANDING CORPORATE SOCIAL RESPONSIBILITY
PRACTICES IN CHINA.



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Prof. **Qingyun Jiang, School of Management Fudan University**, reveals how an educational institution can help drive corporate social responsibility in China with a unique and innovative award delivered to best performers in the corporate world.

CORPORATE SOCIAL RESPONSIBILITY, or CSR, is often a topic of lively debate in the western world – and indeed, many of us tend to perceive CSR as an inherently western concept. However, let's get things straight – not only is CSR very much alive in China, despite its huge, traditional-

ly-based economic growth in the last fifteen years or so, the country is among the world leaders in the sustainability side to CSR, especially in terms of wind and solar energy and electric transportation.

In the forefront of advances in this area is one of Asia's leading educational institutions, School of Management Fudan, the business and management school faculty which is part of the wider Fudan University in Shanghai.

“ Without awareness of social responsibility during their studies, students wouldn't recognise and undertake CSR practices in their future careers ”



SOCIAL VALUE CO-CREATION

At the cutting edge of this drive towards CSR, and co-hosted by School of Management at Fudan University and China-Chile Guan Aitong, a top Chinese HR consulting firm, is the “ai Social Value Co-creation” Outstanding Corporate Social Responsibility Practices in China initiative. Essentially, the school of management and its corporate partner have taken the initiative to develop and implement a CSR practice evaluation system from the perspective of “social value co-creation”. This is proposed to the corporate world both for collecting firms’ CSR practices which are presented in case study format, and serving as a framework for selection and subsequent award. The framework uses long-term tracking of progress in CSR practices in China and focuses on improvement of CSR evaluation mechanism and standards.

AN OUTSTANDING CASE

The initiative is the first case study evaluation system designed by a management school on CSR performance and sustainability strategy in the country, and the Outstanding Corporate Social Responsibility Practices in China event has successfully been held twice to advocate the idea of social value co-creation. ‘Without the support of School of Management at Fudan University, this academy award would not exist,’ states Qingyun Jiang, professor of Marketing at Fudan and visiting scholar to prestigious establishments outside China such as Bocconi in Italy and MIT in the US. ‘As the organiser of the event, our school's role is to provide the case evaluation theory and methodology, organise the academic committee across schools, and publish and present excellent cases. We also help enterprises to improve CSR strategy and process management, as well as publishing and communicating a performance audit.’

The School took the lead in inviting 15 prestigious professors from over 10 top universities in China to serve as the evaluation experts, redefining CSR and reshaping the global perspectives of Chinese enterprises. ‘On the basis of the “ai CSR event”, we developed an MBA elective course on ‘Social Enterprise’, adds Prof. Jiang.

Cultivation of social responsibility has always been one of the priorities of School of Management at Fudan University. According to Prof. Qingyun Jiang, it has integrated many concepts and practices of social responsibility within the school's curriculum. ‘There are not only courses centered on sustainable development, but cases on social responsibility are also introduced in other courses such as finance, accounting, marketing and supply chain, to mention but a few. For Prof. Jiang, the event has enriched both the content of the school's research and its teaching activities.



WALKING THE TALK WITH ITS STUDENTS

But that is not all. Not content to bring academia and the professional world together for the benefit of CSR, School of Management Fudan walks the talk by actively proposing extra-curricular projects to its students for the benefit of the common good. These include poverty relief initiatives, voluntary teaching in remote mountainous areas and caring for the aged. 'This,' states Prof. Jiang, 'encourages undergraduates and postgraduates to step out of campus and shoulder social responsibilities. There are also many student organisations and associations focusing on social responsibility in Fudan University, the school's parent institution.'

School of Management Fudan's students will become China's future professional managers, senior executives and entrepreneurs after graduation. For Prof. Qingyun Jiang, without awareness of social responsibility during their studies, students wouldn't recognise and undertake CSR practices in their future careers – all the more a reason why the school's philosophy and practice maintains its link to social responsibility and counts on keeping the "ai Social Value Co-creation" Outstanding Corporate Social Responsibility Practices in China event resolutely on the yearly agenda.



Qingyun Jiang

THREE ASIAN DRAGONS INNOVATE IN BUSINESS EDUCATION



Hirokazu Kono, Professor and Dean of Japan's leading business education institution **Keio Business School**, shares the story of the flagship China-Korea-Japan (CKJ) initiative that brings students and professors from three countries into contact with the Asian way of business and management.

DOES ONE-SIZE FIT ALL?

Business and management education, not to mention practice, has long since been shaped by Anglo-Saxon models and thought-leaders. This 'western approach' assumes that the same strategies and processes can be applied wherever business is

conducted and whoever the stakeholders are. But to what extent is the 'one size fits all' approach a truism? While acknowledging the contribution of western schools of thought and practice, Hirokazu Kono, Professor and Dean of Keio Business School, Japan, also highlights the unique and oftentimes very different ways that managers and executives

in Asia conduct their business and run their companies. As Dean of KBS, professor Kono oversees a singular initiative that each year brings together three schools, three Asian cultures, their students and faculty on a journey to learn the specificities of business and management in China, Korea and Japan – the CKJ initiative.

Temporality is just one dimension of the cultural difference in western and Asian approaches, perhaps epitomized in the history of the CKJ initiative itself. The long-term is given priority, and the passing of time tends to be seen as beneficial in both creating the necessary trust for greater things to occur, and also for ideas to be tested, assessed and tweaked as required. 'The China-Korea-Japan initiative,' states Hiroyasu Kono, 'was the brainchild of two former deans of Keio Business School and Tsinghua School of Management, China, who then brought a third reputed school into the initiative - KAIST College of Business in Korea. The initiative has been in operation since 1998, although for the first five years of its existence it consisted in yearly faculty workshops between the three schools.' The faculty workshops brought together leading academics to foster joint research projects among the three countries and several papers were published as well as a number of case study materials specifically dealing with the Asian approach to management and business operations. This first step enabled sufficient trust and working methods to be understood and five years ago the decision to widen the initiative to the students of the three schools was taken.

'If we say that management is management and business is business,' asserts Dean Kono, 'then there is no need to distinguish an Asian way. But if we go into the in-depth analysis of Japanese, Korean or Chinese companies, there are several differences from the so-

called western way of management. For example, there are many small-to-mid-sized companies in Japan, mainly owned and run by families. In many instances, management practices will be strongly influenced by these family ties and hierarchies and indeed, many members of the family will also be running other companies at the same time. The aim of these firms is slightly different from being only for-profit, but will instead focus on more long-term perspectives, consistency, survival, and legacy for the next generation. Moreover, on a micro-level, decision-making and delegating processes are different given the family nature of these firms.'

THE CKJ INITIATIVE

In its present set up, the China-Korea-Japan initiative is built on three pillars - a faculty workshop focusing on issues relating to Asia and its policies, concerns and management practices, as well as relationships with Europe or the USA; a second pillar being sessions dedicated to the presentation and discussion of individual or joint research in areas such as finance, accounting, marketing and HR operations. The third pillar consists of student awareness of the Asian approach to business and management, crowned by a field study trip in one of the three countries.

This brings together thirty-six MBA students - twelve from each school - in an intensive week of study and discovery in a host country. A key aspect is that the stu-

dent field trip takes place on a rotation basis between China, Korea and Japan, with the 2018 event being organised by Keio Business School. A different theme is selected after discussions between the participating schools, the theme for 2018 being hospitality and the service industry - an astute choice given Japan's selection to be the host of the 2020 Olympic Games. 'It was one of the reasons why we chose this theme,' recognises Dean Kono. 'The Games will obviously be a high-profile event for Japan, and an opportunity for our students to study the existing and future infrastructure in terms of restaurants, hotels and Japanese Inns and the services they provide. With the planned development of a large complex on the outskirts of Tokyo, built on the site of its famous hot water springs, the CKJ initiative will provide input and feedback to the developers from a Japanese and Asian perspective on welcoming Chinese, Korean, Japanese and international visitors to the Games.' Moreover, while attending lectures at the KBS campuses, the thirty-six students will stay on-site at the Japanese inn to complete their study.

THREE ASIAN DRAGONS SHARE SIMILARITIES AND DIFFERENCES

The CKJ initiative is open to MBA students studying at the three schools regardless of nationality - meaning that western students admitted to the schools' MBA programmes can also participate. The week's blend of study and discovery includes visits to six companies, lectures, discussions with CEOs and a business and management analysis project. The lingua franca used is English, though similarities between the three languages - Chinese, Japanese and Korean - mean that students often hold discussions in these languages when spending time together in their project teams. For Dean Kono the experience is as much about students becoming aware of their differences and similarities as studying Asian management practices. 'At the beginning of the experience,' states Kono, 'students from Tsinghua and KAIST view Japan as a different country with different business models and a different culture. But when we go to visit companies and begin an in-depth analysis of them, then students move on to an awareness that there are both things that are different and things that are common between our three coun-



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tries. This aspect – going into companies and observing everything from the shopfloor to senior management – is essential,' says Dean Kono. 'Lectures alone – even from famous faculty – are not enough. Students have to visit actual sites and look at things with their own eyes – and then their eyes can be open to see similarities and differences. That leads to the next step of mutual understanding. In the end run, their mindset, passion and understanding are the essential goals of the CKJ initiative.'

Given the hotly disputed places available on the CKJ, the idea that students are selected through top performance and results immediately comes to mind. But it may just be a cultural lens that provides this pre-

conception, for surprisingly Dean Hirokazu Kono states passion as being the most important factor. 'Of course,' he asserts, 'the wider objective is to nurture business leaders from this region and initial selection to the MBA is very tough. But enthusiasm – passion – is very important when applying to have a place on the CKJ initiative. If you have passion, you have interest – and when you have these you are capable of going very deeply into a topic and resurfacing with an understanding of things that bring cultures and approaches together and things that may make us different, but which can be both a source of new ideas and acceptance. If we return to language, for example, Chinese and Japanese have many similarities in terms of words and pronunciation, but at the same time there are many areas where we have relatively large differences in way of thinking. Even coexisting in one geographical region, China, Korea and Japan have big differences but at the same time a similar global approach. Step back and view the bigger picture – the globe – and there are also natural differences but also similarities. This is the perspective required of today's global business leaders.'

A SHARED FUTURE

Forming mixed teams and graded on their business analysis presentations at the end of the week before a figure from the corporate world, Dean Kono acknowledges that there is a noticeable change in students' mindset at the end of the CKJ field study trip. Future developments in the CKJ initiative may incorporate CKJ executive education or even a double or triple-degree consortium between Keio Business School, Tsinghua School of Management and KAIST College of Business. This means going through the Japanese, Chinese and Korean governments for presentation of the project and authorisation. 'There are some hurdles,' comments Dean Kono, philosophically, 'but the steady, step-by-step approach is important.' In this, there is an echo of the Asian vein of patience over time in order to reach a goal. 'Mindset or passion towards the future of business is very important,' he continues, 'in addition to knowledge and skills. And the CKJ way of collaboration can enrich these. Many of the students will eventually end up working in China for Japanese companies in the import-export and trading field or banks. They even start up their own companies to create bridges and business between Japan, China and Korea. Even coexisting in one geographical region, the three countries have big differences but at the same time a similar global approach. Step back and view the bigger picture – the globe – and there are also natural differences but also similarities. This is the perspective required of today's global business leaders.'



**If you have passion,
you have interest – and
when you have these
you are capable of
going very deeply into
a topic and resurfacing
with an understanding
of things that bring
cultures and approaches
together.**





ANGLO-SAXON BUSINESS AND MANAGEMENT EDUCATION APPROACHES CAN DIFFER FROM THE UNIQUE AND OFTENTIMES VERY DIFFERENT WAYS THAT MANAGERS AND EXECUTIVES IN ASIA CONDUCT THEIR BUSINESS AND RUN THEIR COMPANIES.

THE LONG-TERM IS GIVEN PRIORITY, AND THE PASSING OF TIME TENDS TO BE SEEN AS BENEFICIAL IN BOTH CREATING THE NECESSARY TRUST FOR GREATER THINGS TO OCCUR, AND ALSO FOR IDEAS TO TESTED, ASSESSED AND TWEAKED AS REQUIRED.

BECAUSE OF THE LARGE NUMBER OF FAMILY BUSINESSES, MANAGEMENT PRACTICES WILL BE STRONGLY INFLUENCED BY FAMILY TIES AND HIERARCHIES.

THEY TEND TO FOCUS ON MORE LONG-TERM PERSPECTIVES, CONSISTENCY, SURVIVAL, AND LEGACY FOR THE NEXT GENERATION AS WELL AS A STEADY, STEP-BY-STEP APPROACH TO DEVELOPMENT.

GOING INTO ASIAN COMPANIES AND OBSERVING EVERYTHING FROM THE SHOPFLOOR TO SENIOR MANAGEMENT IS ESSENTIAL.



Hirokazu Kono

CoBS *reader comments*



This is one of the best sites [for articles] I have ever visited. We all need to support women entrepreneurs in every aspect. The content is very informative. Thank you for sharing it.

Ashwin

These articles or blog posts are genuinely wonderful and I routinely move them on to my college students who're facing/struggling with exams and research competencies – they listen to you in a very way they really don't to me!

Moinc

Thanks for sharing this stuff, teaching innovation is one of the best points I found here, keep up the good work.

Best Regards.
Fek

This is inspiring and thought-provoking. As businessmen, we indeed need to learn to live with sustainability and mind and we should also learn how to respond to environmental emergencies.

Chelsea L

Hi, I like your articles every week. Your writing style is witty, keep up the good work!

Anon

I love the advice for students about fostering intellectual curiosity. It seems like this can lead to a love and passion for almost anything, especially the energy sector. My brother in law is very interested in futures trading. He's looking into energy market reports.

Jake G

I absolutely love your blog and find a lot of your posts to be what precisely I'm looking for. I wouldn't mind publishing a post or elaborating on a lot of the subjects you write regarding here. Again, awesome blog!

Rudolphe H



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