President's message

Rajive Kaul

President, Asian Association of Management Organisations

Warm greetings to readers and fellow members of the Asian Association of Management Organisations (AAMO).

It gives me immense pleasure to present the next issue of AAMO's newsletter – 'Leading the Way', and I sincerely hope you are doing well and staying healthy.

Covid-19 changed how we live and work in ways that will alter our behaviour long after the pandemic subsides. Companies moved rapidly to deploy digital and automation technologies, dramatically accelerating trends that were unfolding at a much slower pace before the crisis. Work went remote, shopping, entertainment, and even medicine went online, and businesses everywhere scrambled to deploy digital systems to accommodate the shifts.

The pandemic marks a turning point for economies: new patterns of consumer and business behaviour emerged at extraordinary speed and many of them will stick. Digitisation accelerated faster than many believed possible. The near-term recovery will bring relief. Yet the pandemic's uneven impact on workers, consumers, and companies threatens to create a two-speed recovery that widens inequality while delivering tepid growth.

The disruption caused by Covid-19 also offers a path to higher productivity and broad-based growth, nonetheless, if companies and business leaders seize the opportunity to address emerging gaps.

This is a time for organisations like AAMO, and the National Management Organisations to lead the way and give business leaders and management professionals access to the latest management trends and help them derive maximum benefit as they reset their business plans and objectives as per the new normal.

This issue of 'Leading the Way' explores new and emerging trends in management and leadership from the Asia Pacific region.

Contributions from India – 'A lighthouse in a storm' – highlights the important role leadership plays in times of crisis; while 'For the desired impact' explores the key aspects instrumental for running a successful Programme Management Office.

'Managing conflict in a hybrid workplace' sheds light on how conflict at the workplace can be managed by understanding the pressure points; while 'How to recognise and manage gas-lighting at work' explains the impact of gas-lighting at work and how to prevent it – both contributions from Australia.

An article contribution from Sri Lanka explores the importance aspects of 'Fostering Employee Innovation; The role of leadership in organisations'; while another contribution 'How Valid are the Business Plans When lending to SMEs?' describes the important role SMEs play in any country's economy.

An article from Macau titled 'Coaching – Definition and Myths' is the first of a three-part series exploring the diverse aspects of coaching. Two articles: 'Asia: The Highway of Value for Global Logistics' and 'Five Insights About Harnessing Data and AI from Leaders at the Frontier' come to you from Malaysia bringing insights from the region. A unique perspective on HR and it increasing relevance is brought to you from Nepal through an article titled 'The HR Department and its Development'.

I do hope you enjoy this issue of 'Leading the Way' and look forward to your feedback and suggestions.

Contents

A lighthouse in a storm

By **Girish Mainrai, Bank of India**

Leaders can guide the team to safety during a crisis. All they have to do is assure, empathise, build trust, and communicate.

The importance of leadership cannot be undermined in any situation or organisation. The objectives of an organisation may differ depending upon the broad mission but its accomplishment requires effective leadership. Leadership plays an important role in unifying the personal aspirations of the employees with organisational objectives, for which, leaders need to play different roles—mentor, guide, crisis manager, change agent, etc. The Covid-19 pandemic has brought leadership in times of crisis to the fore. When things are not in order due to such turbulence, the role of the leader becomes even more important. Unprecedented conditions demand extraordinary qualities from the leader to tide away from such crisis. Followers not only seek guidance, but also gauge the severity of the conditions through the behaviour of the leaders. Leaders' stance at such times is crucial in allaying the confusion and anxiety of the followers.

The pandemic has challenged traditional wisdom concerning business as well as leadership qualities. Researchers have proposed different qualities for effective leadership. Covid-19 brought with it, a peculiar kind of situation—restriction in terms of mobility, presence, interaction, forced leaders to rethink and behave in a nascent manner. Management literature is filled with theories and traits of an effective leader but none speak about the adversity of such magnitude.

I shall highlight few qualities which I consider necessary to be possessed by the leaders during such testing times.

Self-Assurance:
In times of crisis, followers look for verbal and non-verbal cues from the leader and assess them while judging the severity of the crisis. Thus, we can say that the followers's minds resonate with the feelings of the leader. Panicky behaviour exhibited by the leader will lead to fear and anxiety. So, the biggest virtue a leader should possess is self-assurance. This will allow the leader to focus and understand the magnitude of the crisis with more clarity. This quality is equally important during the execution phase too. Executing a strategy with conviction see the team participate wholeheartedly. Thus, self-assurance assumes greater significance when handling crises and implementing a road map for recovery.

Empathy:
In a crisis where employees face challenges both on personal and professional fronts, it is essential for leaders to exhibit empathy. Empathy is not about being sympathetic but understanding another person's perspective. A leader can understand the unique needs of an employee by stepping in his/her shoes. Decisions taken empathetically result in greater acceptance and appreciation. This also helps build trust.

Trust:
Speaking of trust, it acts as a glue between the leader and his/her team, and thereby forms a bond. Rapid decision making and its execution is imperative for remedial action during a crisis.

This can be achieved only when there is trust between the leader and the team.

As employees have been working from remote locations on a greater scale than ever before trust has assumed great significance. It has played a dominant role in establishing rapport and building camaraderie in the team.

Communication:
The role of communication in leadership is well known but its significance increases even more during times of crisis. A crisis is characterized by a phase of uncertainty where rumours spread like wildfire. This leads to anxiety. In such a case, effective communication can dispel these rumors and the clear confusion. It also helps in clarifying the rationale for undertaking corrective action. Strategies evolved through mutual communication aid in effective implementation and lead to greater acceptance by the followers.
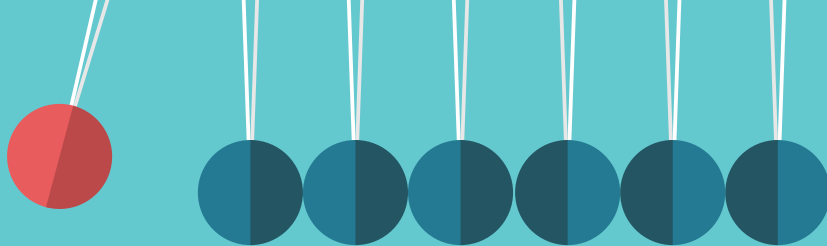
As bad as it is, a crisis can be an opportunity for leaders to show their mettle. The essence of the role of leader can be summed in the words of Martin Luther King Junior, who said "A genuine leader is not a searcher for consensus but a molder of consensus."

Girish Mainrai

Chief Manager and
Area Manager, **Bank of India**.

For the desired impact

By **Abhishek Agrawal, One A Advisors**

A PMO requires a different kind of approach than a regular business improvement initiative.

A special initiative by organisations, typically set up when they are scalingup or going through a phase of transformation, Program Management Office (PMO) is a focused, high-impact effort to solve a burning issue such as accelerating sales or turning around profitability. However, not all PMOs are successful in achieving the desired outcome. The implementation of the following points can be instrumental in running a successful PMO:

Focus on solving just one burning issue:

Setting-up and running a PMO is an intense, time consuming, and expensive exercise. This may tempt the management to try and achieve multiple objectives through this effort. However, this would diminish the required, single-minded focus. Organisations should thereby focus on solving just one burning issue—accelerating sales or managing a new product launch—at a time.

Keep duration short and focused:

PMOs work best in short spells—with a typical effective duration of about 12 weeks—and are differentiated from the regular business improvement efforts through their focus and intensity. Stretching the duration of a PMO invariably takes away this focus and intensity.

Adopting a 2+8+2 format—the first two weeks to set-up the PMO and for the PMO team to achieve the desired pace, eight weeks of focused and dedicated delivery, and the last two weeks of handing over the initiatives back to regular business teams for sustenance—is an ideal approach for a successful PMO.

Define upfront two to three objectives and one to three key results for each objective:

Some of the new-age technology companies have successfully implemented the OKR (Objective and Key Results) approach for strategic alignment and goal setting. This approach works very well for settingup a PMO as well. As opposed to the traditional approach of focusing on activities and initiatives, PMOs are more effective by focusing on outcomes (objectives) and specific key results linked to objectives. Again, focus is key here—not more than two to three object two to three objectives and not more than one to three key results for each objective. As with the OKR approach, the key results should be quantitative, stretched, and aspirational (a 60 to 70 per cent achievement rate on key results will be considered very good).

90-180 Rule: 90% focus on what is possible to do within 180 days

A PMO effort is akin to a booster or an accelerator, and in that, it differs from usual business improvement initiatives of an organisation. PMO effort should focus most on what is likely to generate impact over the next one year.

To illustrate, for a typical profitability turn-around situation, the PMO should focus most on commercial initiatives (possible to implement in 90 days, 60 per cent of focus), followed by productivity improvement initiatives (possible to implement in 90 to 180 days, 30 percent of focus), and lastly structural initiatives (possible to implement beyond 180 days, 10 per cent of focus). Hence, 90 per cent focus is on what is possible to do in 180 days. This is the reverse of the traditional business improvement efforts which should naturally first focus on longterm structural improvement initiatives.

Small but dedicated team:

A common misconception is that successful PMOs require large teams. This is not true for most situations. Small, two to three member teams that are dedicated (working 100 per cent of their time on the PMO) are much more effective than large teams, which suffer from divided attention and high inertia. Such small dedicated teams find it much easier to work in short cycles, quick iterations, and be agile in their problem-solving approach. All these are hallmarks of a great PMO. The team may be drawn from internal resources, typically from strategy, finance, and accounting divisions or could be supported by an external consultant.

Daily involvement of top management:

In a regular business improvement project, the CEO or founder may engage once a month, or at best once in a fortnight, to check on the progress and offer suggestions. This mode of engagement, however, is not effective for PMO set-ups. A good PMO requires daily engagement from the CEO/founder to work in quick problem solving cycles, enable decision making, and cut through organisational hierarchies and inertia. This is critical to move the needle on defined key results in the short timeframe of the PMO. Tactically, a daily 30/60 minute call either at the beginning of the work-day or towards the end of the day works well. This could be supplemented with a more detailed weekly review of 90/120 minutes.

Minimise presentation slides:

Preparing presentation slides when not absolutely required, brings down productivity of the PMO team. Other communication modes—structured emails for regular updates, word memos for decision seeking notes, spreadsheets for analyses, and back-up—work much more effectively. As a rule, a PMO team should not make any presentation slides, unless absolutely required.

Use a single consistent review format:

For the daily and weekly founder/CEO interactions, a common, spreadsheet-based review format works really well. While the review format remains the same, the spreadsheet format adds columns with daily frequency data (sales, cost, indicators of demand and supply) while providing a 'week till date' and 'month till date' summary on key results metrics.

Plan for sustenance:

While the main purpose of a PMO is to provide a boost to ongoing business, sustenance of heightened performance is critical as well. The most common enabler for ensuring this is the organisation. A good PMO should identify who in the organisation will carry forward the initiatives. This exercise often results in identification and highlighting of gaps in the organisation for e.g., not having a dedicated person for conducting commercial negotiations. These gaps should be filled on urgent basis through external or internal hiring, before the formal PMO effort ends. Even a week's delay will make the handover from the PMO team to the business team less than fully effective.

PMOs are often time-taking and expensive to set-up. Furthermore, they are generally set-up when the organisation needs help on a burning issue. Putting thought upfront in setting-up PMOs for success is therefore critical to achieve the desired impact.

Abhishek Agrawal

Founder of **One A Advisors**.

Managing conflict in a hybrid workplace

By **Sara Keli**

Managing conflict in a hybrid workplace isn't as difficult as you might think.

With simple strategies, you can take steps to deal with this tough situation.

Hybrid workplaces are the new norm.

According to research from the Australian Bureau of Statistics, 33% of people are keen to continue with working from home arrangements. And it's not just employees who have embraced the hybrid work life. Organisations, such as NAB, are reconfiguring their workplaces in recognition of this fundamental shift to the way, or rather, where we work.

However, as much as both employees and businesses alike are prepared to embrace hybrid as the future, that's not to say it's not without its challenges. As we all navigate this path together, there are bound to be hurdles in the road. Hurdles like conflict.

Managing conflict in a hybrid scenario may not be as difficult as you might think. By understanding the pressure points for conflict, you can take steps to handle the situation.

Conflict is healthy and normal:

First up, it's important to acknowledge and accept that conflict is healthy and normal. It's certainly not something that is unique to hybrid working.

Marni Cook is an executive coach who has worked with leaders across both the public and private sectors. Conflict in the workplace is something she has seen time and time again over the years.

"Conflict is absolutely healthy," says Cook. "This is something I teach in training workshops. The reality is, we can't build a high performing team unless we go through a conflict stage.

"If that conflict isn't handled well, it can embed poor behaviours in the team. But we shouldn't shy away from it. Acknowledge that there will be conflict and equip yourself with the skills you need to deal with it effectively."

4 common hybrid conflict scenarios:

While working from home isn't something new, the scale at which team members now do some or all of their work from home certainly is. Cook says that when conflict arises in these situations, it's so easy for managers to jump to blame the hybrid situation for causing the conflict. But that's not necessarily the case. "Often the issues that come up aren't actually new or caused by the working arrangements. Usually, it's the case that the issues already existed and the hybrid setup has only served to shine a spotlight on them."

While conflict can arise due to personality differences, Cook explains that there are four common scenarios that can be the root cause of conflict for hybrid teams.

1. Lack of role clarity

If your team members don't have clarity on their role and what is expected of them, that's never a good thing. And it's something that will almost certainly lead to some level of conflict.

Lack of role clarity is a symptom of a communication breakdown. This is where conflict takes hold.

"When people don't understand their role, it's always an issue… but it's more of an issue if they are working remotely some or all of the time," says Cook. "It's critical that every member of your team is crystal clear on what their role is and what you expect of them.

"Some managers feel that being face-to-face in the workplace gives them a greater sense of control. However, it's a false sense of control that will lead to compliance at best. An engaged team where creativity and innovation thrive is built on empowering people in their roles, no matter where they are working."

Cook also asserts that this lack of role clarity can be caused when managers have difficulty managing the result rather than the process.

"So often we don't have the right KPIs and metrics in place. If someone completes a job quickly, they are often rewarded with more work. When there is a lack of clarity around what KPIs are, it can build resentment within the team and also between the employee and line management."

2. Using the wrong communication tool

We're so fortunate to have so many methods of communication available to us today. It's these communication tools that enable hybrid workplaces in the first place. But communication overload can also be a breeding ground for conflict.

"Communication can be so much harder when we are using a variety of different channels," explains Cook. "In a single workday, we probably use email, video conference, phone call, SMS, face-to-face meetings and other internal corporate communication channels.

"Problems arise when you don't choose the right tool for the job. If you have a really urgent message to communicate, email might not be the best choice, particularly when the recipient might be filtering through another 250 emails they have received that day."

Misunderstandings, and ultimately conflict, can be avoided by choosing the right communication tool. What might normally be a quick conversation with a colleague at their desk needs to be replaced with the most appropriate communication method to get the message across clearly.

3. Avoiding resolving issues

It's hard to avoid conflict resolution when you are working alongside a person every day. Behind a screen, it's a different story. But if the conflict remains unresolved, it will fester.

"It's that classic scenario where the conflict builds because you don't address it," says Cook. "It is absolutely easier to avoid things in a hybrid situation.

"For someone with an avoidance conflict style, it's a perfect storm of sorts. They will follow their avoidance tendencies and the conflict will snowball as the unresolved conflict leads to greater conflict."

The solution here is to create an environment of openness, honesty and accountability, where employees are empowered to own their actions. Ultimately, it comes back to accepting conflict as part of a normal and healthy workplace.

4. Lack of visibility

Critics of remote working argue that it makes the work of team members invisible. According to Cook, this criticism is often misplaced and unfair. If you wouldn't look over your team member's shoulders while they are working in the office, why is there a need to (virtually) do that while they are working remotely?

"There is a delicate balance of making sure there is enough meeting time for the team to connect, e.g. through video conference, but also ensuring that the meeting time is fit for purpose, not just about keeping an eye on the team.

"The role of the leader in these situations is to act like a coach. Rather than checking on the team members for compliance, it's about checking in with them to see what support they need. You can empower them to own their tasks by asking lots of questions and giving them access to information in real time. Remember that compliance isn't the goal. The goal is an engaged and high performing team. "

With the right communication systems and support structures in place, the perception of working from home as being invisible can be eliminated.

Marni Cook, Executive Coach

A leader's role in managing conflict:

There is a common thread running through these scenarios and that's the role of the manager in building a team culture of engagement.

Cook believes that the increasing prevalence of hybrid workplaces is highlighting the great divide between managers and leaders.

"Managers prefer to be more hands on and actively observe their employees. Leaders create actively engaged teams.

"In the hybrid world, engagement is even more important. When you have an engaged team, they are productive, happy and more likely to do the right thing when no one is looking, i.e. in a hybrid scenario, when they are working remotely."

To move towards creating the type of engagement that can survive whatever a hybrid workplace can throw at it, Cook suggests managers adopt more of a coaching style with their communication and leadership.

"This style of leadership is actually critical in a face-to-face workplace… but it's even more important when you are managing by distance.

"On one hand, you have a compliance leadership mentality that is focused on putting checks and balances in place to eliminate conflict. On the other hand, a coaching leadership mentality helps in resolving and managing conflict more effectively and empower people to take ownership."

Cook shares these tips for managers who want to increase their skill in managing conflict within a remote team.

1. Ask lots of really good open questions, e.g. How are you going? How are you working with others? What support do you need from me?

2. Encourage people to deal directly with their colleagues when they are having conflict rather than stepping in straight away to mediate. Coach your team and equip them with the skills to deal with conflict.

3. Recognise that good ideas don't just happen in the office. Hybrid working can be so good for teams to be more creative and productive. It's about balancing the benefits with the practical realities of your unique team and the work you do.

"The key to managing conflict effectively is trust," argues Cook. "Constructive conflict and trust are two sides of the same coin, they coexist. Leaders must work toward building trust within their teams, especially in the case of a hybrid workplace. Get out of their way, show them they are trusted to get the job done, even remotely."

How to recognise and manage gaslighting at work

By **Sara Keli**

It may start with an email that sows a small seed of doubt in the recipient's mind. Then there's mention of conversations that they're sure never took place and out of the blue comments from colleagues asking if they are ok. Before you know it, you've got a full-blown case of gaslighting at work on your hands.

Not only can gaslighting have potentially disastrous impacts on individuals and teams, but it can also play havoc with your workplace culture and business performance.

In our recent LinkedIn survey of more than 100 people, 77% of respondents indicated that they have experienced gaslighting in the workplace. Indeed, gaslighting at work is a topic that we need to be talking about.

What is gaslighting?

Rupert Bryce is an experienced Psychologist, HR consultant and leadership development coach. Over the years he has seen his fair share of gaslighting behaviour, and coached leaders and individuals to navigate and stamp out the behaviour in their own workplaces.

"Gaslighting is manipulative and undermining behaviour that is actually quite deliberate and subversive," explains Bryce. "The behaviour is deliberate but not obvious. Often the goal of gaslighting is to trigger self-doubt and make the target question their self-worth, decision making and even the more personal construct of who they are in the workplace.
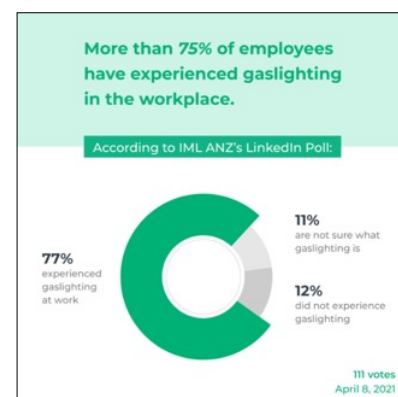
It's a form of unwanted harassment, predominantly through deliberate manipulation."

You may be familiar with the Dark Triad of workplace manipulation – Narcissism, Psychopathy and Machiavellianism. Bryce says that gaslighting is often a form of one of these behaviours but that it leans more towards Machiavellianism.

"For one reason or another, the culture tolerates or permits overly political behaviours that are driven from a feeling of fear or a threat that the victim presents. Often a person will engage in gaslighting behaviour because their own needs aren't being met. They are driven by having their self-worth constructed around needing to control, win or dominate."

Gaslighting at work can take many forms and is never just one instance. Rather it is a long, sustained pattern of behaviour that builds in intensity over time. Bryce says that a gaslighter may:

- Send an email to the gaslightee that questions the value or accuracy of a fact.
- Say something quite direct and negative in a one-on-one conversation with the gaslightee only to deny it when confronted about it later.
- Exclude the gaslightee from a meeting or event invitation and then berate them for their non-attendance.
- Insist that a conversation about a deadline or project occurred, even though the gaslightee knows it did not.

More than 75% of employees have experienced gaslighting in the workplace.

According to IML ANZ's LinkedIn Poll:

77% experienced gaslighting at work

11% are not sure what gaslighting is

12% did not experience gaslighting

111 votes
April 8, 2021

Essentially, the behaviour serves to undermine the gaslightee in an almost covert manner to incite self-doubt to the point where they will concede by moving or resigning.

The impacts of gaslighting at work

It goes without saying that the impacts of gaslighting at work can run deep and wide. "Gaslighting starts with the seed of self-doubt," explains Bryce. "Then they start to excessively worry, develop anxiety, doubt their contribution and their self-esteem, self-efficacy and self-worth all erode. At the end of the day gaslighting at work has very detrimental impacts to the outcomes the organisation is trying to achieve."

With one team member – the gaslightee – suffering from the above-listed impacts, and another employee – the gaslighter – investing significant time and energy in this manipulative behaviour, the result can be quite toxic within the team and the organisation. If left unchecked, the gaslighting can be even more problematic.

"Some people get very good at manipulating their own workplaces for their own gain. When the gaslighting is allowed to continue, the behaviour is reinforced and it becomes a sport to them. Then the next person comes along and the gaslighting starts all over again."

The challenges of identifying gaslighting behaviour:

While other forms of workplace harassment are more easily pinpointed, by its very nature, gaslighting, particularly in its early stages, can fly under the radar. Gaslighters can appear very supportive and positive in group or public situations.

This in itself is why the behaviour is so damaging. The gaslighter denies conversations, appears supportive in team meetings and may even express concern about the gaslightee to other colleagues.

You might have a case of a gaslighter who has multiple face-to-face conversations with different members of the team saying they are concerned about the gaslightee because they missed a project deadline. Each of those colleagues then asks the gaslightee if they are ok.

On the surface, it appears as though they are supporting their colleague when in reality they are working to sow further self-doubt. The gaslightee starts to feel like people are talking about them. And the project deadline they supposedly "missed", well they are positive they never had the conversation the gaslighter claims they did to agree said deadline.

"When you look at more commonly discussed negative workplace behaviour, such as passive-aggressive behaviour, it's much easier to call it out and put a label on it," says Bryce. "The more overt control is much easier to detect. The challenge with gaslighting is that it's delivered in multiple forms across multiple times with multiple people." Identifying gaslighting behaviour isn't straightforward. However, that doesn't mean it can't be done. In fact, it's imperative that it's identified and appropriately handled. The risks are far too great to do nothing.

Workplace gaslighting happens most commonly between coworkers or between managers and reports. It might sound like:

"You're overreacting"

"I don't have time for this"

"Don't be ungrateful"

"That's not what happened"

"You don't know what you're talking about"

IML ANZ

Managing and preventing gaslighting in the workplace:

There is one concept that Bryce believes comes into play with identifying and managing gaslighting in the workplace, and that's the bystander.

"Understanding the bystander effect is understanding why people don't speak up about others. When people see really negative things in the workplaces they often don't act because of this really strange presumption that if no one else is coming they'll step in, but as soon as someone else steps in they sit back and worry.

"They think what they are seeing is bad but they don't speak up because of a set of internal assumptions such as the belief that they'll get sacked if they speak up or they justify their inaction because they have their own worries. The bystander effect relies on others stepping up and stepping in so you can take a more passive role. But sometimes that doesn't happen and the impact of avoidance can be severe. People need to develop their way of finding courage and comfort to speak up in a timely manner."

When Bryce is called into an organisation to help deal with gaslighting behaviours, he looks for the pattern and not the instance. That's where bystanders come into play. The more instances of behaviour that are reported, the better the chance of establishing a pattern.

However, encouraging bystanders, or the gaslightees themselves, to speak up about the behaviour doesn't just happen. It relies on systems and processes that guarantee safety.

Rupert Bryce, Executive Coach

"Organisations must allow people to speak up without retribution, reprisal and without it being a career-limiting move," says Bryce. "It should be supported by the most senior people in the organisation.

"Gaslighting in the workplace can be managed and prevented when the organisational culture, behaviours, systems and processes are considered and reviewed regularly through things such as peer coaching networks, manager-once-removed conversations, upward feedback etc.

"All staff should have equal opportunity and access so that they don't just think and feel supported but they have systems of support around them to whistleblow and report manipulative behaviour." There is also a role for broader educational workshops to raise awareness of and prevent gaslighting. Workshops can help people to increase their self-awareness and resilience to identify the triggers of gaslighting and how it manifests in the workplace.

There is no place for gaslighting at work:

Gaslighting at work is psychologically damaging and counterproductive to high-performance cultures. According to Bryce, "when individual insecurities are let loose and allowed to exist, it really detracts from the organisational purpose and values.

"There is a growing awareness around what we are doing to ensure we have workplaces where people want to come to work, to do a good job, to contribute. Our leaders have a very significant obligation to make sure employees have healthy, safe workplaces."

Bryce also asserts that workplaces need to place humanity at the heart of decisions to maintain safe and purposeful workplaces.

"As workplaces are tending to be more flexible and digital we also need to maintain the humanity and the heart. It's a human rights obligation but it also makes good business sense to have employees who are looked after and engaged. If you're providing a safe, responsible and human workplace that will impact on discretionary effort, performance and organisational reputation."

Fostering employee innovation

The role of leadership in organizations

By **Dr. Niluka T. Amarasinghe**

The significance of creating innovation in Organizations has become increasingly important in the contemporary context. The intense international competition has fragmented demanding markets, diverse and rapidly changing technologies play a key role in shaping today's global and dynamic competitive environment. The products and services offered today are mostly common in many organizations where the features could be copied by the competition in a short span of time.

In such an environment, most organizations look up to innovation as a key element in creating the competitive advantage over its competition. Hence, organizations today focus their attention on the ways and means of converting their workforce into more think tanks to generate fresh ways of offering their products and services.

Innovative work behaviours:

Innovation has been defined as the generation and implementation of new ideas that would be potentially useful in an organization. It is also considered as an intentional introduction of a product, process, procedure, or a service that would benefit an individual, organization, or the whole society. The creativity level of this process refers to idea generation, and innovation to the subsequent stage of implementing ideas toward better procedures, practices, or products. Creativity and innovation will invariably result in identifiable benefits. The workplace innovation is a process of cognitive and behavioural processes applied on idea generation, idea selection, idea testing and implementation.

The anticipated behaviours of the individuals in a team setting in an organization is therefore considered as crucial factors in establishing innovative culture. Organizations need to understand the complexity of innovation that is needed within the respective industry and identify the necessary leadership initiatives, organizational cultures to support the desired results. The innovation does not come only through creative set of products and services, but it derives from the transformation of the leadership practices. The sustainable organizations will implement innovative ideas for their immediate needs and continue to be efficient and implement them in an exploitive manner.

Creating the correct leadership culture:

The direction of an organization and the success of the achievement of the objectives relies on the quality of the leadership team. Leadership is expected to inspire the individuals in an organization and stimulate others to achieve worthwhile organizational goals. It is also understood that the leadership is not necessarily demonstrated at the top higher ranks, but also demonstrated at any level in an organization. Leadership is a relationship between the leader and the followers. It also says that having a good Relationships with the group members results in substantial success in top three positions in organizations.

The creation of a leadership culture is proposed through the following steps in view of fostering innovation.

- Team should be made aware of the complexities of the innovation process, and it should be tallied with equally complex leadership approach.

- Continually create new ideas that can be converted into appropriate and viable products and/or services.

- Anticipate potential strategic inflection points in the short-to-medium term future.

- Adapt work practices, mind-sets, mental models, and culture to the needs of the operational context while generating the requisite tangible and intangible capital resources that are necessary for success within that environment.

- Facilitate and sustain positive frameworks of understanding, identity, and motivation for staff as a result of their membership and participation in, the stakeholder community.
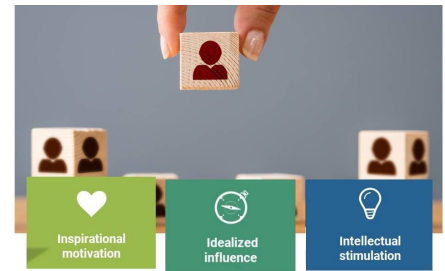
The usefulness of transformational leadership in creating an innovative culture:

Transformational leadership is focused on stimulating and inspiring followers to achieve extraordinary results whilst developing themselves in addition to the organizational goals.

As a result, the followers are not only inspired by the leader, but they also start believing themselves in their own potential finally creating a better future for the organization. Superior leadership performance or transformational leadership occurs at the time leaders broaden and elevate the interest of their employees on their objective. The purpose and mission of the group is well shared by the leader and ensure their acceptance of them of which in turn enables the employees to see the common interest beyond their personal interest. The intellectual stimulation version of transformational leadership allows followers to bring in new ideas and ensures the environment for innovation is created.

Transformational leadership influences the team climate and identification and as a result creates innovation among the employees. By being oriented towards innovation, transformational leaders can enhance their followers' innovativeness through motivation and intellectual stimulation. Followers are likely to exert extra effort to generate creative solutions for their organizational problems as a result of intrinsic motivation caused by their leaders' articulation of long-term goals and visions.

As transformational leadership is likely to promote followers' creativity, organizations, practitioners may find it valuable to invest in transformational leadership training for supervisors or use personality test to screen for high calibre candidates who have high potentials for being a good transformational leader.

In view of the positive results shown in the employee innovative behaviour as a consequence of the organizational culture built through adoption of transformational leadership, organizations should strategize, create processes, set rewards, and establish a value system so that organizations foster innovative work behaviours.

The much-needed novelty, breakthrough and sustainable business models could be created through the establishment of the innovative work behaviours created by the Transformational leadership in order to achieve the overall objectives of organizations.

Dr. Niluka T. Amarasinghe

Dr. Niluka T. Amarasinghe is the Head of Leasing at Hatton National Bank Plc, Sri Lanka. He is also an academic who is engaged in Lecturing on Management & Business administration fields for many Universities. He is a Council member of IMSL since 2019 and currently functions as the Assistant Treasurer.

How valid are the business plans when lending to SMEs?

By **Indunil Dharmasiri** and **Sarath. S. Kodithuwakku**

Small and Medium-scale Enterprises (SMEs) play an essential role in any country's economy.

In the Sri Lankan context, business entities that employ less than 300 employees and have an annual turnover not exceeding LKR 750 million are considered SMEs contributing to 90% of the total private-sector enterprises and 75% of employment (National Policy Framework for SME Development, 2017).

However, just as any other business entity, SMEs also face the challenge of making start-up related decisions and running day-to-day business operations. Of these, accessibility to financing/credit remains a significant challenge for SMEs.

Banks, especially those in developing countries, consider SMEs too risky to lend mainly because these enterprises have insufficient collateral and credit history.

Therefore, banks demand extensive documentation requirements before approving and granting credit facilities. Of these documents, a business plan is an essential requirement (Gamage, 2015).

As we all know, a business plan is a written document that describes the current state and the presupposed future of an organization (Honig & Karlsson, 2004).

The business plan indicates the objectives set by an entrepreneur and the strategy s/he proposes to achieve the stated purposes and resource requirements, which essentially follows a causation model. Causation, as has been argued by Saras Sarasvathy, suggests that business operators start by planning the ends (i.e. goals) and selecting the means/resources required to achieve them.

Causation is a traditional method of operating businesses emphasizing business planning and forecasting that enables SMEs to carefully plan, acquire resources and proceed with further actions needed to exploit the opportunity (Luttikhuis, 2014).

Most banks place higher importance on business plans for lending, enabling the banks to assess the risks of lending.

In contrast to the causation logic, effectuation and bricolage decision-making logics introduced by Sarasvathy (2001) and Baker and Nelson (2005), respectively, focus on means (resources) available to business operators and create outcomes by using them.

Effectuation and bricolage processes are considered the decision-making logics adopted by business operators under uncertain and resource-scarce environments, making planning a difficult task.

As a result, the business operators who effectuate accept the means as given and proceed toward a goal using those means instead of having pre-determined goals.

Figure 01: Causation process
Source: https://www.demandgen.com/campaign-planning-strategy-and-execution-in-5-steps/

Effectuation logic consists of five decision-making principles. First, the bird-in-hand principle states that entrepreneurs start with their means/resources focusing on who they are, what, and whom they know).

Secondly, the affordable loss principle indicates that entrepreneurs manage or limit risks by investing in what can they afford to lose in each step of their entrepreneurial path instead of taking risks.

Thirdly, the lemonade principle indicates entrepreneurs leverage contingencies by turning unexpected favourable and unfavourable situations into new opportunities.
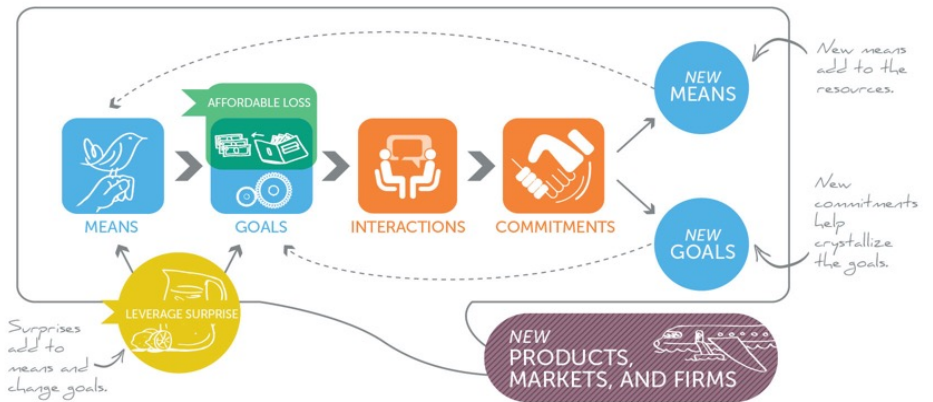
Fourthly, the patchwork quilt principle states that entrepreneurs form partnerships with various stakeholders to obtain their pre-commitments to co-create opportunities that would also enable them to reduce future uncertainties.

Finally, the pilot-in-the-plane principle states that entrepreneurs create their future by focusing on activities they can control (Sarasvathy et al., 2014).

On the other hand, bricolage is creating something from nothing and revealing possible opportunities that otherwise are not observed by people who engage in business planning. The bricoleurs do not wait until they find the "right" resources.

Figure 03: Effectuation process
Source: https://necrophonedotcom.files.wordpress.com/2014/01/effectuation.jpg

Figure 02: Effectuation Vs. Causation
Source: Sarasvathy, 2001.

Instead, they bend the rules of what resources should be used. The bricolage process comprises of "making do", "using resources at hand", and "combining these resources for new purposes" (Baker & Nelson, 2005). Senyard et al. (2014) argue that resource-constrained firms recombine resources to create innovative outcomes.

Therefore, people may adopt effectuation and/or bricolage logic in their decision-making processes instead of the causation logic indicated in their business plans based on which the banks have issued credit facilities. The objective of those who have obtained credit facilities is to run and sustain their businesses without strictly following the business plans. In which case, the validity of placing significant importance on creating business plans for lending credit facilities is questionable, although they can act as a rhetorical tool to convince the lending institutions and other investors.

This situation necessitates devising alternative means of assessing the creditworthiness of SME borrowers. Therefore, it is imperative to determine whether the SMEs rely on causation principles when making business-related decisions or use an alternative decision-making logic. Furthermore, the factors influencing the SMEs' decision to adopt those logics also need to be identified to enhance our understanding.

The decision-making logics adopted by SMEs:

We conducted a study in the Kurunegala District of Sri Lanka with the aim to investigate the decision-making logic used by the SME operators and if the decision-making logic changes with the owner and business characteristics.

We collected data from ninety-five (95) SME operators in the district who have obtained loans in 2019 for business start-up and expansion from a leading development bank by submitting business plans.

The use of causation, effectuation and bricolage was measured using Likert scales. In addition, we adapted Chandler et al.'s (2011) causation and effectuation scales and Senyard et al.'s (2014) bricolage scale to collect data. Furthermore, we also explored the characteristics of the owner and the business to find out in-depth information on what influences the change of decision-making logic, if any, adopted by SMEs.

The study's findings revealed that the respondents use effectuation and bricolage rather than strictly following the causal thinking indicated in their business plans. They believed that following effectual and bricolage principles was more feasible for them than trying to accomplish the goals set by them (causation).

Those who followed the effectuation process relied on the resources/means, such as their knowledge and identity. For example, SMEs have started businesses in the fields where they have some expertise and done many experiments with their products or services until they came up with the best one. They have also explored their social ties and network to find out who can offer critical resources?
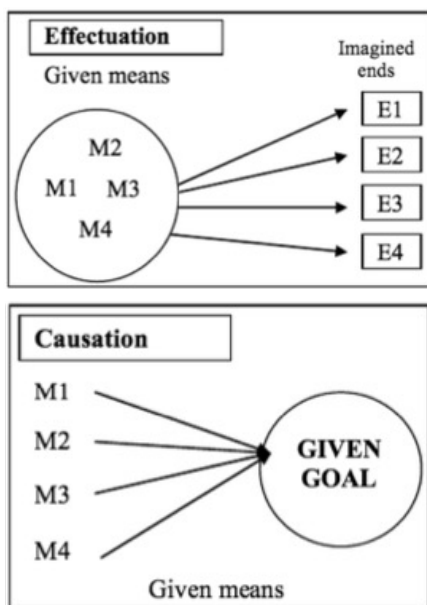
To whom can they talk for assistance? And who might want to join them? SMEs form agreements or alliances and come on board with their own resources and tools. Rather than taking calculated risks by focusing on predictive advantages, they have made their decisions based on what they can afford to lose. Some SMEs were using family labour to avoid labour expenses, and some have bought second-hand machines instead of brand new ones to cut the costs. Such SMEs embraced surprises that arose from uncertain situations and remained flexible rather than tethered to existing goals.

The SMEs have used this principle in adapting to the emerging opportunities and challenges they faced during the business operations. For example, some SMEs changed their product offerings based on the customers' rejection of their existing product offerings. The SMEs who follow bricolage have exercised their creative and combinational capabilities to create something from nothing. For example, some SMEs have innovatively and inventively built the necessary tools for the business on their own without buying them.

The factors that influence the adoption of different decision-making logic by SMEs:

The findings revealed that decision-making logic changes with the owner's age, gender and prior experience in business operation.

The younger SMEs tended to adopt both effectuation and bricolage logic, whereas most of the older SMEs adopted causation. However, the gender of the owner had no significant influence on the decision-making logic adopted by SMEs.

The study used two explanatory factors to explore the effect of prior experience in business operation.

1. Start-up experience:
   Whether SMEs have initiated other start-ups before starting the main business.

2. Industry experience:
   Whether SMEs have gained work experience in a related field or a firm before starting the main business.

According to the results, the SMEs with start-up experience have strongly adopted effectuation. However, there was no significant difference between SME owner's decision-making logic with the industry experience. Yet, the SMEs with both types of experiences mentioned above have highly adopted effectuation.

The study also explored if the decision-making logic changes with the business characteristics, the stage of business operation, and the business size. The findings revealed that entrepreneurs adopt effectuation and bricolage logic to startup and run small scale businesses.

In contrast, entrepreneurs who run medium-scale businesses adopt causation decision-making logic to develop and expand their businesses. Therefore, results suggest that the requirement of submitting business plans by entrepreneurs for granting credit facilities/making investment decisions concerning startups and developing small scale businesses warrants reconsideration by lending institutes and investors.

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Indunil Dharmasiri

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Coaching: Definition and Myths

Episode 1

By **Brian Tang, Corporate Training Consultant**

Coaching, as a technique for performance improvement and development, has been widely adopted in the business world and other areas such as sports and personal development.

However, there still exists many myths and misconceptions about coaching. This series of articles aims to clarify the essence of coaching and provide basic guidelines and tips on how to carry out coaching conversations in business setting and alike. This article focuses on defining the nature of coaching and busting the myths that people have on coaching. The next article will talk about the principles and foundational framework of coaching. The third and final article will discuss the skills and integrity that are required to be a good coach.

If you have learned coaching before, see this article (and the two upcoming issues) as a refresher. Those who wish to learn coaching are advised to seek professional coaching training. There are countless coaching programs out there, online and offline, with different curriculum and features. Do your own research and speak to graduates from different programs in order to find out which program suits your needs.

What is and is not coaching?

First thing first. Let's define coaching. Coaching, as defined by the renowned coach Timothy Gallwey, is a technique that "unlocks a person's potential to maximize their own performance. It is helping them to learn rather than teaching them". Apparently, the objective of coaching is to improve performance and maximize one's potential. The keyword here is "helping them to learn rather than teaching them". This leads us to the first myth of coaching. Coaches don't teach.

Coach doesn't equal to coaching:

When it comes to the word "Coach", many may immediately think of sports coach. However, sports coach is quite different than business coach. Some people confuse coaching with sports coach, who instructs and provides specific feedback to athletes' performance. A sports coach, such as a basketball coach, trains his team on technical skills, tactics, teamwork, and most importantly, provides real time feedback to the team during the game. He must demonstrate a variety of performance improvement skills – training, instructing, guiding, motivating, counselling, and coaching to help his team perform. Coaching is only one of the skills at play. The sports coach does a lot of things, including coaching. But that doesn't mean whatever the coach does is coaching.
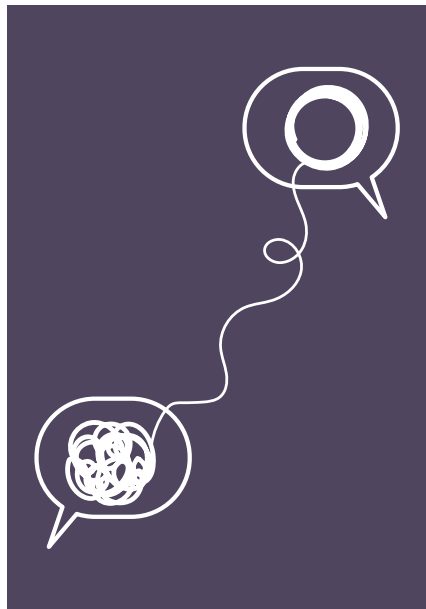
Coach is a role; coaching is a skill. Just because both coach and coaching contain the word "coach" doesn't make both terms equal. Coaching is a skill that "helps others to learn", not an array of skills that a coach (whether a sports coach of business coach) employs.

Single-Hat VS. Multi-Hat Coach:

As mentioned, a sports coach not only coaches but also trains and guides his team. But that's not the case for every type of coach. In the purest form of coaching, the coach doesn't teach or train the coachee. Take Executive Coaching as an example. The coach is independent from the coachee and the company involved. The coach deploys skillful questioning techniques to help the coachee, who are usually senior corporate executives, discovery blind spots, surface biases, solve problems, make decisions, or find opportunities. During the entire coaching conversation, the coach refrains from providing his own comments and judgments. In other words, the coach doesn't tell the coachee what to do. The coachee must find the way out by himself. The coach's job is only to assist the coachee and make the process of discovery effective.

The coach never trains or instructs the coachee. This is called a "Single-Hat" coach, or pure coach. Coaching is all the single-hat coach does.

A Multi-Hat coach, on the other hand, juggles with multiple hats. Sports coach is a typical multi-hat coach. He instructs, trains, guides, counsels, and coaches the team. Despite the title "Coach", coaching is only part of the job a sports coach does. Business managers are another typical multi-hat coach. Depending on the specific situations of the staff, the manager puts on different hats – a trainer, manager, coach, leader. For a junior staff or someone who needs to improve technical skill, the manager puts on the trainer's hat, giving specific instruction and feedback on how to get a task done well. For an experienced staff who is driven to perform, the manager puts on the leader's hat and inspires meaningful vision and connects the company goal with personal aspiration. This brings us to the next common myth of coaching.

Coaching is not a one-size fits all solution:

Coaching is often misunderstood as a "Swiss Army knife" tool of performance improvement. When a staff underperforms, the manager goes "he needs some coaching" as if coaching is a one-size fits all solution. However, applying the coaching technique on staffs who don't need coaching is like prescribing medicines for illness A to a patient who has illness B – it does more harm than good. As a multi-hat coach, business managers must assess the situation of the staff and only employ the coaching technique when the staff is ready to be coached. How do we know if the staff is ready for coaching? First, we need to understand the nature of coaching.

The very nature of coaching is developmental. When the staff has acquired a certain level of skills to perform at work, and is mentally ready for further development, the manager, or the coach in this case, employs the coaching technique to assist the coachee to learn and unlock potential. If the staff is a newly joined rookie and is going through an intensive technical training program, coaching is definitely not the skill to be used. Instead, instructing, training, and frequent feedback should be given.

On the other hand, if the staff is not mentally prepared for development, don't use coaching. For example, a staff who constantly complains about company policy is not an ideal candidate to coach, for any developmental effort will only backfire. Let's take sports as example. A beginning tennis player needs a trainer, not a coach, to learn the basic techniques of serves, strokes, and volleys. However, professional tennis players often have mastered the techniques. This is when the professional coach comes in, assisting to clarify blind spots and remove barriers for improvement. In fact, at one time, Serena Williams has hired Tony Robbins, the world-renowned motivational speaker and coach, to help her bounce back from the trough of her professional career. Robbins is not a tennis player. And even if he is, it is undoubtful that he can teach Williams anything technical. It is through his coaching and questioning techniques that helped Williams discover her own weaknesses, establish ownership to change, and hold herself accountable for results.

In short, only when a staff is technically ready (met a certain level of skill requirement) and mentally ready (interested in growth and open to feedback) should the manager puts on the coach hat. Otherwise, employ other performance management techniques as required.

Coaches are not mentors:

The last myth worth clarifying is that people often confuse coaches with mentors, or they use the terms interchangeably. In reality, they are totally different things. The coach serves to assist the coachee discover possibilities, resolve challenges, or improve performance.

The "solutions" as a result of the coaching conversation must come from the coachee, and the coach should refrain from adding his own inputs and comments. On the other hand, mentors are usually people who have walked the same path before, or acquired more experience than the mentee in the same professional field or alike. The mentor's job is to share his own experience and offer third party input for the mentee, in order to help the mentee gain a new perspective or make a better decision.

In sum, mentors offer input; coaches don't. Although coaching and mentoring are both effective developmental techniques and are being used widely, their natures are completely different and should never be used interchangeably. It is, however, possible that one has both a coach and a mentor in order to maximize developmental effort

Lastly, I want to address the importance of coaching. As a developmental technique, coaching is perhaps more important than ever today for the following reasons.

1. The world is changing faster than ever. Before the COVID-19 pandemic, no one in a million years could have imagined worldwide city lock-down and universal mask-up. On one hand, airlines and tourisms are dying; on the other hand, many have found new opportunities thanks to the pandemic.

For examples, interior designers who redesign the interior layout of a retail store, restaurant or office space in order to meet the social distancing requirements are highly sought after. In this fast-changing world, no one would have all the answers. In fact, the perfect answers don't exist. It is only through trial and error that we move forward to tackle challenges. Standard problem-solving approach won't work anymore.

Coaching moves away from the pursuit of standard answer and explore for possibilities, which suits the status of the fast-pace world.

2. As human beings, we seek autonomy in doing things the way like. Educated, young professionals today usually have their own thoughts of the world and don't want to be told what to do. If their managers only know one approach of management skill, they will have a hard time motivating their staffs and achieving results.

Coaching technique, when used properly, can generate insights and actions that come not from the coach but the coachee himself. It speaks to our intrinsic motivation mechanism, hence creates accountability and ownership for the coachee. When the staff is technically and mentally ready for development, coaching is far more effective than other techniques such as telling and guiding.

People are more likely to follow inspiring leaders who care for their development than those who only instruct and tell.

3. Good coaches make good people. The very skills that make a good coach, such as listening, questioning, suspending judgment, are also the key ingredients of a good manager and leader.

Honing the coaching skills will enhance our own self-awareness, communication skill and emotional intelligence. There is never a better time when the world needs more effective communicators, caring leaders and generally, great people.

In the next article, I will talk about the underlying principles and framework of coaching.

Asia
The highway of value
for global logistics

By **Fox Chu, Yuanpeng Li, Detlev Mohr, Yuta Murakami, Cuiwei Sun, Hanish Yadav, McKinsey Global Institute**

Logistics — a bright spot in a global economy still recovering from the pandemic — presents many opportunities in Asia. How can stakeholders make the most of them?

As with most other industries, the COVID-19 pandemic has transformed global logistics in profound ways. But unlike most other industries, the decline in economic activity during the pandemic has not affected global logistics too negatively. The consumption of goods—and thus the corresponding logistics needs—has been left relatively unaffected.

This article reports that while the COVID-19 pandemic has accelerated the growth of global logistics, it has also widened the gap between the sector's leaders and laggards. The market is becoming more dynamic, with many new start-ups providing increasingly intense competition. In response, legacy players are acting to consolidate strength with M&A activity or scale up operations by going public. This is especially true of the Asia market, where all indicators point to the continent's recovery outpacing the rest of the world's in the next year. The continent is expected to account for 57 percent of the growth of the global e-commerce logistics market between 2020 and 2025.

This may make Asia the single-most-important region for global trade and logistics activities going forward.

Whatever their role in the logistics ecosystem—a global logistics operator, a local specialist, an e-commerce player, or a logistics real-estate player—companies could seize opportunities now and act quickly to capture value. Those that leverage this window of opportunity to create a lasting competitive advantage and a strengthened market position will emerge from the pandemic as leaders.

The pandemic has catalysed the growth of global logistics but polarised leaders and laggards:

While the pandemic caused severe and sudden supply-chain disruptions in its initial months, the crisis has also yielded opportunities for the logistics industry and its subservice lines, such as cross-border e-commerce logistics. The pandemic accelerated e-commerce adoption, perhaps irrevocably. According to our Covid-19 retail-recovery survey, online penetration is now likely to remain six to 13 percentage points above pre-Covid-19 levels. While this puts greater pressure on global logistics, it also presents a huge opportunity, as consumer goods and retail make up almost half of the logistics market. The logistics industry has outperformed most other sectors during the crisis.

The COVID-19 pandemic has accelerated the polarisation of leaders and laggards in the logistics industry. The biggest challenge faced by the logistics industry is less about the demand and more about the supply side. Companies that are best able to mobilise operations and assets to serve their customers consistently and resiliently will be the ones to capture a disproportional share of value. Companies that are able to steal a march on their competitors will quickly outstrip them, and it will be increasingly difficult for the laggards to make up the growing distance.

Asia is fast becoming the global hub of the logistics industry:

To grow and stay competitive, logistics players have realised that Asia will likely be the single-most-important addition to their business portfolios. Asia is projected to recover faster than other regions economically and will be at the center of all logistics activity—both in growth and investment.

With regard to growth, Asia will contribute about half of the world's trade growth by 2030. Trade growth between Asia and the rest of the world will contribute about 55 percent, with intra-Asia trade growth making up the rest.

The Asia e-commerce logistics market will account for 57 percent of total market growth from 2020 to 2025 (Exhibit 1).

Industry players will, therefore, need to reconfigure their networks if they aim to capture these opportunities.

Additionally, many Asian countries can expect extraordinary growth in their domestic economies. GDP growth in Asia is expected to be 4.5 percent, more than double the world's average of 2.0 percent. By 2025, 30 percent of world consumption will be in Asia. While China, Japan, and India will remain the largest logistics markets in Asia, India, Indonesia, Vietnam, and Thailand show the highest growth potential.
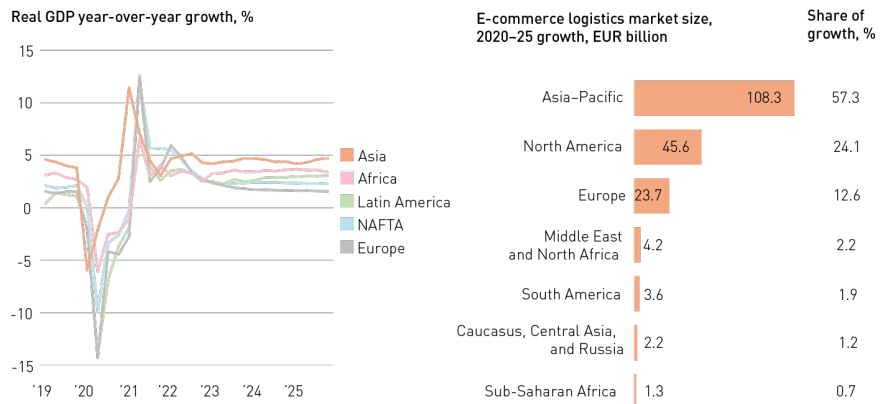
Start-Ups are heating up the competition, while legacy players are actively consolidating strength:

In the past 12 months, the global logistics market has outperformed many other sectors. Mergers and acquisitions and start-ups attracted about $25 billion in just the first quarter of 2021 in Asia, surpassing the annual figures from 2016 to 2019 (Exhibit 2).

In the face of increasing competition from more new start-ups, fast movers have already taken decisive actions to stake a stronger position in the region. Investment activities have created momentum for logistics assets, and both industry players and investors have been involved. With the right injection of capital, we can expect legacy players to accelerate efforts to capture more of the market by means of M&A activity. As scale begets scale, smaller and weaker players may find themselves becoming increasingly vulnerable. We project that global companies with a strong logistics presence in Asia or those with a robust Asia-focused logistics plan will continue to perform better than their more conservative peers.

Missing out on Asia will mean not only missing out on the opportunities Asia provides but also losing relevance when it comes to matching the demands of global customers, since Asia plays such an integral part in global supply chains.
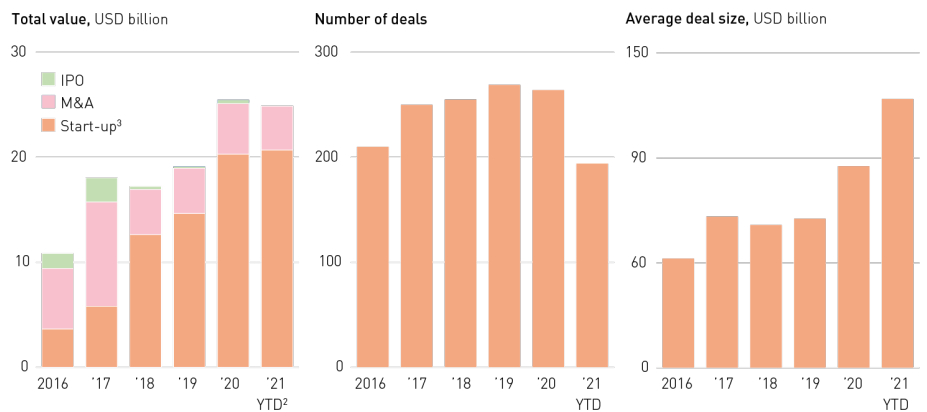
EXHIBIT 1 IN BOTH GDP AND E-COMMERCE LOGISTICS, ASIA IS EXPECTED TO RECOVER FASTER FROM THE ECONOMIC EFFECTS OF COVID-19 THAN THE REST OF THE WORLD.

Real GDP year-over-year growth, %

Asia
Africa
Latin America
NAFTA
Europe

E-commerce logistics market size, 2020–25 growth, EUR billion

		Share of growth, %
Asia–Pacific	108.3	57.3
North America	45.6	24.1
Europe	23.7	12.6
Middle East and North Africa	4.2	2.2
South America	3.6	1.9
Caucasus, Central Asia, and Russia	2.2	1.2
Sub-Saharan Africa	1.3	0.7

Source: GSCi; IHS Markit

EXHIBIT 2 AN INCREASE IN INVESTMENT ACTIVITIES IN ASIA IS INTENSIFYING CONSOLIDATION AND COMPETITION.

M&A, IPO, and start-up deals in Asia–Pacific[1]

Total value, USD billion

IPO
M&A
Start-up[3]

Number of deals

Average deal size, USD billion

Key deals, announced dates		
2019	**2020**	**2021**
November	**August**	**February**
Hichain Logistics IPO	Kerry Express (Thailand) IPO	SF acquired Kerry
$147 million transaction value	$278 million transaction value	$2.3 billion (51.8% share)
		K+N acquired Apex
December	**September**	$1.5 billion[4]
Flexport latest funding was raised	Alibaba acquired YTO	
	$965 million (12% share)	

[1]M&A deals are calculated with deal value, IPO deals are calculated with transaction value, and start-up deals are calculated with funding amount.
[2]Year to date as of February 24, 2021.
[3]Cumulative funding in start-ups.
[4]Not disclosed.

Source: CB Insights; company websites; Crunchbase; S&P Capital IQ

EXHIBIT 3 LOGISTICS PLAYERS IN ASIA CAN MAKE FOUR TACTICAL MOVES TO CONSOLIDATE THEIR STRENGTHS.

M&A	IPO	Captive-function carve outs	Strategic investments By PE/VC[1]	By tech players
• To quickly enter a new market • To expand business portfolios • To enhance capabilities	• To raise money from investors for expansion and operation optimisation	• To drive higher enterprise value by making logistics a market-facing business and scaling • To enhance brand presence and partner with other companies • To concentrate on major business	• To raise money from investors for expansion and operation optimisation	• To codevelop/integrate offerings • To engage in logistics ecosystem

[1]Private equity; venture capital.

Source: Crunchbase; S&P Capital IQ

Seizing the logistics opportunity in Asia:

While we see competition intensifying rapidly, it's important to emphasise that the logistics opportunity in Asia is still up for grabs. Although the window is narrowing, there is still time for players that move quickly to benefit. Companies could use four drivers to consolidate their strengths: M&A, IPO, captive-function carve outs, and strategic investments (Exhibit 3).

M&A. Both global players and local champions have been active in M&A to expand their Asian networks as quickly as possible. In a context where speed is a competitive advantage, M&As provide a way for companies to quickly enter a new market and expand their business portfolios as they beef up their capabilities. Kuehne+Nagel expanded its Asia presence with the acquisition of Wira Logistics, an Indonesian logistics company, for $2 million in 2018. It also acquired Apex International for $1.5 billion in 2021 to strengthen its Asia air-freight-forwarding (AFF) network and capabilities. Meanwhile, it sold the major part of its UK contract-logistics portfolio to XPO Logistics, indicating an attempt to recycle capital to fund growth in its Asia network. In the meantime, SF Express, China's leading express-delivery company, acquired Kerry Logistics at $2.3 billion in 2021 to expand its network in container logistics, freight forwarding, and express in Southeast Asia.

Going public. Emerging local leaders in fast-growing countries have been successful at IPOs, which are a way to raise money to invest in the expansion of the business and optimise operations. While raising money from private equity certainly remains an attractive option, there may be some advantages to going public. First, as companies are required to meet stringent standards and undergo strict audits as part of the due-diligence process, IPOs instill greater confidence in investors and customers and open up more funding options at later stages and at cheaper rates. Second, there is a low risk of losing control, as the company is drawing from a larger pool of shareholders rather than one or two investors. Third, an IPO tends to inject a higher level of liquid equity in a relatively short period of time to allow company leaders to manage their company without too many constraints. Kerry Express raised $278 million from an IPO in Thailand in December 2020, and Mahindra Logistics has achieved a P/E ratio of 51.5x with its IPO in India in 2017, almost double that of its international peers.

Captive-function carve outs. Parent conglomerates can carve out their logistics business units to drive higher enterprise value and enhance their brand presence by selling their services to other companies at scale. This has become a trend in Asia.

Firms like Mahindra Logistics and TVS Supply Chain Solutions (TVS SCS) have converted their logistics business units into third-party logistics firms and reaped the benefits. Mahindra Logistics raised about $129 million in its IPO, while TVS SCS has been raising private capital at attractive valuations over a period of time (raising about $114 million).

We believe this trend may continue, considering the value it has generated for proprietors of large businesses. Furthermore, a focused strategy, aggressive talent, and capital infusion are likely to shorten the cycle of carve-out-to-value capture to a few years.

China Eastern Airline carved out its logistics business, Eastern Air Logistics (EAL), to pilot a mixed ownership in the national civil-aviation sector and plans an IPO as an integrated-logistics service provider to raise about $350 million. SpiceXpress, the cargo arm of the Indian budget carrier SpiceJet, is also reported to be preparing an IPO soon.

These companies will be able to use the influx of liquidity to make bolder plays in the market.

Strategic investments. Over the past five years, private equity (PE) and venture capital (VC) have made financial investments of approximately $37 billion in Asia. Temasek Holdings' investment in SCOMMERCE, Warburg Pincus' investment in Rivigo and Stellar Value Chain Solutions, and CDPQ's investment in TVS SCS are funding expansion and optimization of operations. Likewise, tech players are making multiple strategic investments through direct investments, start-up accelerator programs, and VC arms to engage in the logistics ecosystem. Google, for instance, has backed India's Dunzo with $40 million in funding to codevelop new products and solutions as well as rapidly build existing portfolios with new-business models and test applicabilities at scale. The core belief driving these activities is that there is going to be significant growth and value creation in logistics over the three- to five-year horizon and that the Asia logistics market in particular will be more vibrant and more competitive than it has ever been. Pursuing inorganic growth will help companies capture that opportunity.

What you can do depends on who you are Given the fast-changing, competitive business landscape in Asia, the window for harnessing growth and building a leading and sustained market position is quickly narrowing. The different stakeholders in the logistics ecosystem have a variety of strategies at their disposal to help them capture this opportunity.

Global logistics players. Global logistics players can revisit their Asia portfolios, reconfigure themselves to have Asia-relevant networks, reinforce their local presence in select markets, review their targeted customers, and decide which ones to serve and which respective go-to-market models to adopt.

Emerging pan-Asia logistics players. Emerging pan-Asia logistics players can seize the opportunity to bolster their networks within Asia and beyond and leverage their local knowledge to differentiate themselves by their ability to provide both cross-border and end-to-end products across Asian countries.

Local specialists. Country-specific, market-specific, and asset-specific specialists that are looking to build leadership positions to capture most of the value pools in their submarkets should also look for opportunities to capitalise value by playing a role in the ecosystem of bigger players.

Captive-logistics players. Parent conglomerates can consider carving out their captive-logistics units, allowing them to explore opportunities to serve customers beyond their stable of companies. In the pursuit of local expansion, captive-logistics players may also collaborate on joint ventures with other players in the industry.

E-commerce logistics players. The logistics arm of e-commerce players aspires to serve not only as the e-fulfiller of a company's products but also as an omnichannel enabler. This creates complementary and synergetic space with traditional logistics players that used to serve B2B. In the cross-border regime, using a combination of stock-in models for higher-frequency products, freight forwarding for replenishment, and express for ad hoc shipments seems to be the emerging optimal solution. Without an obvious leader to integrate these cross-sectorial capabilities, there is reason to believe that strategic partnerships, or JVs, and M&As can expedite service-level operations excellence, thereby capturing that white space.

Infrastructure players. Airport, seaport, and rail operators are owners of logistics assets. They can revisit the scale and relevance of their logistics assets and explore opportunities to partner with external parties to scale their adjacent businesses or divest to capture immediate value.

Logistics real-estate players. Logistics real-estate players can build close partnerships with logistics players to consolidate different flows of logistics traffic and also to transform the value of their properties. For example, a warehouse used for storage could be repurposed as an e-commerce fulfillment center and host multitenant operations.

On a global scale, building a regional footprint to cope with manufacturing relocation and supply-chain resilience will be much more valuable than creating isolated facilities. This kind of real-estate expansion can be expedited by logistics companies.

Historically, the logistics market has grown proportionately to GDP and trade, which suggests that the Asia logistics market will present hundreds of billions of dollars in growth over the next five years, an opportunity that logistics players across the spectrum can strive to capture. Those that succeed will secure a long-standing strategic stronghold. To reap these dividends, the time to act is now.

Five insights about harnessing data and AI from leaders at the frontier

By **Mohammed Aaser, Jonathan Woetzel, Kevin Russell, McKinsey Global Institute**

Four CEOs describe what goes into turning a world of data into a data-driven world.

What was once unknowable can now be quickly discovered with a few queries. Decision makers no longer have to rely on gut instinct; today they have more extensive and precise evidence at their fingertips.

New sources of data, fed into systems powered by machine learning and AI, are at the heart of this transformation. The information flowing through the physical world and the global economy is staggering in scope.

It comes from thousands of sources: sensors, satellite imagery, web traffic, digital apps, videos, and credit card transactions, just to name a few. These types of data can transform decision making.

FIVE INSIGHTS ABOUT HARNESSING DATA AND AI FROM LEADERS AT THE FRONTIER

New forms of data are giving organisations unprecedented speed & transparency

Specialist firms are refining & connecting data

Most non-tech companies are lagging, but new tools can get them in the race

It takes domain experts to extract the real value from data

Companies need to build in privacy safeguards and AI ethics from the start

In the past, a packaged food company, for example, might have relied on surveys and focus groups to develop new products. Now it can turn to sources like social media, transaction data, search data, and foot traffic—all of which might reveal that Americans have developed a taste for Korean barbecue, and that's where the company should concentrate.

The potential is being borne out every day—not only in the business world but also in the realm of public health and safety, where government agencies and epidemiologists have relied on data to determine what drives the spread of COVID-19 and how to reopen economies safely.

But the sheer abundance of information and a lack of familiarity with next-generation analytics tools can be overwhelming for most organisations. That's why the McKinsey Global Institute invited CEOs from CrowdAI, SafeGraph, Measurable AI, and Orbital Insight —four start-ups that are expanding the boundaries of data and AI innovation —to discuss what kinds of new insights are possible and how the landscape is changing. Their wide-ranging discussion yielded five important takeaways

Takeaway 1

When a CEO wants an answer to a complex question, a team might be able to get it in a couple of months—but that may not be good enough in a world where competition is accelerating. One of the biggest advantages of an automated, data-driven AI system is the ability to answer strategic questions quickly. "We want to take that down to an hour or so when it's about something going on in the physical world," says Orbital Insight founder James Crawford.

Data and AI are not only finding answers faster but creating transparency around issues that have always been murky. Consider a multinational's desire to ensure sustainability in its supply chain. An input like palm oil is produced on millions of farms in developing nations, and it goes through thousands of refineries and mills before it reaches one of that multinational's factories. That's a difficult supply chain to trace. But Orbital Insight has been able to use geolocation data and satellite imagery to track the physical supply chain—not based on paperwork that may not be accurate but based on real-time snapshots of where trucks are driving and where deforestation is occurring.

"Our platform speeds up the labeling process by incorporating user-generated labels to automate further labeling, constantly iterating on that human feedback," says CrowdAI founder and CEO Devaki Raj. In this way, firefighters can use apps on their phones to track the behavior of wildfires in real time, and vaccine manufacturers can use computer vision on their production lines to spot tiny defects in vials that human eyes might miss.

Another start-up, Measurable AI, has found a way to take some of the guesswork out of corporate financial performance. CEO Heatherm Huang explained that his company uses natural language processing and machine learning to aggregate email receipts on its own mail app, with user permission, for statistical modeling. This kind of analysis can predict reported earnings better than traditional stock analysts can. When Zoom adoption spiked in 2020, for example, Measurable AI's algorithm was able to estimate quarterly earnings within 1 percent of reported earnings, compared to an industry consensus that was off by more than 10 percent.

Takeaway 2

Since the universe of data is so broad, service providers are carving out specialised niches in which they refine a variety of complex and even messy raw sources, feeding the data into machine learning– or AI-powered tools for analysis.

Consider SafeGraph, a start-up focused exclusively on geospatial data. It specialises in gathering, cleaning, and updating data on points of interest, building footprints, and foot traffic to make it quickly usable by apps and analytics teams. Further, to get around the issue of the many quirky permutations in the way addresses are assigned around the globe, the company has introduced Placekey, a free and open universal identifier that gives every physical location a standard ID. This enables everyone to use a recognisable string when they interact—a step that will ease the merging of data sets. In the first six months after its rollout in October, more than 1,000 organisations began using and contributing to the initiative.

> " Data and AI are not only finding answer faster but creating transparency around issues that have always been murky "

Unstructured data, especially in the form of images and video, remain challenging for organisations to utilise due to the complexity of building and maintaining cutting-edge algorithms. CrowdAI is unlocking the ability to extract insights from images and video. Users begin by labeling objects or pixels in raw imagery—perhaps the most time-consuming step in creating a computer vision model.

"We're just an ingredient in any one solution," says SafeGraph CEO Auren Hoffman. "It's like selling high-quality butter to pastry chefs. The end consumer of the croissant may not even know that there's butter in the pastry. And they certainly don't know it's SafeGraph butter. But the chef knows how important the ingredient is."

Another example is Orbital Insight's compilation of data from satellites, mobile devices, connected cars, aerial imagery, and tracking of ships at sea. All of this information feeds into an integrated platform, giving users the ability to pull out whatever is in satellite imagery and even count objects of interest automatically and connect it with other data on the platform. "We can deliver counts so you don't have to look at every cornfield in Iowa or every road in China to figure out what the agricultural harvest is going to look like or whether people are back on the road after COVID," says founder James Crawford.

Takeaway 3

Adapting to an era of more data-driven or even automated decision making is not always a simple proposition for people or organisations. The companies that have been fastest out of the gate already have data science chops. But according to Devaki Raj, CEO of CrowdAI, most non-tech Fortune 500 companies are stuck in pilot purgatory when it comes to sophisticated uses of systems such as computer vision and AI. "It starts with a lack of understanding of where all of their data is."

Now a growing range of available tools and platforms can help them catch up. The number of companies working with data today is sharply higher than it was even five years ago. Back then, it took a world-class engineer to extract value from that information, and non-tech companies had difficulty attracting the few at the cutting edge of data science. But new platforms and analytics tools are leveling the playing field—as is the vast array of data that is free, open, or available at relatively low cost. Now, according to SafeGraph's Hoffman, "People are going to be able to dive into data and analyse it in a way that just a few years ago only the most advanced engineer could do."

For example, CrowdAI's platform to build custom computer vision models for non-data scientists makes it possible for organisations at all technological maturities to benefit from advances in AI. "The critical test for our product team has always been the ease of use by someone who works on a factory floor, who looks at the imagery day in and day out but has likely never heard of Python," notes Raj.

Takeaway 4

Data science teams can build models with miraculous capabilities, but it's unlikely that they can solve highly specific business problems on their own. Data engineers and scientists may not understand the subtleties of what to look for—and that's why it's critical to pair them with domain experts who do. "To be effective, automation needs to be informed by those closest to the problem," says CrowdAI's Devaki Raj.

On-the-ground business knowledge is especially important when it comes to interpreting data from other countries. "As a transactional data provider for emerging markets, we cover places like Southeast Asia, Brazil, and Greater China," says Measurable AI's Heatherm Huang. "You need to adopt different languages and compliance standards in different regions. You need to know that people in China don't use email that much, for instance, or credit card adoption in Indonesia is still pretty low at this moment." Even if the data provider accounts for those nuances, the end consumer of that information has to go deeper into the local business logic of different cultures to avoid coming away with mistaken conclusions.

Takeaway 5

The utility of data versus the right to personal privacy is one of the biggest balancing acts facing society. There is enormous value in using personal data such as health indicators or geolocation tracking for understanding trends. But people have a legitimate desire to not be tracked. Companies that work with data typically promise that it is anonymised and aggregated, but not all of them have the same standards and cybersecurity protections.

"The mantra for us is institutional transparency and individual privacy," says Orbital Insight's James Crawford. "We created a privacy statement on our website and put it into the terms of use of our platform. And we actually put monitoring into the platform so that we can stop users from tracking individuals."

Heatherm Huang of Measurable AI approaches the issue by asking consumers to opt in—and giving them an explicit incentive to do so. "If the alternative data economy is to be sustainable, it has to value the people who contribute the data." His company's Measurable Data Token rewards users in cryptocurrency for sharing their data points. It's built on blockchain, which also helps to verify but anonymise transactions.

SafeGraph's Auren Hoffman is optimistic that technology itself can address this issue, noting recent advances in areas such as differential privacy, homomorphic encryption, and synthetic data. These technologies could conceivably enable the ability to connect individual-level data, analyse it, and then use it in a way that doesn't give away any individual-level information. "It's going to yield an incredible amount of innovation. Over the next few years, we'll be able to have our cake and eat it, too."

The HR Department and its development

By **Mohan Raj Ojha, Former Secretary General, MAN**

The term "human resource management" is of recent origin. For much of the 20th century, HR was largely unseen and informal. It wasn't until the 1970s and 1980s that large companies began to realize that they need strategic ways to manage their employees.

However, the role was limited to preparing employee files and, if lucky spreadsheets of staff data and write the HR reports of employees. Now, with the challenging economic and political environment, technological innovations, organizations in the international arena require more from the people function i.e. the HR Department. They want people who have expertise to attract, retain and build environments where employees can thrive and organizations can transform. Leaders want a continued partnership, with the people team, solutions to the organization's challenges alongside continued technical people expertise and flawless delivery. Nowadays, amongst leading FTSE companies, Chief HR Officers are expected to be a catalyst for change.

In Nepal, the concept of the HR department was absent in businesses till 25 years ago. After 2046 B.S. and with the liberalization of the economy, the early HR departments started being formed in financial institutions and the private companies. Since then, the HR department has become an important department in various organizations.

However, only few companies have an HR department. However, we have still got a long way to go. The HR manager does not hold much executive power and is merely directed from above.

While the international organizations have moved ahead from debating whether HR should have a top seat and are now developing a separate role for employee experience, we in Nepal are still talking about developing the HR department and rarely give authorization to them. It is still running with traditional beliefs with very limited roles and responsibilities.

HRs should be moved into the leadership table, helping shape the company's direction and make strategic decisions. There should be more of a collaborative approach. Only a few of the organizations in Nepal have started adopting this culture. Still there are many organizations who questions what is the need for an HR department?

Over the last decade, the Nepali HR fraternity has seen a sea change in terms of strengthening the HR department. However, we have a long way to go since even now some organizations do not believe in having a separate HR department and are working without it. It is unthinkable if an organization would not have an accounts department. How would you keep a record of cash flow, profit or loss, and assets or liabilities?

However, we are not surprised if an organization would not have an HR department. This thinking needs to be changed and the upgradation of the mindset is required. We are living in a time where one needs to understand the importance of skilling, reskilling and upskilling. If any organization feels that their HR department is stagnant and wants more engaged employees, they should work on modifying the roles of HR and work towards developing the full-fledged HR department.

This should be an effort of not only for the private sector but for the government as well. The emphasis should be given to developing a separate Ministry for Human Resources. The Ministry of Education Science and Technology, Ministry of General Administration and the Ministry of Labor, Employment, and Social Security could be merged in one to form a Ministry of Human Resources. This will give a new direction to the HR department and their way of working. There have been many technological breakthroughs in the HR world (from accessing HR information through self-service to recruitment software and adoption of AI systems for data privacy, etc) that should be incorporated in Nepalis organizations as well.

Human Resource is a role with multiple hats and can be diversified to many areas. The HR personnel understands the people of the organization while watching and working with the organization through the highs and lows. It is high time that we question ourselves if we have correctly assessed the HR department or if we have utilized the department efficiently. Until then, the journey of strengthening the HR department and the fraternity continues.

Mohan Raj Ojha
Former Secretary General, MAN

Asian Association of Management Organisations

About AAMO:

AAMO is a partnership of National Management Organizations (NMO) whose purpose is to share and actively leverage resources to enhance the achievement of their respective missions. AAMO is an independent, nonpolitical and not-for-profit Association of NMOs, which promotes, facilitates and supports the development of professional management in the Asia Pacific Region.

The current 10 members of AAMO are Australia, Hong Kong, India, Macau,Malaysia, Nepal, New Zealand, Pakistan, Philippines and Sri Lanka.

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