

PANMURE HOUSE PERSPECTIVES

Developing tomorrow's business leaders for tomorrow's markets

ISSUE 1 AUTUMN 2017



[OUR WORLD IN A WHIRL]

RADICAL INNOVATION

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

DWELLING ON THE SPIRIT OF SMITH:

The regeneration of an iconic address

MATERNITY MATTERS:

Improving health care in Afghanistan

SELAMAT PAGI:

A Malaysian campus welcome

HONG KONG'S VETERAN BANKER:

Exclusive interview with Sir David Li

[Welcome]

Why Panmure House Perspectives?

AN INTRODUCTION FROM PROFESSOR HEATHER MCGREGOR



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

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

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

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

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

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

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



PROFESSOR HEATHER MCGREGOR
Executive Dean

PANMURE HOUSE
PERSPECTIVES

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THINK SMALL, ACT BIG

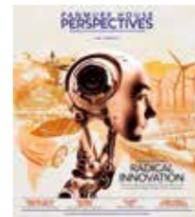
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Panmure House Perspectives is a twice-yearly publication reflecting on modern global business and the continuing relevance of Adam Smith. Smith's former home – Panmure House, near Edinburgh's Royal Mile – is being restored by Edinburgh Business School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

ISSUE 1 AUTUMN 2017

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

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

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

But Heriot-Watt is one of only a

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

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

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

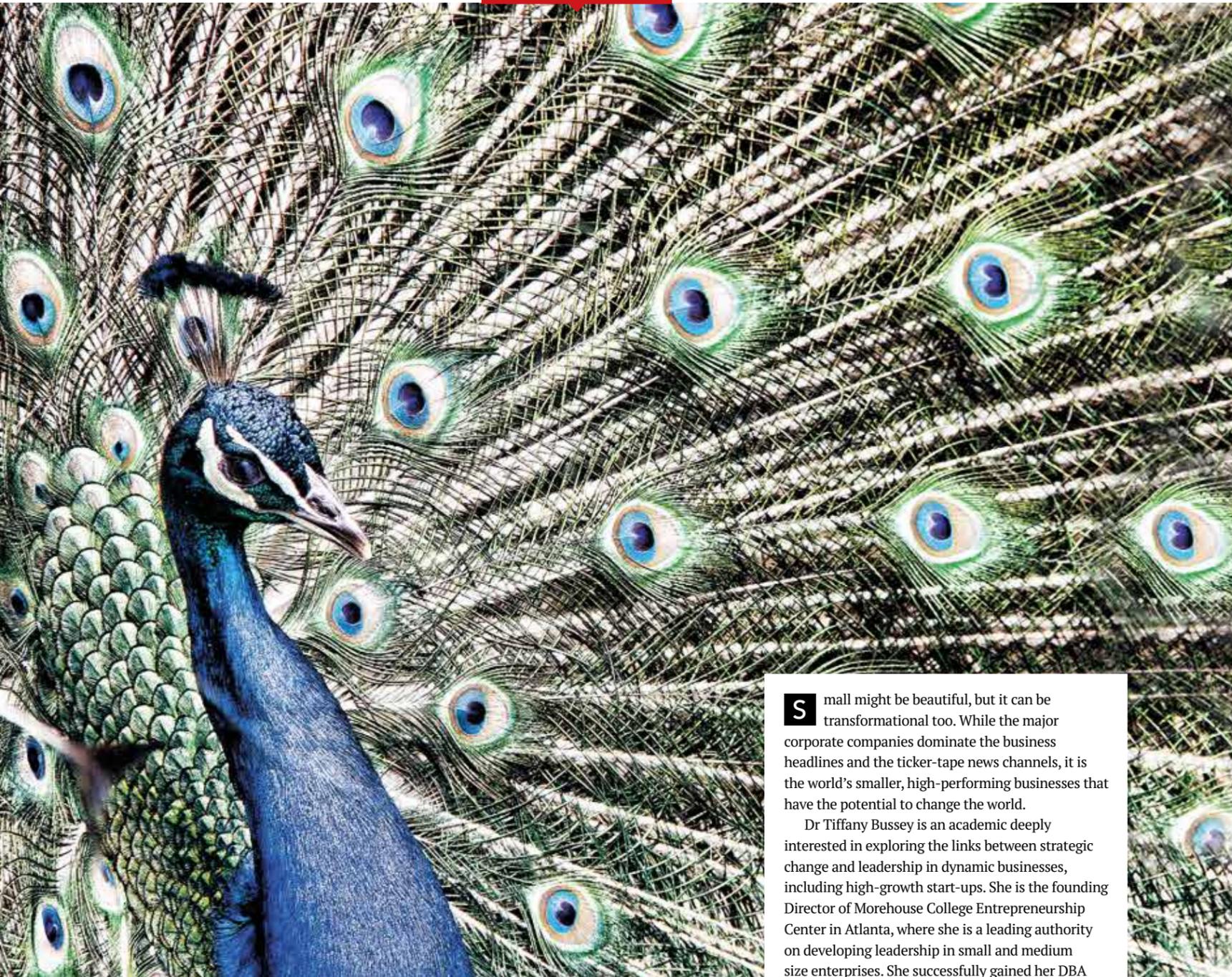
diverse and global higher-education landscape, Heriot-Watt is well positioned to take advantage of the opportunities that our status as a multi-campus, multi-cultural, industry-linked university creates. As we approach our 200th birthday, we are already thinking about the next 200 years. ☺

Heriot-Watt's place
IN THE
world

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

ROB. T BRYSON
EDINBURGH

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



Think small. **ACT BIG**

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

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

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

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

START-UP 'VILLAGE' OF SUPPORT

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

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

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

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

BETTER HELP FOR MINORITY SCALE-UPS

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

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

she said.

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

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

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

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

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

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

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



CASE STUDY **Dynamic Global Technologies (DGT)**

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

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

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

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

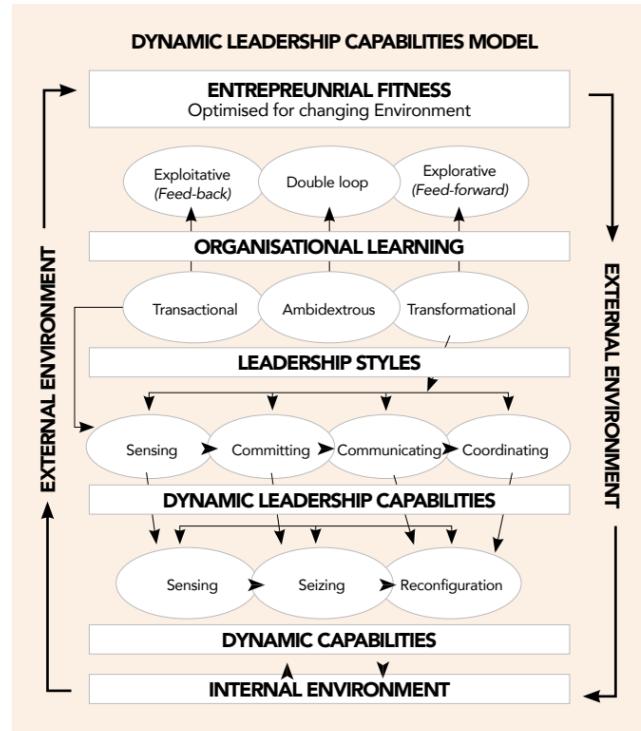
The CEO met with all employees and shared her vision of what the process would do and why it was important for the company. She outlined the benefits to each individual work areas and then sent an email announcement to all employees and a formal letter to its customers informing them of the start of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

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

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

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

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



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

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

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

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

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



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

SENSING THE OPPORTUNITY

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

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

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

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

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

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

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