

PANMURE HOUSE PERSPECTIVES

Developing tomorrow's business leaders for tomorrow's markets

ISSUE 1 AUTUMN 2017



[OUR WORLD IN A WHIRL]

RADICAL INNOVATION

is the only way to bring the joy of life to billions more on our planet. Professor Richard Williams explores.

DWELLING ON THE SPIRIT OF SMITH:

The regeneration of an iconic address

MATERNITY MATTERS:

Improving health care in Afghanistan

SELAMAT PAGI:

A Malaysian campus welcome

HONG KONG'S VETERAN BANKER:

Exclusive interview with Sir David Li

Why Panmure House Perspectives?

AN INTRODUCTION FROM PROFESSOR HEATHER MCGREGOR



elcome to the first edition of *Panmure House Perspectives*, the new international business journal of Edinburgh Business School, the graduate school of business of Heriot-Watt University.

Panmure House, a residence in Canongate, Edinburgh, was the final home of Adam Smith, where he lived from 1778, undertaking the extensive revisions to his famous work, *An Inquiry into the Nature and Causes of The Wealth of Nations*. It is also where he died in 1790. We purchased this iconic house in 2008, and have been working to restore it ever since. It will open in the autumn of 2018 and, now that the project is drawing to a conclusion, it seems a highly apposite time to launch a journal that bears its name.

By the standards of the time, Adam Smith (1723-1790) was both cosmopolitan and well-travelled. His teaching tour of Europe gave him an international perspective which informed his thinking about enterprise and competitiveness. He also shied away from the ivory tower image of an academic: maintaining an open and constructive dialogue with senior figures from the leading organisations of his day. He was one of the towering figures of the Enlightenment in Europe who questioned the concepts of human morality and interrogated the truth. It seems natural therefore that Heriot-Watt University should become the custodian of Panmure House.

The very foundation of our university in Edinburgh can be traced back to similarly close relationships between academia, industry and innovation.

In the year that we have been recognised as the Sunday Times International University of the Year, there can be no doubt that Panmure House will continue to feature as a fiercely international venue for discourse about the social and economic dimensions of world trade.

This journal will appear twice a year, and will showcase the best research undertaken by our doctoral students, as well as interviews with major global business figures, and the viewpoints of leading academic figures from our own university and beyond.

I am delighted that this launch edition features a major piece by our Principal and Vice-Chancellor, Professor Richard Williams, on the need for radical innovation, and an exclusive interview with Sir David Li, the CEO and chairman of the Bank of East Asia, reflecting on the economic miracle that is China. When Panmure House opens in 2018 you will be able to come and look out of its windows and admire the perspective that Adam Smith himself saw from the same standpoint in his library. We're sure it will be inspirational for many. In the meantime, I hope that you enjoy reading this launch issue.



PROFESSOR HEATHER MCGREGOR
Executive Dean

**PANMURE HOUSE
PERSPECTIVES**
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Panmure House Perspectives is a twice-yearly publication reflecting on modern global business and the continuing relevance of Adam Smith. Smith's former home – Panmure House, near Edinburgh's Royal Mile – is being restored by Edinburgh Business School as a place of learning, research, reflection and international fellowship.

ISSUE 1 AUTUMN 2017

Faced with a chronic shortage of skilled workers for his clock-making business, Robert Bryson helped found the world's first mechanics institute in 1821. Initially running classes in the evening to allow those in work to acquire new skills, the ethos of the institution we now call Heriot-Watt University was forged as a place close to industry and where career prospects could be transformed. As Heriot-Watt University prepares to celebrate two centuries of research and education, it seems timely to reflect on the university's place in the world.

As the first university to win the Sunday Times International University of the Year award, it is clear that there is something distinctive about Heriot-Watt. Aspects of our mission remain unchanged. Our desire to foster close links with industry and to supply skills to the economy is undimmed. Our belief in the transformative power of education remains unwavering. However, Robert Bryson might be surprised at other aspects of today's Heriot-Watt. With campuses in three countries and students in many more, the international reach of the university is striking. Since launching two years ago, the number of Heriot-Watt students taking up the chance to move between our three campuses via the Go Global programme has grown rapidly. From our deep Scottish roots, a genuinely international university is emerging.

Originally, our student community was restricted to those living in and around Edinburgh. Today, we comprise a vibrant and diverse community of students and staff. The globalisation of higher education means that many other universities also welcome international students. But Heriot-Watt is one of only a

handful of multi-campus, multi-cultural universities. We still create opportunities for those in work to refresh or expand their skills through our online programmes. The Edinburgh Business School has over 10,000 students studying in over 100 countries. This year, Heriot-Watt welcomed its first ever Graduate Level Apprenticeship students, creating a new pathway to higher education for those in work and representing in many ways a reconnection to our founding mission.

We are also reshaping the way in which we deliver our research to address the challenges facing society.

Few of these challenges can be addressed by lone researchers working within the boundaries of traditional disciplines. As a result, researchers across both our campuses and our subject areas are collaborating in new ways. From robotics to energy and from smart fabrics to financial markets, our researchers are delivering solutions that make a difference. The excellence of our research has been recognised in a variety of ways and we are particularly proud of the impact that our research has had.

The university sector is changing fast. Pedagogy is moving toward blended forms of collaborative learning, the role of the lecture is being challenged, the nature of our student community is changing and private provision is on the increase. In an increasingly

diverse and global higher-education landscape, Heriot-Watt is well positioned to take advantage of the opportunities that our status as a multi-campus, multi-cultural, industry-linked university creates. As we approach our 200th birthday, we are already thinking about the next 200 years. ☺

Heriot-Watt's place
IN THE
world

Professor ROBERT MACINTOSH, Head of School of Social Sciences, Heriot-Watt University, explains why the university has a distinctive place as an international place of research and learning.

ROB. T BRYSON
EDINBURGH

Robert Bryson (1778-1852) was a famed Edinburgh clock maker. In 1804, he designed the rolling ball clock. Instead of a pendulum, this clock used a rolling ball to provide the timekeeping mechanism, which is on display in the National Museum of Scotland.

Be a MASTER OF YOUR OWN DESTINY



Scottish entrepreneur and Heriot-Watt University graduate GORDON MCKIE has been spending time in Asia winning customers for his count-by-weight cash machines. He speaks to Kenny Kemp.



"Cash is king" is the familiar adage in every business. For Cashmaster, an international business based in Fife in Scotland, and run by an entrepreneurial Heriot-Watt graduate, this statement couldn't be more appropriate. Selling its count-by-weight cash-counting technology systems around the globe, the company understands cash more than any other organisation.

Although digital payment and cryptocurrencies, such as bitcoin, make the news, cash is still supreme. In October 2017, the Bank of England's chief cashier Victoria Cleland stated, "cash is not in decline" in the UK and while digital payments are increasing, so too is the amount of cash being circulated. This is a global phenomenon, helping to drive the success of Cashmaster, a company run by Gordon McKie.

"I have spent the last nine months based in Hong Kong working on the Asian market, where cash is by far the most popular form of payment," Gordon McKie tells *Panmure House Perspectives*. "In much of Hong Kong and elsewhere in Asia, they haven't come across our technology before and they count cash manually, which is inefficient use of time. It's a territory where we can make a difference. There is a great deal of potential in Asia."

"Cash is growing around the world," explains Gordon's colleague Amanda Treend, Cashmaster's Director of Marketing and Product Development. "Everyone presumes that cash is declining because of credit cards and digital payments, but it is not. The difference our technology can make is quite significant. Depending upon the number of retail outlets they operate, we can save businesses hundreds of hours a week against time spent counting cash."

Chief Executive Gordon McKie explains his strategy. "We are very focused on Hong Kong and neighbouring territories. We are still doing a lot of work out here and raising our profile working with customers in a really deep way.

Our technical team in Scotland are spending around 45% of their time supporting the Asian sales team."

The latest Cashmaster One product, designed and made in Scotland, works with smartphone-style touch-screen technology, with a high-definition colour screen and a range of currency and language options.

"When you apply the way you do things with the mobile phone to our technology, it makes things so much easier. It is intuitive and requires minimal training. It is icon-driven and most people now use a tablet of some kind, so it has transformed the user experience making it much simpler," explains Amanda.

Cashmaster is now working with a number of clients in Hong Kong and Macau, including KFC who are now in the final stages of completing the integration of their cash-counting devices into their central financial function.

"This will help KFC manage their cash on a much broader level than just counting it"

Amanda Treend says Cashmaster would welcome applications from researchers or interns from Heriot-Watt University to help with applied business challenges.

"A major piece of work that we are undertaking is on 'transition planning' and how we help our existing customers move to the new touch-screen products. This has lots of complexity and it's an interesting supply chain project. We would welcome anyone from Heriot-Watt who might like to work with us on such a project," she says.

The machines can be calibrated to weigh all currencies, though accuracy depends on the quality of the currency itself. "We are about to weigh Taiwanese currency. We use a very super-precise scale called an Ohaus scale to undertake this work. On paper, the currency looks fine. But once it's been weighed, we'll understand how accurately we can count it by weight."

Cashmaster's customer base reads like a blue-chip *Who's Who* of high street retailers, supplying their machines to Starbucks, Aldi, Poundland, Tesco, Sainsbury's, Asda, and companies in the United States such as Dollar General, which has 14,000 stores, Walgreens, AT&T, Subway, and New Balance, the sports company. Even in the United States, it appears that younger customers buy their trainers with cash they have saved up or been given, rather than electronically.

In April 2014, Gordon McKie took over the Scottish firm in a management buy-in supported by Malcolm Offord of Badenoch & Co, a boutique investment house based in Edinburgh.

"This was a Scottish family business with an amazing product but it was something of a hidden gem. We've invested in people, premises, marketing and new products. We've taken the business into new markets, such as Hong Kong and Macau, and we are excited by the growth potential that lies ahead," says Gordon.

Earlier this year, Cashmaster moved from its original Rosyth offices in Fife to Dalgety Bay, where it has a new integrated office and production facility.

CAMPUS MEMORIES

Gordon McKie studied at Heriot-Watt University between 1975 and 1978 and earned a BA in Accounting and Finance, before training to become a Scottish chartered accountant, gaining full ICAS qualifications. "The BA (Ord) Accounting and Finance was recognised as a great pathway into becoming a CA – and it certainly helped to make the first year of CA exams much easier than would otherwise have been the case."

How was his time at Heriot-Watt? "It was studying and socialising, maybe not in that order, and playing regular sport. Living in Edinburgh takes a bit of beating!"

Gordon played football for the university in the competitive East of Scotland league and on the Wednesday afternoon inter-university league.

"During my time, I met a great bunch of pals at Heriot-Watt and we have remained very close ever since despite the passing of time. Indeed, we even hold an annual golf reunion to keep in touch," he said.

Are there any inspirational Heriot-Watt teachers who made an impact?

"That has to be Professor Niall Lothian who taught us well. At the time, he was one of the senior lecturers and his classes were always lively and informative. He has since gone on to great things with ICAS and the accounting industry. Indeed, after many, many years, I met him recently here in Hong Kong and we had a really good nostalgic evening with a couple of other CA chums who are based here."

Gordon's career took him into banking, a stint with Sir David Murray, then a spell as chief executive of Scottish Rugby Union, chief executive of the Hong Kong FA, before his bid to take on Cashmaster.

CAMPUS PERSPECTIVES

Fashion *guru*

The iconic fashion designer who changed the face of the high street has given his good wishes to this new publication, *Panmure House Perspectives*.

Professor George Davies was at the Edinburgh campus to deliver a fashion MSc masterclass and share his expertise on an industry he has helped shape over many years.

He said: "It was a great pleasure to meet and talk with the students, all of whom were extremely engaging and demonstrated a genuine interest in the retail industry.

"Their enthusiasm was clear to see and that will help them in life. The fashion industry never stands still and it's important to always strive to improve."

"These students are doing just that and I wish each of them well."

"I look forward to reading the university's new publication and wish it every success. I hope it is a hit with students and those interested in the incredible range of work going on at the university," said Professor Davies.

The philanthropist and long-time donor to the university is known as the man behind George at Asda but has also produced collections for Next, M&S and his latest creation, FG4. He helped to establish the MSc International Fashion Marketing course at Heriot-Watt University in 2005. 🌟

Challenge shortlist

Edinburgh Business School students from the Heriot-Watt University Malaysia and Dubai campuses took part in a prestigious AECOM innovation Global Challenge in 2017.

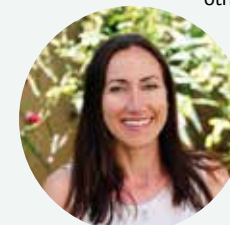
In August 2017 AECOM announced five winning teams from its first Global Challenge program and one of these was the team which included students from our Malaysia campus. The 2018 annual Global Challenge of AECOM (one of *Fortune* magazine's most admired companies 2017) is an open invitation to employees to propose innovative solutions for complex challenges. From the entries, a shortlist of 25 is selected to develop a business plan with support from teams of MBA and Law students drawn from business and law schools around the globe. 🌟

FIT FOR SUCCESS

Recent MBA graduate Heather Ashley has won the ASB 2017 National Business Awards for Most Innovative Start-up of the Year.

Heather, the founder of Heather Ashley's Health and Fitness, was recognised by the Association of Scottish Businesswomen (ASB) for applying innovation in business.

"My business was built from a passion to help others achieve their health goals with a new approach to weight, stress, energy and sleep management. As we're all unique, our transformational coaching programmes are too," said Heather. 🌟



MY BUSINESS WAS BUILT FROM A PASSION TO HELP OTHERS ACHIEVE THEIR HEALTH GOALS WITH A NEW APPROACH TO WEIGHT, STRESS, ENERGY AND SLEEP MANAGEMENT."

MBA FOR ENTREPRENEURS

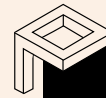
Edinburgh Business School has welcomed its first cohort of students for the on-campus MBA focusing on entrepreneurship.

The new one-year programme sees students study in Edinburgh for the first term before spending six weeks at the Dubai campus then heading back to Scotland to complete the course, providing a truly international MBA experience. Students visit world-leading

organisations, including DP World and Emirates, attend skills workshops and are assigned a business mentor to produce an investor-ready business plan.

Charlie Bingham, who started the full-time MBA in September 2017, said: "I decided to do an MBA to complement my business experience and get me ready to start my own business. I chose Heriot-Watt because of the course's

entrepreneurial focus. It combines theoretical teaching with extensive examples from business and features interaction with many companies. It is an ideal way of gaining insight into strategies that work and those that don't. In addition, I am studying with students from across the world (14 countries in all) with different experiences and business ideas – we learn a lot from one another." 🌟



Adam Smith 1723 – 1790

- 1723 | Born in Kirkcaldy, Fife. His exact birthday is unknown but his baptism record is 5 June.
- 1729 – 1736 | Educated by private tutor before attending local burgh school.
- 1737 – 1740 | Enters University of Glasgow aged 14.
- 1740 | Post-graduate studies at Balliol College, Oxford.
- 1748 | Began delivering lectures at University of Edinburgh under patronage of Lord Kames.
- 1751 – 1763 | Professorship at University of Glasgow. Professor of Logic and then Chair of Moral Philosophy.
- 1759 | Publication of *The Theory of Moral Sentiments*.
- 1764 | Two-year tour of Europe, mainly France. Returns to Scotland. Begins work on *The Wealth of Nations* in Kirkcaldy.
- 1776 | *An Inquiry into the Nature and Causes of the Wealth of Nations* published in five volumes.
- 1778 | Moves to Panmure House in Edinburgh and becomes commissioner of Board of Customs on £600 a year salary. His household includes his elderly mother, Margaret Douglas, and his cousin, nine-year-old David Douglas, his designated heir.
- 1784 | His mother, Margaret, dies in her ninetieth year.
- 1790 | Adam Smith dies in Panmure House on 17 July.



ancient stones could talk, what would they say about Adam Smith and what would we learn about his final years at Panmure House, his Canongate mansion in Edinburgh?

Lord Cockburn, writing in *Memorials of His Time* about the funeral of Smith's friend, the philosopher Dugald Stewart, 30 years after Smith's death, said: "[Stewart] was buried in the north-west angle of the Canongate churchyard ... I could not resist going to the Calton Hill, and contemplating a ceremony which awakened so many associations. The very Canongate has a sort of sacredness in it. Independently of more distinct historical recollections, such as its once containing the residences of many of the nobility of Scotland, by whose titles its principal places are still marked, and its being the avenue to [Holyrood], Parliament House, and the Castle, an interest is imparted to its old ridgy back and smoky chimneys by the still unchanged houses of Smith, Kames, Monboddo, and of [Stewart] whose ashes were that day committed to its soil!"

TENANCY FROM 1778

Panmure House in the Canongate is being reborn. The 17th-century mansion dates back to 1691 when a house was built by Lieut-Col George Murray and sold to James Maule, the 4th Earl of Panmure in 1696. It stood in a quiet and pleasant courtyard from which, beyond a terraced garden, there stretched the soft green slopes of Calton Hill. Panmure sold the house to the Earl of Dalhousie who lived in this Scottish vernacular building before Adam Smith took up his tenancy in 1778.

From the sash-and-case window of the refurbished reading room on the first floor, with its tulip wood panelling, decorative plasterwork and its fine mantelpiece, you will see the circular window of Canongate Church, surrounded by its cemetery. It must have been a comforting sight for an increasingly malady-ridden Smith. In this room, we can imagine Smith would have been editing and refining his work, preparing for his own mortality. From his

home to the churchyard, Smith made his final journey five days after his death in July 1790.

Today, the repointed stonework, much of the original stone hewn from 17th-century Lothian quarries and hauled by horse and cart to the capital, is bright and golden, encased in lime mortar, with the sand brought from pits near Leslie in Fife. Behind this sensitive regeneration, visitors will find a modern building with steelwork, concrete, digital screens and cabling all exquisitely concealed behind the panelling, architraves and skirtings.

Panmure House today, with its sturdy walls, stepped gable ends and tiled roof timbers, would be instantly recognisable on approach to the distinguished philosophers, academics and other leading lights of the Scottish Enlightenment who would take tea with Smith. For too long this Canongate building, off the Royal Mile, was neglected and forlorn.

It was saved by a Category A-listing that prevented its demolition to make way for more 1950s apartments. An original plan was blocked by Historic Scotland and, after a public inquiry, Scottish Ministers overruled Historic Scotland and confirmed the project could go ahead. The planning application has been about securing consent to make modern changes to the building using appropriate materials. Edinburgh Council then consulted Historic Environment Scotland, the new conservation body, and the final scheme was approved and work began in November 2016.

REFINED LIVING

"The original house was T-shaped, but now it is L-shaped, with one of the wings removed many years ago," explains Martin Sinclair, the Project Manager for Panmure House. On the actual appearance, much is down to interpretation and a bit of guess work. "There is very little information about how the house looked in Smith's day, so the proposals are an interpretation rather than a pastiche of what the house was like," said Sinclair.



Dwelling on
the spirit of
Smith

The £3 million restoration of Panmure House, the historic home of Adam Smith in the Canongate of Edinburgh, is on course for completion in the first half of 2018. Kenny Kemp undertakes a tour with MARTIN SINCLAIR of Gardiner & Theobald to see how the work is progressing.



The whole building is only around 350sq ft in total, which gives it a very intimate and homely feeling for those who will be touching Smith's legacy.

► The visitor will enter through a new interpretation centre with panels explaining the writing and modern relevance of Smith's work, and an early copy of the original 1776 work, *An Inquiry into the Nature and Causes of the Wealth of Nations*, on display.

The walls, lined with opaque glass with digital screens behind them, will bring to life Adam Smith's writing. There will be presentation screens with rolling images explaining Smith's influence on society and economics.

Then the visitor will move upstairs to the two main rooms, the Reading Room, where it is hoped books from Smith's original library will be displayed, and the flexible yet cosy Lecture Room, on the floor above. The whole building is only around 350sq ft in total, which gives it a very intimate and homely feeling for those who will be touching Smith's legacy. There will be study spaces for visiting scholars to gather their thoughts and be inspired by the atmosphere.

"You can see by the state of the building that it has been altered many, many times over its life and as a result there are almost no features remaining from Adam Smith's time in the 1780s," explained Sinclair.

Before the present contract, there were two earlier phases of building work, one to improve the foundations, and another to repair the fabric of the building, ensuring that it was wind and water tight, and ready for the final phase of development.

A SPECIAL SPACE

"From the outside, the building actually looked complete, but inside it was far from it and there is a tremendous amount of work now being done to create this special space that reflects the life and times of Adam Smith, but can also function as a centre for thought and discussion inspired by Smith," explained Sinclair, a Partner with Gardiner & Theobald.

There will be study spaces for visiting scholars to gather their thoughts and be inspired by the atmosphere."

MARTIN SINCLAIR, THE PROJECT MANAGER FOR PANMURE HOUSE



Above (clock-wise): A caricature of Adam Smith; an inscription on the Edinburgh Close leading to Panmure House; a view from the Panmure House Library towards Canongate Church, where Smith is buried; and Martin Sinclair, the Panmure House Project Manager. Pictures: Kenny Kemp.



Windows on the world: The renovation of Panmure House in Edinburgh nears completion



Smith's beloved mother: Margaret Douglas



A portrait of *Smith's mother*



BENNY HIGGINS, the Chief Executive of Tesco Bank, Group Strategy Director for Tesco PLC, and Chairman of the National Galleries of Scotland (NGS) board of trustees reflects on a portrait of Smith's mother, a copy of which will be displayed in Panmure House.

Soon after his twenty-first birthday, Adam Smith wrote to his mother from Balliol College, Oxford, to say, "I am quite inexcusable for not writing to you oftener. I think of you every day ..."

Smith's mother, Margaret Douglas, was, so far as we know, the only woman in his life. Affairs of the heart were displaced on his journey by other passions, such as buying books. The physical image of Adam Smith is obscured by his reluctance, unlike the other giants of Scottish Enlightenment, to sit for Raeburn or Ramsay.



I am quite inexcusable for not writing to you oftener.

I think of you every day ..."

ADAM SMITH

LOVE FOR MARGARET

He did, however, commission a fine portrait – attributed to Conrad Metz – of his mother. This work will have pride of place in Panmure House. Smith is commonly identified as the father of modern economics and capitalism. In fact, he never used the word "capitalism" directly and would be considered by scholars as a philosopher first and foremost. Furthermore, he is often caricatured as a libertarian by those focused only on laissez-faire economics, but his paramount interest was the functioning of a just society. Following his mother's death, he wrote to his publisher, William Strahan, on 10 June (curiously my mother Molly's birthday) 1784 saying, "I must say to you, what I have said to other people, that the final separation from a person who certainly loved me more than any other person ever did or ever will love me; and whom I certainly loved and respected more than any other person (...) as a very heavy stroke upon me". It's challenging to find something in common with one of the finest minds in the history of intellectual pursuits. In this case I have: he loved Margaret and I love Molly.

OBSERVANT PORTRAIT

There is not much known about the portrait painter. According to Smith's biographer Nicholas Phillipson, Adam Smith wanted his mother's portrait to be on the wall of Panmure House. "One of the first things Smith did was to adorn it with a newly commissioned and observant portrait of the formidable Mrs Smith by a visiting painter, Conrad Metz."

According to the British Museum, Metz (1749–1827) was a German-born engraver and painter who was a pupil of Francesco Bartolozzi, an Italian-born engraver in London in 1781. Metz's reputation was as a master engraver rather than a major portrait painter of his time. The original painting can be seen in Kirkcaldy Galleries, Fife, and belongs to Fife Council. 🏠

In addition to Gardiner & Theobald, the wider team involves EK JN architects from Linlithgow, structural engineers Robertson Eadie, mechanical and electrical services engineers EDP Consulting, quantity surveyors Thomson Bethune and Maxi Construction Ltd, the main contractor.

Brian Waters, the Site Manager for Maxi Construction, is a Heriot-Watt University graduate, having studied structural engineering and architectural design from 2000 to 2004. "I've been here since the start and I'll be here until the finish. It's been a very interesting job and I feel as if I've come full circle from graduation to working on this project for the university." Previously, he was involved in the refurbishment of the Botanic Cottage in the Royal Botanic

Garden, Edinburgh a regeneration rebuilding project of a similar vintage.

The final member of the external team is Addyman Archaeology, who carried out an archaeological investigation of the site before the current works commenced. These investigations discovered a number of significant archaeological finds, including the remains of a medieval kiln.

The work is on schedule for completion in April 2018 when it will be handed over to Studio SP to complete the interpretive fit-out in preparation for opening in the autumn.

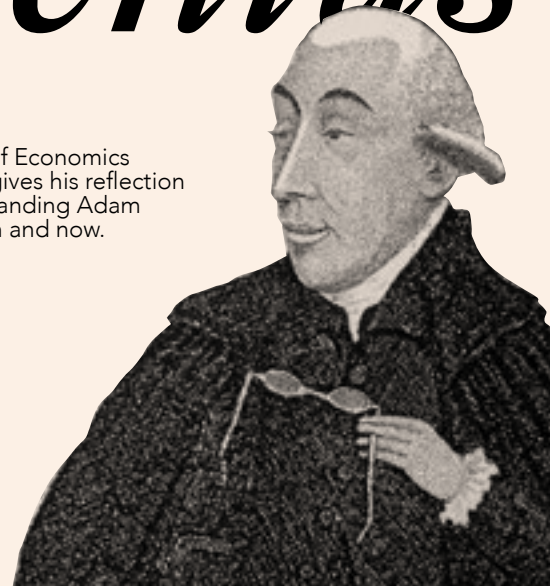
In this ancient city, where the ghost tours ply tourists with tales of ghouls and apparitions, surely the ethereal and kindly spirit of Adam Smith will dwell in this wonderful new place. 🏠

The timeless lessons of

an 18th-century • genius



Professor of Economics
NEIL KAY gives his reflection
on understanding Adam
Smith, then and now.



NEIL KAY is a Professorial Fellow at Edinburgh Business School, Heriot-Watt University, Edinburgh. His most recently published research paper is: *Driving innovation through ambidextrous service provision - long cycle products in manufacturing contexts*, with Nusa Fain and Beverly Wagner.

living in Panmure House and the Edinburgh he observed was a rich stinking broth of philosophers and paupers, charity and corruption, affluence, and effluence.

INNOVATION IS HIS THEME

All that and more is reflected in Adam Smith. While his *Theory of Moral Sentiments* devotes its first five chapters to analysing human sympathy (what we today might call empathy), *Wealth of Nations* plays yang to its yin and focuses more on the pursuit of individual self-interest.

A modern reader might grant all that, and still complain that today we tend to see actual wealth of nations as a consequence of new infant industries, invention and innovation, processes of development and diffusion. Where is all that in *Wealth of Nations*?

In fact, just as venture capital today provides fuel to nurture Silicon Valley start-ups, so Scotland in the 18th century was a hotbed of financial innovation in areas like overdraft facilities and insurance. These issues can seem mundane and commonplace today but they would later help grease the wheels of the modern industrial machine. Innovation runs through *Wealth of Nations* with narratives outlining such things as the replacement of metal money by banknotes, the developing role of the banks underpinning trade and industry, the first two public banks in Scotland in 1695 and 1727, and the spread and diffusion of retail banking.

Also, Adam Smith's Scotland was a consequence of the historical turmoil and backwash that followed a disastrous speculative venture (the Darien Scheme) to set up a Scottish colony in the Isthmus of Panama in 1695. It had bankrupted many Scottish investors and businesses and was a major factor behind union with England in 1707. Appropriately, the pages of *Wealth of Nations* are awash with stories (and warnings) about speculation, risk, bank runs, bankruptcy, "foolishness" in trading relationships, the need for better regulation, "undertakers" (i.e. entrepreneurs), and the importance of trust – how to win it, and how to lose it. These are lessons that would have been good to heed before the 2008 financial crash.

Adam Smith's accounts of innovation, invention, success and failure captured fleeting moments in time. But these same chronicles with their human qualities of virtue, vice, genius and frailty (and how to facilitate the good and mitigate the bad) also leave timeless lessons from history. ☺

Poor Adam has been described variously as a prophet of the Industrial Revolution, of capitalism, of innovation, of free enterprise, of law and economics, and of private profit. To be frank, some of these labels smack of desperation. Calling him a prophet of free enterprise and of private profit is a bit like giving someone credit for predicting that it is raining now. He was not prophesying free enterprise and private profit, he was actually observing it happening all around him.

HE WAS AN OBSERVER

And that is the key to reading and understanding Adam Smith and his relevance today. To describe him as a prophet is to do him a disservice. He was no prophet. He was instead a great observer, an analyst and dissector of behaviour and relationships. His preface to the third edition of *Wealth of Nations* reads precisely (and perhaps a little pedantically), "*the present state of things* means always the state of which they were during the year 1783 and the beginning of the present year 1784" (his italics). By then he was

// TO DESCRIBE HIM AS A PROPHET IS TO DO HIM A DISSERVICE. HE WAS INSTEAD A GREAT OBSERVER, AN ANALYST AND DISSECTOR OF BEHAVIOUR AND RELATIONSHIPS. //



Adam Smith is a giant of the Scottish Enlightenment but in many respects he can be difficult for 21st-century readers to get to grips with. To begin with there are not many portraits of him, reflecting perhaps his own glum self-assessment. "I am a beau in nothing but my books," he once remarked.

And while the occasional purple passage in his works can grab attention, his prose can seem heavy and leaden at times to modern eyes. Even the insights for which he is lauded are squirreled away in the deeper reaches of his works. His famous reference to the "invisible hand" is almost, well, invisible in *Wealth of Nations*; it occurs just once, about halfway through the book. Blink and you miss it. Before that, he does start off enthusiastically promoting the economic gains to be made from the division of labour, but after the first few pages the references become less frequent and he seems more interested in other issues, such as the workings of the 18th-century banking system in Scotland.

To complicate matters, the Industrial Revolution had still to take off. Instead the pages of *Wealth of Nations* reveal a preoccupation with pins and potatoes that can be difficult to connect with a post-millennium digital world. Perhaps that is why some writers have taken to describing him as a "prophet", as if it is up to the modern reader to decipher the gnomic messages encrypted in his more dense passages.



Only radical innovation – adopting deep-science, frontier engineering and new ways of learning – rather than incremental fixes will ensure the long-term survival of humankind on planet Earth, argues PROFESSOR RICHARD A WILLIAMS, Principal and Vice Chancellor of Heriot-Watt University.

Radical innovation, rather than incremental fixes, is the only sure-fire path to ensure the human race's long-term survival on planet Earth. While this might appear a grand statement for a new university publication, it is a fitting one because we must examine the provision of resources that are vital for future life itself. And the challenge that we are all facing is, how can we ensure these resources are secured for future generations so

they too can enjoy life without detriment to themselves, society and the planet? I believe we have a responsibility to endeavour to ensure that all citizens can enjoy life and this is a primary benchmark and motivation for scientists and engineers. Indeed, I define engineering as being the bringer of enjoyment to life, as it is through engineering we create new ways of living (transport, communications, energy, health care, food etc).

➤ This, I believe, is where Heriot-Watt University is well positioned to play a significant part in tackling these challenges and we must aspire to become leaders in this quest. Such a quest involves all academic disciplines spearheaded by the social sciences, since the business and societal barriers to adoption are key.

The twist in the challenge is that there is a massive demand for water, food, metals, minerals, and energy that is growing faster than ever before due to the global growth in human population. Across the world, we are all living longer while lifestyles and patterns of behaviour are changing. My own research poll shows that many of us want to live longer and healthier lives well beyond 100 years. To do so, we will end up consuming even more scarce resources. We need to work out how we resolve this conundrum.

While we must be positive, we have a responsibility to address these challenges. The solutions that we really need are not going to come from incremental research or from slight improvements, they need to come from radical innovations. Incremental discovery, usage mitigation, adoption of best practice is never going to get us to where we need to be. My belief is we must re-engineer the resources that we need for future life. Our engineering prowess and scientific solutions are at the heart of this future. The essence of engineering is so we can enjoy our lives. It is at the core of everything. Without engineering, there would be less joy in life.

OUR RESOURCE CHALLENGE

We face a great many issues in securing the future for the world heading towards 10 billion souls. By 2035, oil and coal are still likely to be important sources of energy, while renewables will play a much more dominant role. But it is unlikely that society's insatiable appetite for phones, cars, transport, travel, computers, sport and entertainment will be diminished. We need to recognise that our emerging internet of things (IoT) economy, driven by massive requirements for electricity, is far from being a green and sustainable one! The automatic association that 'going paperless and digital' is super-green and clean is often erroneous. Meantime, there will be massive pressure on the supply of bottled water, fruit, vegetables, grains, wheat and rice. Incremental



PROFESSOR RICHARD A WILLIAMS, the Principal and Vice-Chancellor of Heriot-Watt University, is an academician of the Royal Academy of Engineering and a Fellow of the Royal Society of Edinburgh.

 With Heriot-Watt's unique global footprint in the Middle East, Africa and Southeast Asia, we have an opportunity to work together, collaborating with developed and developing nations.

Learning from each other. We can attract the sharpest brains from different places and cultures to tackle the pressing issues."

PROFESSOR RICHARD A WILLIAMS, PRINCIPAL
AND VICE CHANCELLOR OF HERIOT-WATT UNIVERSITY.

improvements will give us short-term, resource-hungry fixes, such as battery management, improved solar devices and smarter meters. While these things might be good, they are only capable of small-scale benefit. They mask the real challenge.

In my view, the world faces a trilemma: climate change, pressures on fuel, food and water, and a poverty of natural resources with insecurity in the supply cost for each nation. Do we limit or ban all the energy-demanding things that make life worth living? Or do we re-engineer the infrastructure, so we can

enjoy life? As you might have guessed I think the latter approach is not only preferable but it is what society should expect from its scientists and engineers.

WHERE DO WE START?

There is a great deal of focus on this global topic with governments and institutions. Where do we start and what should we do? Many organisations are attacking global challenges including the World Economic Forum, Global Challenges Inc, the Global Challenges Lab, The X-Prize Organisation, the Royal Academy of Engineering and the

National Academy of Engineering (NAE). They all want to tackle fundamental challenges. The world has recently articulated the global sustainability goals but the pathways need to be created.

As an engineer, I'm interested in how the NAE has set out the key challenges. These are about advanced personal learning, making solar power and renewables cheaper. It's about the use of virtual reality, augmented reality and AI (artificial intelligence) and how can we reverse engineer the human brain for better health and advanced

learning. It's how we make medicines for the challenges ahead; how we use informatics to data mine; how we refresh and recreate infrastructure, including existing cities and new greenfield areas; how we provide clean and inexpensive water; how we generate energy from fusion; how we manage the nitrogen cycle to make soils more sustainable. It's how we prevent terrorists using calamitous weapons; how we develop carbon sequestration to continue using petroleum and engineer new tools for scientific discovery.

WE NEED TO SET OUT OUR AMBITION

If we accept the challenge to our world, and we must, then we have to courageously set out a clear ambition to determine that we will focus on radical innovation and large-leap improvements. If we don't aim for it, we are unlikely to achieve it.

The Climate Change Summit in Paris (COP21) back in 2015 culminated in a "Mission Innovation: Accelerating the Clean Energy Revolution". This was especially welcomed but what has happened? We all need to act differently to make differential change happen. Our current and future students must be part of the clean energy and resources revolution and we need to think broadly and consider how we actively encourage this and respond.

This is imperative. I also believe Panmure House will play a significant part in these discussions and forums. After all, Adam Smith was an advocate of big-picture thinking with people working creatively. His former home is an intimate and ideal environment where we can pull together small groups of like minds from across the globe to think, discuss, collaborate and look at the wider picture.

One of the wonderful things about universities is that our currency is ideas, developing leaders and making things happen. The innovation word is much abused, and we need to focus on its true meaning which is the outcome of bringing together a discovery (or invention) with an application to deliver an innovation, which is measured in tangible benefits to society.

LET'S APPLY RADICAL THINKING AT ALL LEVELS

With Heriot-Watt's unique global footprint in the Middle East, Africa and Southeast Asia, we have an opportunity to work together, collaborating with developed and developing nations. We can attract the sharpest brains from different places and cultures to tackle the pressing issues. Heriot-Watt University will strive to do this by delivering outcomes into the communities that need them and by accelerating the implementation of new ideas.

I also want to encourage our researchers, both staff and students, to think big and address real challenges rather than be satisfied with incremental solutions.

We need learners and researchers who are trained and equipped to chase outcomes not to chase marks. Is it the case that we too often give higher regard and marks to those who undertake low-risk, safe incremental research, rather than rewarding those who reach higher and more profound levels of understanding and

breakthroughs? If so, this needs to change. We have a responsibility to engineer the provision of resources to meet society's emerging needs.

Looking ahead then, I am certain our mission as a university will be to establish a more challenge-orientated approach to how we learn and to the development

of the curriculum. We need to raise ambition for deep-science and frontier engineering and blue-ocean business models, touching on all the disciplines within the university. And we need to foster our values of social responsibility around the world and develop social and commercial entrepreneurial skills. Let's focus on how we can meet the needs of future society. It must be radical because incremental will not do. As the famous Scottish scientist and engineer Lord Kelvin said, "When you are face to face with a difficulty, you are up against a discovery".

The themes of this article have been adapted from Professor Williams' inaugural lecture series in Edinburgh, Dubai and Malaysia.

Continuing overleaf:

**WASHING
WITHOUT
WATER:**

By 2025, two-thirds of the world's population will live in nations facing severe water distress. What radical innovation can allow us to wash clothing without water?

[SPIN CYCLE]

WASHING WITHOUT WATER:

MY CAREER has taken radical innovation in a number of ways. I have looked at different enterprises from research to start-up and finding the finance, as much as the technology itself. Three of these are: washing without water, running motor car engines fuelled by cold air, and finding new forms of energy systems. Specifically, if I address washing without water. By 2025, two-thirds of the world's population will live in nations facing severe water distress. Food production takes about half of our fresh water; drinking, industrial use and washing take the rest. Within this, the daily laundry uses up enormous amounts of water. In 1851, the first patented washing machine was sold and while it is more efficient today, the machine still uses massive amounts of water.

Can you wash without water? Well yes of course, it's called dry cleaning, but most people don't know how this works. In fact, it's a rather toxic environmentally hazardous process using organic liquids.

Surely there must be a better way? What a radical thought.

A textile science professor and a student at a previous institution, University of Leeds' School of Textiles, experimented with a process of polymer beads on damp clothes; the beads cleaned with great success, pulling out lipstick stains, grease and all kinds of dirt without use of water or detergent powder!

It was a spark of genius. This became the *Xeros process*: tumbling the garments

with the nylon beads. Xeros, founded in 2006, was much cleaner and the domestic washing machine industry was massively interested. The big players even wanted to buy the patents – and then close it down. Such was their deep concern. This was not what we wanted to happen and we began the commercialisation of the washing machine with bead development. However, it was hard to raise funds. While consumers liked the idea, the focus groups said they didn't want to buy one. There was a disconnect because people could not believe they could wash clothes effectively without water. Commercialisation was delayed and instead we began to move into the commercial laundry sector. *Time* magazine said it was *one of the 50 best inventions of 2010*. Since then, the take-up of the machines has been gradual but is now gaining pace, bringing massive benefits to the users. The machines are currently being used in a number of hotels across California.

The company is now floated on AIM on the London Stock Exchange. ☺

Find out more on:
www.xeroscleaning.com

READERS MAY BE INTERESTED TO KNOW THAT THE FULL CASE HISTORY AND OTHER STORIES OF RADICAL INNOVATION WILL FORM PART OF EDINBURGH BUSINESS SCHOOL'S NEW ON-CAMPUS MBA PROGRAMME.



What's on my Reading list?

DR LINA FADEL

Bedside Table

What books are on your bedside table at the moment?

Which bedside table? I have two with piles of books waiting their turn to be read (or to be read again)! One bedside table carries *Nausea* by Jean-Paul Sartre, the French existentialist and political philosopher who grapples with the really big questions of life while managing to tell a good story; *Their Eyes were Watching God* by Zora

Neale Hurston, one of the most prolific African-American woman authors of all time praised for her defiant and audacious writing style;

1984 by George Orwell whose political commitment, brutal honesty and clarity of writing are just mind-blowing; *Woman at Point Zero* (translated from the Arabic) by Nawal El Saadawi, an Egyptian feminist writer who has braved prison, exile and death threats

in her fight against female oppression in the Arab world. This is a major book in both feminist and postcolonial literary canons.

On my other bedside table, I am reading: *Perfume* by Patrick Süskind, a novel translated from German which explores the sense of smell and the emotional associations it evokes.



FAVOURITE NOVEL

What's your favourite novel?

Ah, the impossible question! No serious reader would be able to answer such an open-ended question or reduce their literary experiences into just one representative title. I read a decent amount of books every year, along with long-form journalism, news, etc. I might be able to answer a question such as "What are books that had, at the time, a major impact on you as a person or as a reader?"

Business People

What is the best business book in your view?

Can I just say 'ditto' to this question? There are many really good business books out there. I prefer the ones that contain real-life lessons inspired by real business women and men. I like *The Hard Thing About Hard Things* by Ben Horowitz (2014) which shows business people and entrepreneurs how they can succeed in the face of major challenges and stave off defeat.

MAGAZINES

What are the key magazines and publications that you can't afford to miss?

The Happy Reader Magazine, *Banipal Magazine for Modern Arab Literature* and *MSLEXIA* for women who write are among my all-time favourites.



TABLET FAN

Are you a tablet fan or do you prefer the feel of a well-produced magazine?

I do not own a tablet and am not a Kindle reader either. I have a paper brain; I like to deep and slow read on paper. I like to touch and smell books and I still swear by pen and paper. I trust neuroscience on that one!

CREATIVE BUSINESS

What would you recommend for young creative business people to read?

Creativity is in the eye of the beholder. Or was it beauty? Creative can be anything really. I would recommend *Jacque Fresco's The Best that Money Can't Buy* and *Randy Pausch's The Last*

Lecture for lessons in living that can be applied in the business world. In my view, these books do indulge your creative thinking. Also, magazines such as *Success*, *Forbes*, and *Idealog* are packed with good stuff.

WEB

What is the one creative website you can't live without?

There are many creative websites in my view but the truth is I can live without them all! I am the one with the

paper brain, remember? Having said that, I really like TED Talks; I am a lover of ideas, especially the novel ones worth spreading. TED does the trick! The Internet can be a stressful place, what with

Facebook drama, Twitter fights, photoshopped images everywhere, and negative news. But for every negative thing that happens on the Internet, there's an inspiring video or an incredible story

of kindness to uplift your mood. There's also laughter, lots of it, on the 'Laughter Yoga University' website! Now if laughter is not creative, I don't know what is. Laugh your way to a better you...

INSPIRING

Who has inspired you in your career? One male and one female please.

Different people inspire us at different stages in our lives. I think I'm inspired by qualities in people rather than by who they are; to me, it's about what they do and how they do it. I am truly inspired by those individuals who have used every ounce of their being to make a real difference in the world.



DR LINA FADEL is a member of faculty at Edinburgh Business School, specialising in organisational behaviour. She obtained a PhD in languages from Heriot-Watt University in 2015. Lina's expertise lies in research at the intersection of intercultural studies, semiotics, sociology, minorities in the workplace and refugee integration. Most recently, Lina has been involved in collaborative projects surrounding refugee integration in the UK including identity, visibility and linguistic and economic mobility.

The wise Leader

WHO HAS BANKED ON CHINA'S
TRANSFORMATION

SIR DAVID LI KWOK-PO, the veteran British-Hong Kong banker and politician who is Chairman and Chief Executive of the Bank of East Asia, which celebrates its centenary in 2019, speaks exclusively with Professor Heather McGregor, Executive Dean of Edinburgh Business School.



Visiting Sir David Li in his offices in Central, Hong Kong, is a lesson in modesty. The décor is more practical businessman than showman, and the welcome is simultaneously polite, and very warm. Intrigued by the speed and agility with which he has expanded the business in mainland China, I recently put some questions to this seasoned banker, whose business approach to the large, and rapidly growing economy on his doorstep has been very successful.

The Bank of East Asia will be 100 years old in 2019, and the BEA China subsidiary is 10 years old this year. The 19th National Congress in China has just concluded with the news that they will enshrine the “*Thought on Socialism with Chinese Characteristics for a New Era*” to the party constitution as a guiding ideology. China is front and centre of Sir David's plans for the future.



Professor McGregor: It feels like the perfect time to be interviewing you about the activities of the Bank of East Asia in China. In your interim report for 2017, you describe BEA China as ‘China's most local foreign bank’. What do you think are the prospects for China over the next decade and beyond?

Sir David Li: I am sure that it is no surprise to you that I am very optimistic about the future prospects for China. The leadership has managed the delicate balancing act of guiding the economy through a period of transition, and the country is on track to meet its goal to double the size of the economy between 2010 and 2020.

We have all read the reports in recent years that China's economic growth is slowing. That is only natural, given the present size of the economy. And these reports often obscure the fact that economic restructuring is succeeding. The private sector is now the most dynamic component of the economy, and Internet giants such as Alibaba and Tencent, and many smaller companies that may not be household names, are driving change. These companies are innovators, not just in the domestic market, but also globally. As a result, China is a market leader in new economy areas ranging from Artificial Intelligence (AI), to Fintech, to renewable energy. I have no doubt that China will continue to innovate in the years ahead, supporting sustained economic growth.

It is often said that challenges create opportunities, and I have seen time and time again that China treats every challenge as an opportunity.

Professor McGregor: BEA China had, at the last count, 30 branches and 77 sub-branches in 44 cities across the country, one of the most extensive networks of any foreign bank on the mainland. That expansion has happened very quickly. ➤



Sir David Li Kwok-Po was born in March 1939 in England. His Hong Kong Chinese father was a director of the Bank of East Asia, set up by Sir David's grandfather. Sir David, Chairman and Chief Executive of the Bank of East Asia, was appointed to the board in October 1987. He is a non-executive director of Guangdong Investment, the Hong Kong and China Gas Company, PCCW, San Miguel Brewery Hong Kong and Vitasoy International Holdings, all listed in Hong Kong. He is also a Director of Hong Kong Interbank Clearing. He was a member of the Legislative Council of Hong Kong from 1985 to 2012.

Adam Smith not only lauded the benefits of a capitalist economic system; he also warned of its shortcomings.

The rigour of his argument and his strong moral compass, have sustained interest in his work throughout the intervening years.”

SIR DAVID LI KWOK-PO

Sir David Li: Yes, we expanded our branch network very quickly after we became one of the first foreign banks to win approval to set up a local banking subsidiary in China a decade ago. But we started long before that. The modern history of BEA in China goes back to the early days of the reform and opening era, when we were part of the very first Sino-foreign joint venture company in 1979. We have been through many ups and downs over the years, but one thing did not change – our commitment to the market.

Professor McGregor: What advice would you have for other CEOs who would like to expand quickly in China?

Sir David Li: Earlier, I mentioned the dramatic shifts in the fundamentals of the economy. Market opportunities are constantly in flux, and the hot sector one year can quickly be superseded by another the next. Change is incredibly rapid, and you need to be able to anticipate change and deploy your resources accordingly, if you are to remain successful. Again, understanding the underlying trends demands a long-term commitment to the market – and constant vigilance.

Professor McGregor: You clearly have an interest in radical technology, and the power of technology to transform consumer banking. Has anything surprised you about developments in this field, and what do you think the banking of the future will look like?

Sir David Li: Technology is transforming banking worldwide. Over 90% of our banking transactions are now performed online. Our Hong Kong branch network is getting a digital make-over, expanding the range of digital services that we offer to customers. We shut down our retail brokerage outlets last year, and now handle all our share-trading business either online or by phone. These changes are very much customer-driven, as customers prefer the convenience and extended operating hours that our digital services provide.

What has surprised me most is that even I have learned how to use the mobile apps. I regularly check financial news updates on my smartphone. I am proof that anyone can make digital a part of their life!

We have a special technology lab where we test all our new hardware and software products before we roll them out. Not all innovations pass this hurdle, but those that do have been thoroughly reviewed for ease of use and utility.

The back end of banking will continue to evolve dramatically, not only to provide greater convenience to the customer but also to drive down costs and to meet the increasingly stringent demands of the regulators. On the other hand, banking is still very much a relationship business. That will never change.

Professor McGregor: Turning to education, which I know is a great interest of yours, the citation for your knighthood in 2005 mentioned your great contribution to British education, and I know that among many other initiatives, you established the Prince Philip Scholarship to allow Hong Kong citizens the opportunity to study, as you did, at Cambridge. Why is education so important to you?

Sir David Li: Together with a number of very generous supporters from the University of Cambridge and Hong Kong, I founded the Prince Philip Scholarship

in 1982. To date, we have supported 176 students to earn an undergraduate degree at Cambridge. Of all the things I have done in my life, this is the accomplishment that gives me the most satisfaction. What is particularly rewarding is that the scheme is now run by past recipients of the scholarship, who are able to share their insights with the applicants and help them make the best choices.

Every year, we hold a scholarship award ceremony in early September, before our new scholars leave for Cambridge. They each give a short speech about their plans and hopes for the future. They speak with such confidence, and with such high aspirations. It is in that moment that you see how very important it is that we nurture that hope, and support our young people in pursuing their dreams to the full capacity of their talents. That is why education is important to me.

Professor McGregor: And why do you think a British education is still so popular with people from all over the world?

Sir David Li: The high standards, sheer love of learning and international outlook of the UK are all important. That is why the Brexit vote is of concern to me. It reveals a more inward-looking Britain, at a time when the world is becoming a smaller place. What happens in different parts of the world affects us all, and the more open we are to a global change, the better.

Professor McGregor: You have been a great supporter of the project to acquire and restore Panmure House, the last home of Adam Smith. Do you think Adam Smith – a man who, after all, lived and taught and wrote in the 1700s – is still relevant today?

Sir David Li: Adam Smith is often referred to as the father of Economics. He was one of the leaders of the Scottish Enlightenment, a period of great intellectual ferment that gave us much of the basis for our modern-day views on human society. His unique contribution centred on the role of self-interest in promoting an optimal economic order, of the advantages of the division of labour, and the concept of the invisible hand – together providing the intellectual

underpinnings of capitalism. However, he did not only laud the benefits of a capitalist economic system; he also warned of its shortcomings. The rigour of his argument and his strong moral compass, have sustained interest in his work throughout the intervening years. I am delighted that we have been able to honour his contribution through the Panmure House restoration.

Professor McGregor: Finally, here at the Edinburgh Business School we have recently launched a new MBA programme for entrepreneurs and in 2018 will see our incubator launch to support and help those who are starting businesses. The business your grandfather started will be 100 years old in 2019. What advice would you have for people starting out now if they want to see their own business last that long?

Sir David Li: Whether starting a new business, or sustaining an existing business, you must anticipate trends and then provide the best response. My grandfather was a rice trader, not a banker, but he was one of the first to see that traditional Chinese moneylenders could not compete with Western-style banks. The Bank of East Asia was one of the first local banks to follow the Western model. We have seen many changes over the years, and I spoke earlier about the way we are bringing digital innovations into every aspect of our business. In business, you must always be questioning your model. To stand still is to fall behind. ☺

Illustration: Ellie Walker

Making poverty history

The alleviation of global poverty requires transformational change and a deeper understanding of how to empower and inspire those who subsist on less than \$3,000 a year. Heriot-Watt doctorate, **DR KEVIN SCHNEIDER**, undertook his research in Afghanistan where he examined the work of a life-changing health care initiative. He talks to Kenny Kemp.

A smiling ten-year-old girl sits on a rug in the shade beneath a tree. She wears a white scarf and has a coloured pen in her hand and is writing her name. She is one of eight

young female classmates enjoying lessons in a rural community centre and health clinic that is bringing vital services, along with English and computer training, and the empowerment of women in many rural Afghan villages.

Behind the headlines, work is going on to build sustainable communities and bring hope to a region that has known conflict and attrition for far too long. The community centre, supported by private donors and endorsed by the Afghan Ministry of Public Health, serves around 40 villages and all activities, including agricultural demonstrations, health education and computer classes, are coordinated with the sanction of a group of tribal village elders called a *shura*.

Dr Kevin Schneider, now the Director of the Office of Global Service at Oral Roberts University in Tulsa, is also a leading academic researcher into how to help alleviate poverty. It was through Heriot-Watt University and Edinburgh Business School that he gained his DBA in what is one of the most comprehensive pieces of research on the BoP (base of the pyramid) cohorts.

ABHORRENT HEALTH STATISTICS

Dr Schneider wanted to assess how well these rural community centres in Afghanistan were doing and it became the subject of his thesis: *Testing the BoP Impact Assessment Framework Through Assessing the Socio-Economic Impact of a Health Care Venture in Afghanistan*.

“Initially what got my attention was the level of poverty in Afghanistan. There are many organisations working in various sectors throughout the country, and I wanted to play a role in the international effort to rebuild the country,” he said. “For instance, if you look at the health statistics for Afghanistan prior to 2001, they were abhorrent. There was a seed in my heart that some day I might be able to help them.”

Through his connections with the United Nations, Dr Schneider, already armed with an MBA, worked with the Afghan Ministry of Finance in 2003 on a summer internship.

DR KEVIN SCHNEIDER is the Director of the Office of Global Service at Oral Roberts University, Tulsa, in Oklahoma, United States.



➤ “I really wanted to see how business could help alleviate poverty. So I was looking at aid and development in the country. For me, the need in health care is really gripping. Traditionally, the health statistics in the region were so bad. There was still a lot of need,” he said.

There was a great deal of international development going in, rather than charity and aid, which was helping to reconstruct the nation after the rule of the Taliban.

“There was a lot of capacity building for the government, because an internationally recognised government didn’t exist while the Taliban were in power,” he said.

It was then that he came across **Morning Star Development**, a development organisation working in the country. They had a vision for community centres that would empower rural villages through teaching English, computer training, and access to primary health care, explained Dr Schneider.

Morning Star Development became the focus for the Heriot-Watt University research study, and the results pertain to Tangi Saidan health clinic near Kabul, Afghanistan. Until the community and health centre was established the maternal health statistics were “abysmal”. There was a one-in-six-to one-in-nine chance of the mother dying in childbirth. Morning Star Development has focused on improving the health for mothers. The impact has been significant; trained medical staff perform deliveries in a proper delivery room, and there is antenatal care and information on nutrition.

MEETING PLACE FOR WOMEN

Three primary benefits emerged from the study: **lower health care costs, stronger relationships and safer health care behaviours**. Before, mothers-to-be faced transport costs to Kabul, loss of wages, accommodation and *nazrana*, which was money for gifts. Now, patients typically walk to the Tangi Saidan health clinic and normally do not miss any work. What emerged was that the centre became a second public meeting place in addition to the mosque. Because women are not allowed to visit the mosque, there was no central location in the villages surrounding Tangi Saidan where they could meet in public before the clinic was established. Therefore, the health clinic acts as the only public meeting place for women in the Tangi Saidan region.

Through Morning Star Development,

there was an opportunity for Dr Schneider to work in Afghanistan prior to beginning his doctoral studies, but it wasn’t the right time and he continued to gain his doctorate. Then in 2010, Dr Schneider encountered the new thinking around BoP and began discussions with Morning Star about whether he could work with them.

“I had to drill down to the area of focus and decided it would be the impact assessment which led to my doctorate Edinburgh Business School.”

Before returning to Afghanistan, Dr Schneider spoke with Heriot-Watt’s authorities to look at the risk-management of conducting research in Afghanistan, which was still a dangerous place for Westerners.

“One of the benefits is that Heriot-Watt has a lot of students from the Middle East and has a reputation as a leading research university, although there had not been a United States citizen doing this kind of field research in such a dangerous area. I’m delighted that they allowed me to do it,” he said.

The clinic is seen as a fundamental place in helping women play an important role in their male-dominated tribal society.

“Socially embedding an initiative in a community is important for venture success and requires building on the local market environment. Companies can accomplish this by working with local communities, building relationships and leveraging available human capital. For example, by working with local self-help groups that function on the basis of personal relationships, firms can build upon the one to one interactional market context,” recorded Schneider.

“Because the BoP literature provides little information concerning health care in Afghanistan, more detailed knowledge concerning the Afghanistan health care literature was required. For instance, utilisation, quality of care, patient satisfaction and cost are central themes within the Afghanistan health care literature that affect how assessment might be measured.”

Dr Schneider spent five weeks in Afghanistan conducting the interviews and running the focus groups. He went out in the field and pays special tribute and thanks to his Afghan assistant and translator who worked with him. “It was an intensive period in the summer of 2013.”

Before making the trip, he undertook a literature review of the health care industry



LOW INCOME: \$3–\$5 a day

Secondary education
Vocational skills
Construction workers, traders, drivers, low level staff

1.4bn people

SUBSISTENCE: \$1–\$3 a day

Poorly educated
Low skills
Day labourers, temp workers, helpers/assistants, in petty trade, migratory farmhands

1.6bn people

EXTREME POVERTY: < \$1 a day

Limited education
Lack of skills
Subsistence farmers, bonded labourers

1bn people



What is Base of the Pyramid (BoP)?

The emerging economic term is **BASE OF THE PYRAMID**, referring to global poverty. There are approximately four billion people living in the BoP demographic that earn less than \$3,000 per person per year, and it is estimated that the global market potential of the BoP market at five trillion dollars.

The BoP market is segmented into six different income brackets – from \$500 to \$3000 a year – and education, skills and needs can be identified within various segments. For instance, while families in higher income brackets may strive for higher education, better housing and access to credit, those in lower income segments face very limited educational opportunities and lack even basic necessities such as sufficient food and access to clean water.

Business needs to change its view of the BOP demographic looking on this cohort as “**value conscious consumers**” rather than victims or burdens to society.

“*Meeting the unmet needs of the poor is a market opportunity that can be served by private enterprise rather than merely a social responsibility that should be addressed through traditional development methods,*” writes Dr Kevin Schneider.

BASIC NEEDS FOR EACH GROUP

LOW INCOME:	SUBSISTENCE:	EXTREME POVERTY:
Higher education, better-paying work, good housing, access to credit, health care specialists	Improved sanitation, health care, access to credit, education	Lack basic necessities: sufficient food, clean water, adequate shelter

in Afghanistan and found that it was very sparse and primarily driven by public government organisations, such as the World Bank, or the World Health Organization. “But there were a lot of gaps, so it was very, very interesting. There are reports out there but putting it all together was part of my preliminary work,” he explained.

During the 1980s and 1990s, the majority of health care in Afghanistan was provided by NGOs that worked cross-border from Pakistan. There was no central health care policy in Afghanistan, and the delivery of primary health care services was extremely limited and unevenly distributed.

The Taliban then took control and dominated the political landscape starting in 1996. As a result of their rule, the Taliban moved Afghanistan backwards politically, economically and culturally. The successive wars killed over a million Afghans, forced several million people into exile and refugee camps and left almost a million people disabled. The destruction of core institutions and a war-torn economy led to extreme levels of poverty, illiteracy, gender inequality and a degenerated health care system.

This was the situation that the international community encountered in Afghanistan after the Taliban was driven from the country in 2001. The collaborative work, which included the World Health Organisation, UNICEF, and Afghan Ministry of Public Health resulted in the creation of the Basic Package of Health Services (BPHS), which forms the foundation of public health care policy in Afghanistan

In July 2010, foreign ministers and diplomats from 70 countries attended the International Conference on Afghanistan in Kabul which noted the peace initiatives of President Hamid Karzai. The communicate set out a pledge to secure peace, build a long-term electoral reform to create sustainability and a democratic Afghanistan and work toward the integration of women into all programmes.

Companies working in the BoP market

GILEAD – a global pharmaceutical supplier of antiretrovirals, has been very successful in targeting the low-income segment of the BoP market. The company has provided access to two of its patents to Indian and South African generic drug companies. Instead of charging a technology transfer fee, Gilead sought only a 5% royalty on the selling price of the generic versions of the drugs. This strategy provided Gilead quick access to BoP markets in Asia and Africa, and the company was able to reach more than 1.4 million patients by 2010.

Schneider found that while good governance, the rule of law, and human rights form the foundation of the strategy to achieve a stable and prosperous Afghanistan, the public health care system was not specifically covered by the International Communique.

GREAT STRIDES IN MATERNITY CARE

“There were a few NGOS working from Pakistan and it was such a difficult time under the Taliban. The International Communique has started to build up the health care system which in some ways is working and in other places not effective enough.”

Health care was being funded and rebuilt by the public sector. However, a significant private market emerged due to various gaps in the system. Public health care providers include formally established facilities such as hospitals, clinics, pharmacies and laboratories. In addition, many physicians have their own private practices, which may be in a small office or the physician’s home. Nurses, midwives and birth attendants may also practise in the private sector. Traditional healers, such as Mullahs, are even considered part of the private sector.

Primary health services include services such as routine physical examinations, diagnosis and prescription of medication. Basic maternal health services include antenatal care, delivery and postnatal care. Prescription and drug service providers diagnose conditions, prescribe medications and provide the drugs.

“Compared to having almost no previous access to health care, the public health care sector made great strides toward meeting the needs of women and children. However, on the quality of health care there were a great deal of reports of complaints about doctors not showing up or medicines that were unavailable and poor levels of care.”

“Some areas were providing better health care than others, but in general due to the significance of the emergence of the private healthcare system

there are gaps in the provision for those at the BoP. For more serious treatments, such as cancer or heart treatment many sick people had to fly to Pakistan or India and few could afford such treatment.

“The public health care system is ‘free’. It is not that people don’t have money. There are other countries where people may face a more challenging environment compared to Afghanistan. The poverty is acute but most people have access to agricultural land, and the extended family structure often pitches in to find the money to pay the fees.”

There are costs associated with travel and interesting cultural dimension called *nazrana*. This term refers to giving a gift, and in this context it is used to give money to ensure you receive more than the basic health care, although it is not viewed as a bribe. This collective society still works in Afghanistan.

Dr Schneider started with an MSc in strategic planning before proceeding with the DBA. He found it rigorous and relevant and “outstanding” working with Dr John Temperley, as his supervisor, and Professor Neil Kay, his academic mentor.

“I wanted to continue to teach as I was working on my doctoral studies. The Heriot-Watt programme was the best one I could find that offered a distance programme in strategic planning that I could work on and still keep up my teaching. I loved the programme. I like to tell people we live in a global world. I can teach in the United States, work on my doctoral studies through the university in Edinburgh in Scotland and do my original research in Afghanistan.”

Since then Dr Schneider has been appointed Executive Director of the Office of Global Service at Oral Roberts University, in Tulsa, which includes an international focus on examining global poverty. “It was difficult to leave the classroom and my research has been put on the shelf for the moment but the new position provides an exciting opportunity to lead transformational projects.” ☺


GLOBAL ALLIANCE FOR IMPROVED NUTRITION

(GAIN) – is an example of an alliance that comprises organisations targeting the extreme poverty segment. Organisations that are part of the GAIN alliance do this by addressing world hunger and malnutrition. Organisations collaborate with global food companies such as Unilever and Cargill to develop enriched food products, ensuring grains sold in various BoP markets in Asia and Africa are fortified with essential vitamins and minerals. ☺

The right stuff that matters

DO CUSTOMERS REALLY RESPOND TO BANKS THAT ENGAGE WITH CORPORATE SOCIAL RESPONSIBILITY? DR ARIS LAM FOUND THAT CSR PLAYS AN ESSENTIAL PART IN BUILDING CONSUMER TRUST.



 The first notable discussion of CSR was made by an American economist Howard R. Bowen (1953),

who coined and defined the term Corporate Social Responsibility."

The global banking crash in 2008 destroyed the reputation of some major financial institutions – and damaged the credibility of many more. Now a decade on, the impact and the fall-out are still being felt. Millions of customers lost faith in the banks and did not trust them to be looking after their interest.

Against this backdrop, Dr Aris Lam, who chose to undertake her doctoral thesis at Heriot-Watt in Edinburgh, decided to ask the question about whether corporate social responsibility (CSR) has a lasting impact in the banking industry.

With a background in marketing in banking and telecoms, she decided to look specifically at the three major Asian banks based in Hong Kong, the third largest financial centre in the world. She was determined to find out if corporate social responsibility and the good work that banks undertake indeed have a bearing on customer attitudes towards these banks.

Her fundamental question was ‘does corporate social responsibility contribute positively to customer attitudinal loyalty of the banks in Hong Kong?’

This was about a customer's preference for a company and their intention to continue to buy from or increase business with that organisation. This is a seminal question for Hong Kong where 93% of its GDP is in the service industry with banking the largest single contributor (9.7%) and one of the fastest growing sectors, employing 99,081 people in 2014. In a city of 7.3 million, there are nearly 160 licensed banks, including 70 of the top 100 largest global banks.

IS CSR PURELY ‘GREEN WASH?’

Working with Professor Stephen Carter at Edinburgh Business School as her mentor and coach, and preparing to carry out her survey, she undertook a full study of the existing literature on corporate social responsibility. She identified that the term was a vague concept until after the Second World War.

“The first notable discussion of CSR was made by an American economist Howard R. Bowen (1953), who coined and defined the term Corporate Social Responsibility in his book *Social Responsibilities of the Businessman*, where he asked and discussed what responsibilities to society businessmen should assume,” she wrote.

Since then there has been a host of studies of CSR to ascertain whether it does indeed bring shareholder value and increase profitability, or,



DR ARIS LAM is a Senior Lecturer at the Hong Kong Polytechnic University, School of Profession Education and Executive Development (SPEED). She gained her DBA from Heriot-Watt University in 2016.

more sceptically, whether it is purely ‘green wash’ and marketing spin that hides the sins of big business, and here she cited the recent Volkswagen diesel emissions scandal in 2015.

Nonetheless, more companies realise the strategic importance of CSR, among them many Fortune 500 companies. Based on data

from 261 companies, including 62 of the largest 100 companies in the Fortune 500, charity contributions in 2013 amounted to more than \$25 billion. Dr Lam's literature survey pointed out that corporate social responsibility has many facets, often related to business practice, philanthropy and charitable work, consumer service, and it was certainly viewed as an important factor in building an organisation's reputation as a trusted brand and leading service.

“The global financial crisis and the subsequent Occupy Wall Street (OWS) movement have made the financial sector more concerned about CSR, with bank CEOs from around the world who were concerned about government regulations; and their customers who were concerned about corporate ethics and conducts. More organisations realised they need to ensure that their business practices do not have an adverse effect on the environment or on society at large,” she reported.

MARATHON NOT A SPRINT

In many senses, the banking collapse of 2008 exploded some of the positive views about CSR and showed that banks in trouble paid scant attention to their responsibility to customers and did not treat customers fairly in the aftermath of what was an unprecedented blow to the system.

Dr Lam began looking at three multinational banks that were all listed on the stock market and all issuing banks for Hong Kong dollars in the Chinese city. The banks, Hongkong and Shanghai Banking Corporation (HSBC), Standard Chartered

Bank (SCB), and Bank of China (BoC), all have a range personal and business customers. She wanted to investigate the relationship between CSR and the perceived quality and trust and determine whether there was a link between this trust and brand loyalty.

Her work pointed out the research gap in this study of customers' reaction to CSR initiatives by banks and financial organisations. It was also clear that corporate social responsibility in Hong Kong was not as well established as it was in Europe or the United States, where banks had been actively talking up their social responsibility.

“Empirical studies have also suggested that Asian companies were less focused on CSR activities that relate to internal business practices, such as equal opportunities and fair wage structure, and Hong Kong companies focused more on charity and community service and environmental protection with less emphasis on stakeholder engagement,” she reported.

Her inquiry also made uncomfortable reading for the banks because her work showed that HSBC was either losing focus on its CSR strategies or unable to get the message across clearly to customers. Standard Chartered Bank, with half of the CSR resources of HSBC, showed similar levels of scoring.

“This indicated that SCB has utilised its CSR resources in an effective and efficient manner. The Hong Kong marathon, being the strategic philanthropic event that SCB has been organising for the past 20 years, has helped build up its CSR reputation.”



Less powerful people in the community tend to be more trusting,

and companies might want to make use of these characteristics to build better relationships with them.”

ARIS LAM / THE IMPACT OF CSR

➤ “Hosting a full marathon in a congested city like Hong Kong, with over 70,000 runners, including elite and top runners from around the world, is an annual mega event for all the Hongkongers, as evidenced by its ever-increasing number of participants, spectators and donations.

“It is a rare experience valued by HK residents, it cannot be easily imitated, nor is it substitutable with other sports events,” said Dr Lam.

Interestingly, BOC customers consistently gave higher scores, even though BOC was putting the least amount of effort into CSR among the three banks in the study. This phenomenon could be explained by BOC’s customers who opened their accounts when at secondary school, as well as homemakers, and mainland immigrants and HK people who might be using the bank for business purposes.

One of the outcomes of the research, which involved interviewing different cohorts of customers, was to suggest that those on lower incomes were more inclined to trust their banking institution, and those on higher incomes were less likely to believe everything that the banks said about themselves.

Younger and middle-aged customers, semi-skilled/unskilled labour and male customers appeared to be more lenient and positive towards companies’ CSR efforts and regular CSR communications should be maintained with them.

“Less powerful people in the community tend to be more trusting, and companies might want to make use of these characteristics to build better relationships with them and cross-sell different products to induce greater loyalty. Other customer groups (e.g. educated and working females, professionals, managers, entrepreneurs, etc.) might require more targeted CSR communications and initiatives to build a better CSR reputation,” she said.

In referencing the Hong Kong marathon, she said the strategic philanthropic approach of Standard Chartered Bank has “contributed to the sustainable competitive advantage of the bank”.

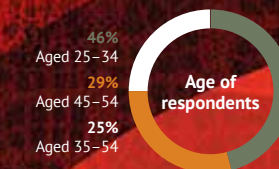
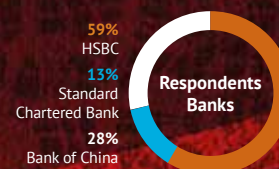


SOURCE:

The impact of corporate social responsibility on customer loyalty: A study of the banking industry in Hong Kong. Aris Lam.

Submitted for the degree of Doctor of Philosophy, Heriot-Watt University, Edinburgh Business School, May 2016.

Research results showed that CSR has contributed positively to trust and loyalty and hence can improve company performance.



Dr Lam’s CSR study was informed by a detailed questionnaire with research questions adapted from research studies of other scholars. The study data were extracted from qualtrics.com, and manual data input was performed by using Microsoft Excel. A total of 409 questionnaires were recorded, and these were cleaned and screened.

Of the 329 valid responses, 193 (59%) were customers of HSBC, and 44 (13%) and 92 (28%) were customers of Standard Chartered Bank and Bank of China respectively.

Among these 329 respondents, 124 (38%) were male and 205 (62%) were

female. The sample was slightly skewed to young adults with 151 (46%) aged 25–34, followed by the group of respondents aged 45–54 (29%), and those aged 35–44 (25%).

The respondents were mostly at middle to senior management levels, with 176 (53%) working in manager, administrator, professional and associate professional positions, followed by clerical and service workers (27%) and self-employed (8%).

Among all respondents, 216 (66%) had a relatively high level of education at degree level or above, followed by those with post-secondary education at diploma/certificate/sub-degree levels (21%).

She concluded that corporations are recommended to continue to beef up their CSR efforts because it makes a difference in customers’ purchasing decisions and referral decisions, and will determine whether customers will experience an emotional preference towards the brand.

Dr Lam’s research results showed that CSR has contributed positively to trust and loyalty and hence can improve company performance. The study closed some research gaps by providing greater understanding of the impact of CSR reputation on attitudinal loyalty, answering queries and creating insights for future theoretical model development.

“In the past three decades, empirical research was used to test the influence of CSR on loyalty and profitability, with most researchers confirming that CSR is conducive to loyalty and corporate financial performances, perhaps through building customer satisfaction, corporate reputation or competitive advantage,” she stated.

Dr Lam’s empirical study using a new model has taken the discussion to another level, providing valuable insights for all organisations seeking to link the needs of their various stakeholders with the requirements of the business. ☺

Illustration: Ellie Walker

Three degrees of commitment



What Heriot-Watt means to me:
DR ABDULKADER MOSTAFA

I was born in Cairo, Egypt, where I grew up in a middle-class family that consisted of a father (lawyer), a full-time mum and five kids. When I was younger, I also played professional football in the Egyptian soccer leagues as a goalkeeper. After graduating from university with a Bachelor degree in Accounting, I worked for Chase National Bank (currently CIB bank) in Egypt for five years. I then moved abroad to work for a leading Saudi bank for almost 18 years. During those years, Heriot-Watt University played a crucial role in shaping my career and personal life.

EXCELLENT EXPERIENCE

In 1999, I started my MBA programme with Edinburgh Business School, Heriot-Watt University by distance learning, and I successfully completed it in 2001. My MBA has changed my career path dramatically as it helped me to quit my accounting and operations roles, and move into more sophisticated banking roles such as financial and credit analysis. I worked for five years in corporate credit, project finance, and syndicated lending. I then became a member of the team that founded the investment banking functions where I gained extensive experience in Islamic finance, real estate finance, IPO, private equity, mergers and acquisitions and structured finance. As a result, my salary almost tripled.

In 2010, I decided to leave my job and focus more on the field of real estate.

My MBA experience inspired me to obtain the appropriate academic knowledge in this distinctive market through a relevant Master’s degree. Once again, I chose Heriot-Watt to be my destination to study the Masters in Real Estate Investment and Finance. After completing the programme in 2011–2012 and achieving a distinction, I was encouraged by Professor Colin Jones to apply for a PhD scholarship in Real Estate Finance. My application was successful, but it only covered my tuition fees, which meant that I had to find a part-time job to cover my family’s costs of living.

Therefore, I sent my CV to a large number of potential employers including Edinburgh Business School. Again, my MBA amazingly paid off, 10 years after I achieved it, when



My salary almost tripled after I completed my MBA.”

DR ABDULKADER MOSTAFA

Professor Alex Scott at Edinburgh Business School, Heriot-Watt University offered me a part-time job. This was an important milestone

because it allowed me to proceed with my PhD studies and teach the subject that I am passionate about. My research focused on the housing market and my PhD thesis involved calculating, for the first time, the financial returns from buying versus renting for first-time buyers in 11 regions in the UK between 1975 and 2011.



NEVER TOO LATE TO LEARN

Joining Edinburgh Business School, Heriot-Watt University in 2012 was the beginning of an era that has extended after completing my PhD in early 2017 when I signed a full-time contract with Edinburgh Business School. Currently, I am privileged to be teaching Finance at Edinburgh Business School and I am happy that I can combine my academic and industrial knowledge to help put subjects into context. My story with Heriot-Watt University reveals to younger students that it is never too late or impossible. The story continues with my son who is currently in his second year of studying at Heriot-Watt. ☺



DR ABDULKADER MOSTAFA
teaches finance at Edinburgh Business School, Heriot-Watt University.

Small might be beautiful, but it can be transformational too. While the major corporate companies dominate the business headlines and the ticker-tape news channels, it is the world's smaller, high-performing businesses that have the potential to change the world.

Dr Tiffany Bussey is an academic deeply interested in exploring the links between strategic change and leadership in dynamic businesses, including high-growth start-ups. She is the founding Director of Morehouse College Entrepreneurship Center in Atlanta, where she is a leading authority on developing leadership in small and medium size enterprises. She successfully gained her DBA doctorate from Heriot-Watt University in 2013, entitled *An Exploratory Study of Leadership Behaviour and Strategic Change in Small, High-performing, US Technology Firms*.

Dr Bussey recently kicked off a new initiative to connect minority entrepreneurs with much-needed resources to launch, grow, and scale their start-ups in Atlanta. Ascend2020 is a national programme spearheaded by JPMorgan Chase, which partners with business schools across the United States to create a supportive ecosystem for untapped entrepreneurs. The inaugural 2017 cohort comprises 30 start-ups.

START-UP 'VILLAGE' OF SUPPORT

While the pilot programme has been launched in six cities, Morehouse College is leading the effort in Atlanta, a thriving tech hub and considered the tech epicentre in the Southeast of the US.

"We were talking about how wonderful it would be to have an institution of higher learning, a university, partner with government agencies and commercial industries to really incubate small businesses. This is about helping minority businesses, ones composed of women, Latinos, or members of the LBGTQI community. JP Morgan have committed \$400,000 to the project through a grant as part of their Small Business Forward initiative," she explained.

Dr Bussey says the scheme is important to Morehouse because it is an institution that's building future leaders and helping to change the community for the better. Two of her former students serve as partners to Ascend2020 through their grassroots microfinance organisation called Village Micro Fund. Its mission is to empower entrepreneurs in Atlanta by providing access to capital, business education, and a "village" of support.

This vision, work ethic, and persistence with Village Micro Fund is the catalyst in helping Dr. Bussey serve the start-up community. "We must do a better job of preparing [students] to create jobs, to create companies, and to be entrepreneurs. From this standpoint, Morehouse has embraced projects like Ascend2020 to engage not only our students but to engage with the communities immediately outside campus and the wider community across the country to create relationships."

BETTER HELP FOR MINORITY SCALE-UPS

The programme does not require participants to quit their job, move across the country and go deep in. Most minorities are not in a financial position where they can quit their jobs and work on their ideas full-time, so for six months, participants can attend monthly workshops and speaker series in the evenings. Ideally, at the end of the six months, they will be closer to becoming scalable start-ups.

"Most start-ups fail within the first few years, so getting the kind of assistance that the programme offers is paramount for both new and seasoned entrepreneurs. Making it past those first three years wasn't easy, so being able to help more minority-led start-ups become successful in the tech space is important. The programme is unlike any other in helping minorities get to that scalable stage,"

she said.

This new initiative fits with Dr Bussey's research insights gained from her Edinburgh Business School work, particularly over how leaders in business influence the "process reconfiguration" in sustaining high performing small firms. She explained that a "process reconfiguration system" is defined as a process innovation system, such as Capability Maturity Model Integration (CMMI), ISO 9001, or ISO 20001.

These have become recognised standards of attainment which companies can work towards, proving their industrial systems and process meet and exceed the industry norms.

As a first principle, Dr Bussey explained why the study concentrated on SMEs. "Small firms comprise the greatest number of business enterprises, and in most nations, they are a significant source of job creation. Small businesses make up around 95% of all businesses and contribute about 50% of direct value-added production," she explained.

While corporate America is a powerful lobby, small businesses with fewer than 500 employees accounted for half of the United States' private, non-farm real gross domestic product, and half of all Americans who work in the private sector are employed by a small firm. The 2010 US census reported that small firms with fewer than 500 employees represented 99.7% of the 24.7 million businesses in the United States.

Small businesses play a significant role in bringing innovation to the forefront, although it must be noted that not all small firms are entrepreneurial or innovative.

"Despite its significance, the small firm remains one of the most poorly understood business entities, surrounded by substantial myths and a certain degree of mystery. Research literature largely ignores SMEs in terms of sources of firm-specific advantages. This lack of attention is surprising, since it not only ignores the strategic significance of small firms in today's economic environment but also the substantial differences between small firms and large firms," she explained.

When it came to looking at leaders, the definition was individuals in an organization who have the ability to influence others in the organization to get something done. Not all managers are necessarily leaders, and not all leaders are managers, while leadership is "a process of mutual influence among leader and followers to accomplish purposes that bring about relevant organizational change". ➤



CASE STUDY Dynamic Global Technologies (DGT)

One of Dr Bussey's company case studies was a technology firm called Dynamic Global Technologies (DGT) started in 2001 and employing 12 people. In early 2006, the CEO of Dynamic Global Technologies started considering a process reconfiguration initiative. After consulting customers on what was important and what they were trying to achieve as an organisation and paying close attention to US government requirements of some contracts, the CEO became aware of the increasing trend of the government preferring vendors with an approved Process Improvement (PI) methodology, particularly ISO 9000.

After doing further market research and consulting with other industry experts, the CEO made the sole decision to have her company pursue a process reconfiguration initiative as a competitive differentiator and means to ensure satisfaction to all DGT's customers. It took another two years before DGT would begin a formal process to pursue ISO 9000 certification. The CEO noted that the cost and resources required to accomplish the initiative was beyond the firm's resources in 2006.

However, an opportunity presented itself through the federally funded Department of Defense Mentor Protégé Program, and DGT was able to secure funding and assistance from its mentor company, EDS Government Systems (which later became Hewlett Packard Federal Services).

"We chose ISO because of our business partners and our business model...We thought ISO had the most flexibility in terms of what really made sense for us, particularly since we are a small business. We didn't want to be overcome by so much structure and process that it would not really be effective in how we deliver to our customers...ISO is an internationally recognized, well-respected system."

The CEO met with all employees and shared her vision of what the process would do and why it was important for the company. She outlined the benefits to each individual work areas and then sent an email announcement to all employees and a formal letter to its customers informing them of the start of the new process reconfiguration initiative, the projected impact on workflow, and the potential benefits to customers.

Throughout the implementation process, the CEO continually shared her vision and stated publicly the importance of process reconfiguration in the company's newsletter and updates on the company's website. The process reconfiguration initiative status update was an agenda item at bi-weekly staff meetings and quarterly management review meetings. These actions sent a clear signal that management supported this initiative and saw it as high priority.

Employees were motivated by these messages and embraced involvement in the initiative. The CEO insisted all employees participate in the training, which provided them with knowledge regarding the new process reconfiguration. Employees were able to contribute to the design and implementation of the change process, which meant it was tailored to meet the needs of DGT, not just a generic approach. Pursuing the initiative resulted in the cumulative effect of redesigning 28 process routines. Three years after certification, DGT is still sustaining its process reconfiguration system, with continual improvements being made to adapt to changes in the business environment.

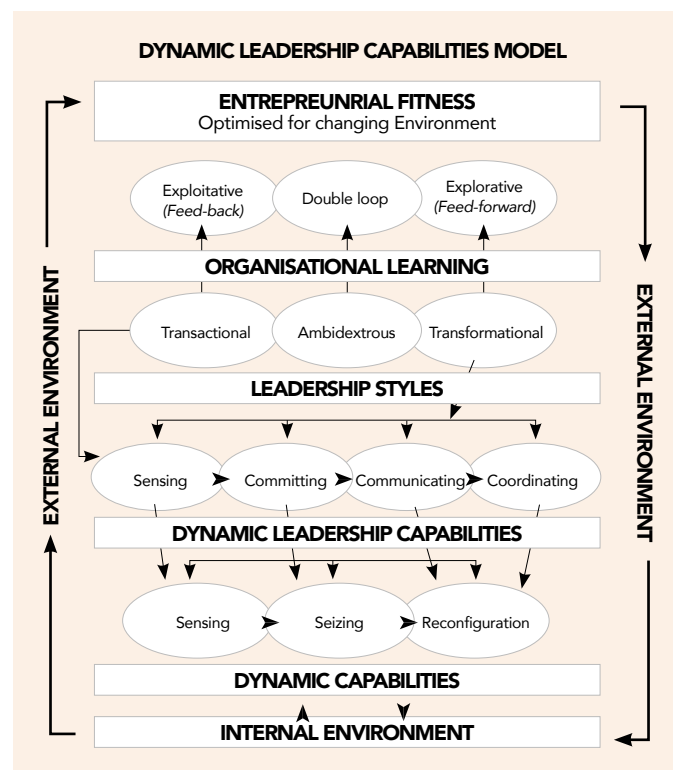
The greatest impact has been in proposal management, order fulfilment, and employee evaluation routines. The results of the leadership survey imply that both the leader and her employees believe that she engages in transformational leadership practices. The employees believe that the leader "fairly often" to "frequently, if not always" (an average score of 3.65), engaged in transformational leadership. ☺

An exploratory study of leadership behaviour and strategic change in small, high-performing, U.S. technology firms:
Tiffany Rogers Bussey BA, MBA, MSc, PMP. Submitted for the Degree of Doctor of Business Administration, Heriot-Watt University, Edinburgh Business School, April 2013.

ACT BIG

Think small.

Smart leadership in smaller businesses can make a transformational impact on their companies and the global economy, argues DR TIFFANY BUSSEY. Her doctoral thesis at Heriot-Watt is helping to inform dynamic and diverse start-ups in Atlanta. Report by Kenny Kemp.



Process reconfiguration in high-performing small firms is heavily dependent on the

leadership behaviours of sensing, committing, communicating, and coordinating, referred to as dynamic leadership capabilities.”

Dr Bussey was able to determine what kind of leadership allows these firms to make an impact. Her thesis sought to investigate the complexities of leadership behaviours and the role of the leader in process reconfiguration as a strategic change outcome.

“While working with over 200 small firms to establish process improvement initiatives, I observed that certain firms seem to adopt the process improvement initiative more easily than others. Over time, anecdotal reports from these companies also indicate sustained benefits from the process improvement, such as reduced cost due to process streamlining and standardization, improved delivery time, reduced employee training time, early risk identification and mitigation, and improved ability to make informed decisions, thus creating dynamic capabilities for long term competitive advantage.”

On the other hand, other firms seem to struggle with process improvement adoption, and while they may attain certifications of the systems in the short term, the systems’ benefits are not sustained over the long term.



DR TIFFANY BUSSEY
is a founding Director of
Morehouse College Entrepreneurship
Center (MCEC) in Atlanta, Georgia,
United States.

SENSING THE OPPORTUNITY

Many companies become “certificate chaser” attaining specific improvement certificates which differentiate them in the marketplace and are used as marketing or broadcast material, while others genuinely want to make improvement and develop a core capability. Dr Bussey was interested in finding out more about the factors for a firm’s behaviour in this “process reconfiguration” system.

Dr Bussey undertook work in a group of businesses, (see the case study) where she was able to gain first-hand knowledge of transformational change and how leadership behaviour influenced process reconfiguration. From her observation and study, Dr Bussey has been able to build a dynamic leadership model.

“Process reconfiguration in high-performing small firms is heavily dependent on the leadership behaviours of sensing, committing, communicating, and coordinating, referred to as dynamic leadership capabilities.”

In her findings, the first phase of creating dynamic leadership is about

- Sensing the opportunity. Here it is learning about what benefits can accrue from undertaking the reconfiguration.
- Committing to undertake the process of change. This is the active part of securing support and involvement of everyone in the business.
- Communicating to all parties the need for change and why they need to accept the challenges.
- Coordinating to ensure everyone remains on track to deliver.

“Transactional leaders perform the dynamic leadership behaviours of sensing, committing, communicating, and coordinating in a sequential manner to achieve a specific objective: certification. These practices influence exploitative organizational learning. The result is process reconfiguration in which change occurs for a period of time; however, results of reconfiguration dissipate, and process returns to old routines.”

Smart leaders must continue to reinforce the changes to ensure there is continuous improvement. An interesting research finding showed that both transactional and transformational leaders performed the patterned behaviour of sensing, committing, communicating, and coordinating. Process reconfiguration was sustained in only those organisations where a transformational leadership style was implemented frequently. ☺

Professor MUSHTAK AL-ATABI is the CEO and Provost of Heriot-Watt University in Malaysia. The campus is in the modern garden city of Putrajaya, 25km south of Kuala Lumpur, and the home for 1600 students. *Panmure House Perspectives* invited Prof Al-Atabi to tell us more.

A place in the tropical sun



Q. Good afternoon, Professor Al-Atabi, where were you born and brought up?

A. I was born by the banks of the river Tigris, in Baghdad, Iraq.

What has been your professional career route to becoming head of Heriot-Watt in Malaysia?

I did my first degree and Masters degree in mechanical engineering at the University of Baghdad. I left Iraq to go to Malaysia in 1997 and worked for a small company that made exhaust systems for Proton cars. As I was very interested in a career in academia, I joined Taylor’s College (later University) and stayed with it for 17 years. I joined Heriot-Watt University in October 2016. ➤

Heriot-Watt University, Putrajaya.

 I am inspired by the huge potential of our students that we can help unlock through education

and how a university community can come together to have a greater impact and make the world a better place."

PROFESSOR MUSHTAK AL-ATABI



Can you give us a flavour of where you live and work, how many students are under your wing, and what inspires you about being an educator?

I am based in tropical paradise at the most stunning campus of Heriot-Watt. Putrajaya is a modern, smart garden city and is beautifully laid out with excellent conditions. We have a vibrant community here of around 1600 students and 200 staff. I am inspired by the huge potential of our students that we can help unlock through education and how a university community can come together to have a greater impact and make the world a better place.

What books are you reading or would recommend?

I'm fortunate in being able to read and enjoy many books. My recent favourites would be *Thinking, Fast and Slow* by Daniel Kahneman; *Emotional Intelligence: Why It Can Matter More Than IQ* by Daniel Goleman; *Antifragile: Things that Gain from Disorder* by Nassim Taleb; and *Sapiens: A Brief History of Humankind* by Yuval Harari. I'm also the author of three books: *Shoot the Boss*, *Think Like an Engineer* and *Driving Performance*.

What do your students tell you about their experience at Heriot-Watt in Malaysia?

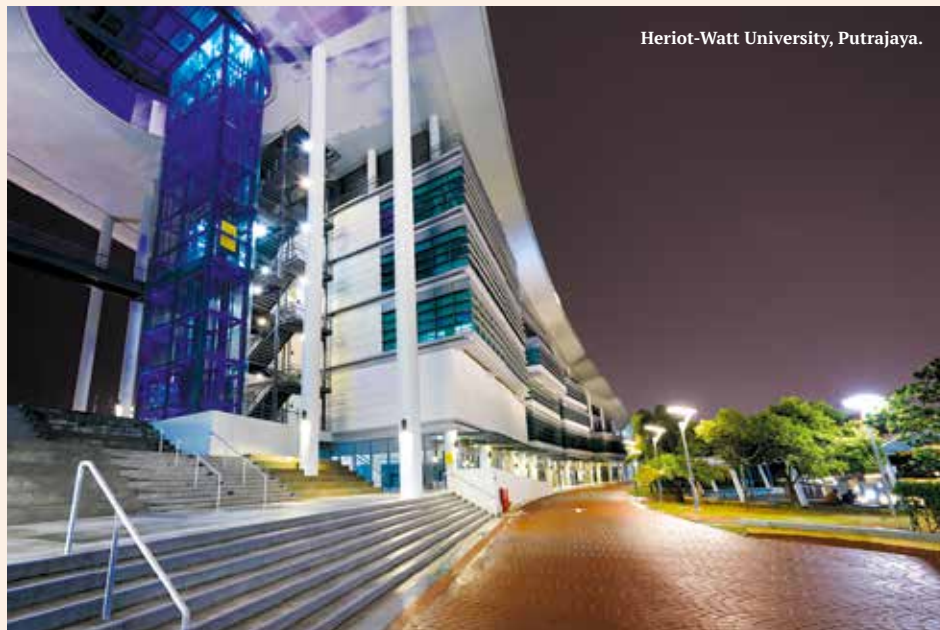
Our graduates and students say that it is transformative. We focus on developing happy, resilient and emotionally intelligent students and this is highly appreciated by students and their families.

Is there anything unusual that has happened during your tenure?

When I started working for Heriot-Watt University, I needed to unlock the meaning of phrases such as "The whole kit and caboodle". This often kept me wondering until I found out the meaning and had a good laugh.

Do you think Adam Smith and *The Wealth of Nations* still have a resonance with students in Asia?

Yes. But to me the bigger game is Adam Smith's first but lesser known work: *A Theory of Moral Sentiment*, in which Adam Smith outlined the importance of living a happy and fulfilled life. I think through rediscovering this book, happiness can be repackaged and sold as a Scottish product too.



Heriot-Watt University, Putrajaya.



What are your hopes for the future of education and learning?

True education is not when we memorise knowledge. It is when we change our stories, unleash our potential and make a positive difference in the world. I hope that academic institutions will take on the role of developing happy, resilient and emotionally intelligent graduates.

Thank you, Professor, please send our Panmure House greetings to Malaysia.

Delighted to do so and I'm looking forward to its opening and bringing students, researchers and teaching staff from South-East Asia to contribute to the conversations. 🇲🇾

NEVER WALK ALONE

HOW FOOTBALL FANS ENGAGE WITH THEIR CLUBS THROUGH SOCIAL MEDIA

 Social media is increasing brand awareness across the globe. We look at some fascinating statistics for the football sector...

Over 3000

sports-related pages on Facebook, with 20 having over 10 million followers.



1. REAL MADRID — 106 m
2. BARCELONA — 103 m
3. MAN UTD — 73 m
4. ARSENAL — 38 m
5. CHELSEA — 34 m

Source: Socialbakers.

TOP 5 countries with the MOST FACEBOOK FANS OF EPL CLUBS



1. INDONESIA - 9,253,851 m
19.62% of Facebook users of the country

12.02 pm

2. UK — 5,497,270 m
17.09% of Facebook users of the country

12.03 pm

3. MEXICO — 4,599,604 m
11.51% of Facebook users of the country

12.04 pm

4. INDIA — 4,438,657 m
7.22% of Facebook users of the country

12.05 pm

5. MALAYSIA — 4,116,747 m
31.46% of Facebook users of the country

12.06 pm

Type a message...



DURING THE SEASON V THE CLOSE SEASON:

78.6%

of Liverpool fans access the club's Facebook account and 53.6% use Twitter at least once a day.



62.5%

of Liverpool fans access Facebook and 42.9% Twitter at least once a day.

80%

of THESSALONIKI fan club members in Greece agree or strongly agree Facebook interaction increases their identification with the club.

70%

of LIVERPOOL FC fans follow the club on Twitter because of 'loyalty to the club'.

40%

of fans agree their interaction through Facebook and Twitter has increased their desire to attend games and buy memorabilia.

Source: Facebook and Twitter in the context of customer-based brand equity: analyzing Liverpool FC's posts and comparing the perceptions of UK and Greek fan clubs, DBA thesis, Petros Parganas, Edinburgh Business School, Heriot-Watt University, 2015.



TOP 5 clubs by BRAND VALUE

1. MAN UTD
\$1,733 m
2. REAL MADRID
\$1,459 m
3. F.C. BARCELONA
\$1,418 m
4. CHELSEA
\$1,245 m
5. BAYERN MUNICH
\$1,222 m

“*The*
difference between

*the most
dissimilar
characters,*

between

a
philosopher

and a common

Street Porter,

for example,

*seems to arise not so much from nature,
as from habit, custom, and*

education”.

WEALTH OF NATIONS
Chapter 2



ADAM SMITH

Economist, philosopher, and author.

1723 - 1790