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IDD Vision
The IDD is to be recognized as a world class Outcome Management Journal/Periodical.

IDD Mission
"IDD’s Mission is to provide useful, timely and thought-provoking content in Outcome management driven disciplines that addresses a broad spectrum of practices for knowledge exchange among academicians, researchers and practitioners”.

IDD Objectives
1. To bridge the gap between academicians and practitioners in the discipline of outcome management
2. To provide a platform to academic researchers and practitioners for disseminating their research work.
3. To promote adoption of innovative outcome management disciplines
4. To highlight challenges being faced by the outcome managers (practitioners)

IDD Scope
1. The IDD journal will cover application of the cross cutting themes of Outcome management disciplines. No other journal in the world is having such orientation.
2. IDD journal’s main emphasis is on applied research.
3. IDD journal will accommodate articles based on both qualitative and/or quantitative approaches. However, preference will be given to mixed methods and action research.
4. Geographical territory of our journal is the entire globe.
5. Our target audience includes academics and practitioners in outcome management.
Introduction of IOCOM

IOCOM is a not-for-profit corporation registered in Canada. It is an organization of professionals, academics and an alliance of international and national associations, societies and networks engaged in the discipline of outcome management.

IOCOM invites professionals and academics to create a forum for the exchange of useful and high-quality theories, methodologies and effective practices in outcome management drawn from all management disciplines. IOCOM encourages management practitioners contributing to outcome management in all fields to make use of our resources, to participate in our initiatives and to contribute to our goals as individuals or through outcome management organizations. We offer global linkages to outcome management professionals, organizations and networks about events and important initiatives, as well as opportunities for exchanging ideas, practices, and insights with peers throughout the world.

IOCOM’s Vision

To create a world where professionals, academia, organizations and networks with a focus and interest in effective outcome management, collaborate to strengthen the theory and practice of the discipline that benefits society.

IOCOM’s Mission

To promote outcome management in the world at large through multidisciplinary professional and academic collaboration and the quest for evidence in decision making for business and organizational viability.

IOCOM organizational and individual memberships are free and provide the benefits of professional connectivity worldwide.

Please visit our web site at www.iocomsa.org and join IOCOM.
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Message from the Chair/ President

Welcome to this issue of IDD, focused on the theme “Leadership and managing people”. First and foremost, I draw your attention to the article titled “Leadership at the top: Four experts examine corporate governance”.

In March 2018, four Canadian scholars presented research findings in corporate governance at the Telfer School of Management MBA conference on corporate governance at the University of Ottawa. They discussed the spectacular failure in corporate governance as seen from the collapse of Enron to the demise of Nortel Networks, due to the lack of good governance resulting in long-term consequences. Their message was that these failures have raised many challenges and highlighted the need for effective mechanisms and practices to control managerial actions and corporate decisions. I was motivated by their presentations and I have attempted to adopt their advice to strengthen the way IOCOM functions.

As the McKinsey Global Survey reported in 2013: “Compared with their peers, the directors at higher-impact boards say they evaluate resource decisions, debate strategic alternatives, and assess managements understanding of value creation much more often. These respondents are also likelier than others to say their boards ensure that organizational resources are in place to deliver on strategy and that they manage strategic performance”. This perspective implies that IOCOM’s vast volunteer resources should be harnessed to deliver on critical strategies and in achieving strategic outcomes. Volunteers are our biggest asset.

IOCOM corporate governance and management

Let’s talk about IOCOM, and some of the results from its March 2018 board meeting. We all believe that “leadership begins in the corporate boardroom”. IOCOM corporate governance and management allows for electing a maximum of 10 board directors, all of whom are volunteers. There is a provision for adding one-third this number, which means the board’s full capacity is 13 members. Currently our board has four representatives from South Asia, one from South East Asia, three from North America, and two from Africa.

In the past, we have had board members from Australasia. We are in the process of finding suitable candidates for this and other regions: Europe, and Central and South America. Our board is diverse and inclusive; its membership includes two women, 20% of the total, higher than the disclosure results from 750 firms who reported 14.5% for women on boards. They are well represented in decision-making. The board created an extended governance and management mechanism by appointing Country Representatives in the 83 nations where our 780 members
reside. The country reps provided a “voice” for their members and valuable support to the board in implementing decisions and actions. At present, IOCOM has country representatives in 25 of the 83 countries and is looking for more. IOCOM has undertaken a renewal and recommitment of country reps.

**A move to country IOCOMs**

At the AGM 2017, the bylaws were amended to allow members to form country IOCOMs. There is an interest in India, which has the largest number of members, as well as in Malaysia. IOCOM’s board hopes that country level IOCOMs will flourish and lead to greater collaboration with outcome management organizations. The board approved formal collaborations with outcome management organizations and higher learning organizations. This will be done through a formal memorandum of understanding (MOU).

At present, an MOU is being developed to host international and national conferences in collaboration with higher learning institutions. Collaboration plans with the Evaluation Association of Bhutan (EAB) and others are targeted. Strategic collaborations are vital for the survival of organizations in a world of sectors without borders.

Also in March, the board approved formation of regional governance and management mechanisms to foster growth and the sustainability of IOCOM. To serve members in the two largest regions in South Asia and Africa, seven-member Governance and Management Committees were established. As time goes on, IOCOM will establish regional governance structures in Australasia, Europe and Central and South America. The main purpose is to allow implementation of IOCOM’s three-year evergreen Strategic Waves (plan and actions) and the greater engagement of members at the grassroots level.

**Succession plan**

IOCOM continuously monitors and updates its three-year Strategic Waves (plan and actions). However, its biggest weakness, or threat, is the lack of a formal succession plan and a risk mitigation strategy. Experts warn that in the absence of succession planning, when the founder is gone, most organizations struggle to survive and may die a natural death.

As you know, this is my second three-year term; some of you on the board have been with me and relate to my message. My immediate priority is to develop a formal succession plan and a risk mitigation strategy. The goal is that these will address digital and business disruptions and cybersecurity threats to facilitate the sustainability of IOCOM and serve the purposes for which it was created.
Other suggested improvements include an orientation process for new board members orientation and board member feedback on efficiency and effectiveness of meetings. IOCOM will prepare an orientation package for new board members to be fully informed at their first board meeting. Informal feedback is provided at the conclusion of each meeting.

My objective is to build a forward-looking IOCOM board. It is appropriate, I feel, to conclude with quotes from McKinley authors Christian Casal and Christian Caspar from their essay on Building a Forward-looking Board (McKinsey Quarterly 2014).

“Directors should spend a greater share of their time shaping an agenda for the future. Winning boards will be those that work in the spirit of continuous improvement at every meeting, while always keeping long-term strategies top of mind. Only by creating more forward-looking boards can companies avoid the sort of failures witnessed during the last financial meltdown the next time one strikes”.

IOCOM Digest and Dialogue (IDD) themes for 2018-2020

In this issue, I have written an article entitled “Managing the dynamics of business ecosystems: Profitability and prosperity” based on a review of selected publications by leading research organizations on business ecosystems, a relatively new and popular term. The article provides IDD’s future direction on the themes for 2018-2020. Other authors have written about How Oversight Improves Organizations through Balanced Assessment and Reporting, Start-ups Business Ecosystem: Lessons from the Malaysian Experience and Information and Communications Sector in India: A Key Driver of the Nation’s Economy.

Finally, a message to all members: Let’s hear from you. IDD needs articles, short or long. Tell us about your experiences. Let the world know what you are doing. As always, the editorial team welcomes suggestions for improving the quality of the IDD. It’s your e-journal. Help make it world class!

Chair/President
Sandiran Premakanthan
Editors’ Note

The last issue of 2017 is before you. The theme of the issue is “Leadership and Managing People”. This issue is an excellent blend of articles on leadership and the changing contexts in which leaders have to deliver in the present times. It contains five articles.

The first article provides an overall framework of business ecosystems in which leaders provide vision and lead people in a business world with disappearing sector borders.

The second article provides an overview of how a balanced assessment and reporting system enable leaders to perform the function of oversight aiming at optimizing organizational effectiveness.

The third article is about a new wave emerging in the business ecosystems i.e., startups, throughout the world. It highlights how leadership at strategic level can provide overall direction to the development of small businesses, providing tech-based solutions, enabling the youth to exploit the fullest potential of their talent. It provides a case of Malaysia.

The fourth article extends the horizon of tech-based industries. It indicates how technology is influencing socio-economic development in India. It says that more and more, managers have to become “data-savvy”. That is, they require a thorough understanding of how to use data to make sound business decisions.

The last article underpins discussions on leadership at the top. This article is based on four presentations delivered at the Telfer School of Management MBA Conference held in March 2018.

We are confident that you will enjoy reading these articles. We will wait for your comments on the articles and suggestions for improvement in the quality and usefulness of the forthcoming issues.

The theme of the next four issues will be related to business ecosystems. Details are on Page 40. Please send your articles for the next issue latest by 30th June, 2018.

Editors

Atiq ur Rehman, Susanne Moehlenbeck and John Flanders
Managing the dynamics of business ecosystems: Profitability and prosperity

Sandiran Premakanthan

In nature, an ecosystem is a biological community consisting of living things, such as plants and animals, in a given area, interacting with each other and with their physical environment, such as soil and climate.

This definition has a parallel in the business world.

In a 2015 Business Trends report, the consulting firm Deloitte Development¹ focuses on a critically important transition that has considerable implications for society, the economy and businesses everywhere: the continued rise of “business ecosystems”.

The authors note that the word “ecosystems” was coined in the 1930s by British botanist Arthur Tansley. He used it to refer to a localized community of living organisms interacting with each other and their particular environment of air, water, mineral soil and other elements.

Noticing growing parallels, business strategist James Moore imported the concept to the increasingly dynamic and interconnected world of commerce.

In a 1993 article, Moore wrote: “I suggest that a company be viewed not as a member of a single industry but as part of a business ecosystem that crosses a variety of industries.”

The theme of this issue of IDD is “leadership and managing people”. In this article, I will explore the definition of business ecosystem and its dimensions.

This article analyzes outcome management ecosystems as value added collaborating disciplines in the quest for organizational survival and growth in a rapidly changing digital world. It is based on a review of selected publications by leading research organizations.

Business ecosystems according to Deloitte
The Deloitte report defines ecosystems as dynamic and co-evolving communities of diverse actors who create and capture new value through increasingly sophisticated models of both collaboration and competition.

Ecosystems typically bring together multiple players of different types and sizes to create, scale and serve markets in ways that are beyond the capacity of any single organization—or even any traditional industry.

Their diversity—and their collective ability to learn, adapt and, crucially, innovate together—are key determinants of their longer-term success.

Enabled by greatly enhanced connectivity across specialized capabilities and resources, ecosystems:
- develop new, co-created solutions that address fundamental human needs and desires and growing societal challenges;
- forge superior ways to create new value; and
- increase the importance of discovering new business models to capture that value in a world of commoditization and “de-monetization”.

The Deloitte analysis stresses the importance of competition, shared interests, goals, and values. It also underlines the growing need to collaborate to meet increasing customer demands, to invest in the long-term health of their shared ecosystem, from which all can derive mutual benefit.

**An example: Sri Lanka tea plantations business ecosystem**

In my recent article[^2] on Sri Lanka’s 150-year-old tea plantations, I gave an example of a business ecosystem in this setting.

I wrote: “Plantations are not just economic and commercial production units. Rather, they are social institutions that control the lives of their resident workforce, places where people are born, live, breed and die. The plantation is a business ecosystem of employment and healthy living services, such as housing, water, gardens, welfare, temples, cemeteries, laundries, hair cutting establishments and many other facilities that affect the daily lives of workers.”

Ultimately, business ecosystems will most likely emerge around the basic needs of individuals or organizations to serve different outcomes in various parts of the world.

**McKinley Global Research: A world of sectors without borders**

The McKinsey quarterly report of October 2017[^3] reported that “over the next decade, learning to operate in a business world with disappearing borders will become a necessity for companies that want to be competitive”.


[^3]: McKinley Global Research, A world of sectors without borders, October 2017
In a podcast, McKinsey senior partners Venkat Atluri and Miklos Dietz talked with McKinsey Publishing’s David Schwartz about how business is evolving in a world of sectors without borders.

In their conversation, Mr. Atluri defined ecosystems as “a complex network of interconnected businesses that depend on and feed on each other to deliver value for their customers, to the end users, and their key stakeholders”.

Mr. Dietz provided an example of an ecosystem that could possibly emerge by 2025. He said: “When people are looking at housing, they are looking for an integrated journey through which they can look for places, buy a house, get a mortgage, home insurance, moving services, refurbishing, and then potentially also find somebody to sell to, go to a reverse-mortgage structure, or sell and lease back, that is, almost everything related to buying and owning a property can be in one ecosystem”.

He added: “The same housing ecosystem is also connecting concierge services, technology, and house servicing, from plumbing to even updating the latest technology”.

Mr. Dietz referenced an ecosystem emerging around mobility, that is, everything about buying a car, owning a car, sharing a car, getting somewhere.

Other emerging ecosystems involve not just the retail world, but also the wholesale world. They include business-to-business (B2B) services or accounting and banking services collapsing together with administrative services, sales management, retail and other types of professional services.

**Business ecosystems vision**

A scenario envisaged by the authors is that the current more-than-100 different value chains and industries constituting the distribution of services and goods in the economy would collapse into just 12 large ecosystems.

These would connect practically all activities of one type—buying products, health, and education into a very large industry group worth many trillions of dollars. It would result in ecosystems with a few large players, big winners and a huge shift of wealth and value creation.

Industry thinkers see further stages of evolution and argue that in the long term, there would be just one or two ecosystems: business-to-client (B2C) and business-to-business (B2B).

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3 As sector borders dissolve, new business ecosystems emerge, Venkat Atluri and Miklos Dietz, McKinsey Quarterly October 2017
Recipe for success: A new set of managerial skills and capabilities
In a complimentary article from their book *Digital @ Scale: The playbook you need to transform your company*, authors Jürgen Meffert and Anand Swaminathan\(^4\) of McKinsey’s Global Ecosystems group convey the message: “Engaging in digital ecosystems requires a new set of managerial skills and capabilities. How quickly companies develop them will determine if they succeed in the ecosystem economy.”

They added: “Effective ecosystem management calls for a wide range of capabilities” including investment in tools to scale ecosystem support and building an adaptive and collaborative culture.”

Gartner: Eight dimensions of ecosystems\(^5\)
Betsy Burton, vice-president and distinguished analyst at Gartner Inc., a leading Canadian research firm, says digital business drives dramatic changes in organizations’ business ecosystems, making them larger, more complex and essential to strategy.

She writes: “Information Officers (CIOs) and Information Technology (IT) leaders must shift and expand their mindset and approach to focus on their organization’s strategy and execution within their business ecosystems from an outside-in perspective.”

She adds that in an increasingly digital world, ecosystems enable organizations to respond and survive. Further, she advises CIOs and IT leaders to consider eight dimensions of business ecosystems when making strategic decisions about how to participate in an ecosystem and when to change tactics.

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\(^4\) Management’s next frontier: Making the most of the ecosystem economy, Jürgen Meffert and Anand Swaminathan, McKinsey’s Global Ecosystems group, published by John Wiley & Sons in June 2017

Dimension 1: Ecosystem strategy
Every organization exists in multiple business ecosystems. Therefore, an organization must decide what role it will play in the ecosystem playground of its choice: leader, disruptor, niche player, orchestrator or something else.

Dimension 2: Degree of openness
The degree of openness within ecosystems is driven by strategies, common goals and shared interest. As a result, there is a possibility of new entrants and disruption to relationships and value. It will also define the nature of the relationships, how they are formed and maintained including the collaborations and competitions within the ecosystems.

Dimension 3: Engagement of diverse participants
The diversity of an ecosystem will influence the roles that people, businesses and things play. An organization needs to figure out how to integrate, for example, smart advisors and artificial intelligence into their ecosystems.

Dimension 4: Types of “relationships”
By 2020, 7 billion people and more than 30 billion devices will be connected to the Internet. The massive interconnection is said to pose a major ecosystem challenge. Companies will need to perform the role of mediating relationships in ecosystems on a commission basis to satisfy different needs of customers.

Dimension 5: Form of value exchange
There is a need to understand the changing definition of “value” that results from participating in an ecosystem. For example, non-monetary forms: an organization may leverage dynamically its
information, reputation, services and forms of value besides monetary-based value exchange. Boeing did this by collaborated with 50 vendors to build the 777 aircraft.

**Dimension 6: Diversity of “industries”**
Collaborators and partners could include organizations within the primary industry, adjacent industries or, most unexpectedly, far-neighbor industries outside the business’s industry (that is, travel and health care).

**Dimension 7: Complexity of multiple ecosystems**
In multiple ecosystem organizations, the key is to understand how these ecosystems interact, identify potential fractures and overlaps, and acknowledge constraints and implications. This may result in some overlapping ecosystems creating a new ecosystem, while other overlaps will highlight redundancy.

**Dimension 8: Technologies**
Chief information officers (CIOs) are responsible for the technology that will enable the business ecosystem strategy now and in the future. Success will require a strategic integration of technology, information and business processes.
A caution to business leaders: “Organizations that do not work toward understanding their business ecosystems risk falling into a participatory role only, enabling other competitors or partners to take the leadership role and thus define the rules for engagement in that ecosystem.”

**Outcome management ecosystems**
This concept of business ecosystems could be adopted to develop a tree of outcome management ecosystems. Here are some examples of outcome management ecosystems:
- Oversight management ecosystem and interconnected sub-systems: auditing, evaluation, total quality management and ISO family of standards;
- Non-government organizations management ecosystem and sub-systems;
- Digital economy management ecosystem and sub-systems: digitization, automation, digital transformation, artificial intelligence;
- Supply chain management ecosystem and sub-systems: logistics, procurement, product life cycle management, asset management, supply chain planning, supply chain enterprises applications;
- Agricultural management ecosystem and sub-systems: agricultural policies, agricultural management services, food security and environment, gender in agriculture, trade of agricultural commodities, World Trade Organization (WTO) agreement on agriculture, use of digital technology in agriculture, land grabbing;
- Leadership and people management ecosystem and subsystems: (facets of human resources management, labour management, financial and accounting ecosystem and sub-systems);
• Health management ecosystem and sub-systems; and
• Education management ecosystem and sub-systems and others.

I see four possible levels of outcome management ecosystems and sub-systems:

• Those driven by clusters of management and technical disciplines;
• Those driven by sector agendas: agriculture, education, health, social services and so on;
• Those driven by national (country) level results agendas (political agendas); and
• Those driven by international and global agendas: climate change, sustainable development goals, World Health Organization (WHO) and other United Nations (UN) agendas.

In a similar way, outcome management ecosystems could evolve into a few very large ecosystems. I see the boundaries of traditional management disciplines merging to become one system, such as the financial management professional mergers into the professional chartered accounting body.

This could happen at the sector ecosystems as well as other higher levels.

As outcome management professionals, we must pave the way for the evolution of outcome management ecosystems that cross traditional management disciplines, sectors and national boundaries, thus enabling management of the evolving dynamics of business ecosystems.

In the interim, we will explore writing about outcome management ecosystems at different levels that could be harmonized to support the evolution of large business ecosystems that are inevitable and which we as customers will depend on to satisfy our needs.

How Oversight Improves Organizations through Balanced Assessment and Reporting

Basil Orsini

This article asks you as readers to consider how balanced assessment and reporting by oversight groups add greater value to an organization and its stakeholders. The article will also identify the disadvantages of the often-used approach of “exception reporting”, that is, reporting only on shortcomings.

These observations are based on the author’s 30-plus years of experience in internal audit, external audit liaison, and oversight of professional audit practices in various types of public service organizations within the Government of Canada.

Oversight covers broad array of services
Oversight covers a broad array of services independent from delivery operations. It includes services conducted within the organization, as well as those conducted by authorities external to the organization. Independent oversight is needed in larger, more complex organizations to provide assurances that organizational programs and services are achieving approved objectives within required standards.

Oversight reports create lasting understandings of how well the organization is achieving its business objectives and fulfilling its regulatory requirements. Oversight activities provide information needed by internal and external stakeholders of both public and private organizations. The results have an impact on the reputation and credibility of operating managers and their organizations.

Oversight activities comprise a vast array of monitoring and assessment activities. Within the organization, they include reviews of internal services such as contracting, finance and human resourcing; reviews of diverse programs serving external clients; and more independent reviews by internal audit and evaluation. External to the organization, oversight regimes include regulatory reviews of internal and external services, as well as audits and evaluations.

I am suggesting here that when they focus attention only on areas needing improvement, they can do a disservice to the organization and its stakeholders by creating an incomplete and overly negative appreciation of business results.
In the following sections, this article presents the benefits provided by assessments and reports that focus attention on strengths needing maintenance and reinforcement, as well as on weaknesses needing remedial attention. In other words, they are balanced reports.

**Oversight groups require healthy working relationships**
Employee motivation and cooperation with oversight groups is greater when there are healthy working relationships. We know from our own experience that employees are more highly motivated when their positive contributions are recognized.

By assessing and reporting on positive results, managers and employees are more likely to reinforce and maintain those areas of identified strength. Importantly, by reducing the level of defensiveness and concern over reputation, assessments and reports that are balanced increase the level of cooperation and reduce the overall costs of oversight. They also increase the willingness to implement measures to address identified shortcomings in performance. A collaborative relationship with operational groups has a beneficial impact on the culture of oversight groups. An orientation toward fishing for and reporting on shortcomings leads to a “gotcha” culture. That is, their internal prestige and career advancement within the oversight group become dependent on the extent to which shortcomings are found and reported. In other words, the primary motivation by those conducting reviews becomes one of finding fault. As a result, assessments could proceed until they identify a sufficient number of shortcomings to justify the review. This approach can draw attention to matters less important to the success of the operation.

These sentiments may produce an adversarial relationship. This, in turn, results in increased costs by requiring greater efforts to get needed information from operational employees who have an incentive to hide or not disclose information, which might be interpreted negatively. More inclusive reporting improves the willingness of operational employees to work with oversight units. This approach also increases the credibility of the oversight and those conducting it.

**Some reviewers reluctant to report on strengths**
Some reviewers are reluctant to report on strengths in case they might have missed a shortcoming in an area of operation that might become apparent at a later date. They fear such a situation could reflect negatively on their work, or the situation could deteriorate after their assessment.

The potential risks can be significant where major changes are occurring in the internal and external environments of the organization. This situation can be managed by developing a sound methodology and summarizing it in the report. There are added benefits when operating management is consulted on the appropriateness of the oversight methodology.
Consider the following additional benefits to a balanced assessment and reporting on matters that are important to the success of the organization, that is, those matters that are operating well, as well as those needing improvement.

- A greater degree of objectivity is achieved and reported upon, as appropriate and sufficient evidence is obtained on all key aspects of the operational activity. The report will not have become inadvertently biased through an incomplete examination. By reporting on all essential aspects of an activity, the results will have more credibility; a greater degree of understanding will have been demonstrated.

- Stakeholders unfamiliar with the operations in providing the organization’s services depend on the quality of the independent assessments and reports of internal and external oversight groups. Wholly negative reporting can be pernicious to stakeholder understanding and decision-making due to their incompleteness. These stakeholders include taxpayers for public organizations and stockholders for private sector organizations. Recently, an external advisor to senior management responded to this presentation by advising that he prefers oversight reports focusing only on areas needing improvement “in order to avoid senior management becoming overly satisfied with their efforts”. Greater discussion on this subject is needed.

- It must be appreciated that assessments of apparent strengths may actually reveal weaknesses that are not expected by management. Additionally, an operational strength may be achieved at an unduly high cost, or with negative side effects unknown to management.

- Reporting of strengths promotes the transfer of successes to other operating units within large organizations, in addition to their maintenance. This benefit is especially applicable to highly decentralized operations, where there is less cross-communication on operating practices that are successful.

“Sandwich” reports: details of shortcomings between layers of gratuitous positive comments

Some reporting practices have the appearance of providing a balanced report when they are not. One oversight reporting practice has been colourfully called by some as a “shit sandwich”. This is because the report packages details of numerous shortcomings between layers of gratuitous positive commentary at the beginning and the end.

The positive commentary is limited to ‘thanking management for their cooperation’ and acknowledging ‘their commitment to take corrective actions in response to the report’s recommendations’. It may also note that ‘management is working on needed improvements’. This kind of report is not balanced, as it does not report on strengths directly supporting the success of the operations reviewed.
If an oversight activity uses a template designed to be balanced, ensure that it is kept up to date with evolving organizational realities and requirements.

In short, balanced assessment and reporting by oversight groups improve the quality of the information provided to stakeholders and the quality of the working relationship with operational management, while reducing overall costs through increased collaboration.
An Ecosystem for Start-ups: The Malaysian Experience

Atiq ur Rehman and John Flanders

Want to start a start-up? Maybe you should try Malaysia as many entrepreneurs have. Statistics show the Malaysian start-up scene is growing at an intense pace.

By 2016, investments had reached US $1.45 billion, according to the annual report of the Malaysia Security Commission. That is almost double the investment a decade earlier. Some projects show a lot of imagination. For example:

- **Carsome** is an online platform for providing fast, fair and free car selling and buying services. Founded in 2015, it connects car buyers and sellers to new and used car dealers, providing them a platform to trade seamlessly. It has attracted financing of US$8.4 million and has emerged among 19 leading start-ups in Asia.

- **Dahmakan**, which means “have you eaten?”, is a Malaysian food delivery company. It delivers ready-to-eat meals in Southeast Asia, controlling the entire process from food production to delivery. Created in 2015, it has received funding of US $3.9 million.

- **iMoney Group** is an online portal for comparing credit cards, loans, broadband and insurance. So far it has provided 11 million consumers with the convenience of online comparison and the benefit of telephone-based advice. Launched in 2012, it has fetched funding of US $10.7 million. The start-up is now worth $20 million.

- **StoreHub** is one of Southeast Asia's fastest growing technology companies. It features a revolutionary iPad POS system that changes how retailers manage their businesses and connect with their customers. As a venture-backed start-up, it has grown exponentially over the last four years and now serves thousands of businesses across the world from its offices in Kuala Lumpur, Shanghai, Manila and Bangkok. Set up in 2013, it has collected funding of US $6.1 million.

As an effective ecosystem for developing start-ups, Malaysia is a success story. This article examines factors behind this achievement. It highlights measures the Malaysian Government took to develop and nurture start-ups, and identifies lessons other countries might take from this experience.

### Innovative technologies as enablers of start-ups

New startups are using innovative technologies as enablers such as artificial intelligence, Internet of things (IOT), Fintech, machine learning and blockchain (a technology used for
managing transactions of digital assets such as cryptocurrency). Let me briefly define these terms.

- **Artificial intelligence**: It is more related to the intelligence possessed by any computer or robot or any other tech-machine. The Britannica online dictionary defines artificial intelligence as “the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings” (Copeland, 2018).

- **Internet of Things (IOT)**: This is the application of Internet to remotely control devices, machines and equipment. Webopedia defines IOT as “the ever-growing network of physical objects that feature an IP address for Internet connectivity, and the communication that occurs between these objects and other Internet-enabled devices and systems”.

- **Fintech**: It is in fact a shorter version of the term financial technologies. The Investopedia defines Fintech as “a portmanteau of financial technology that describes an emerging financial services sector in the 21st century”.

- **Machine learning**: It is a form of artificial intelligence. Marr (2016) defines it as “a current application of AI based around the idea that we should really just be able to give machines access to data and let them learn for themselves”.

- **Blockchain**: The Investopedia defines blockchain as “a digitized, decentralized, public ledger of all cryptocurrency transactions”.

**Factors behind a vibrant startup ecosystem in Malaysia**

How could Malaysia manage to nurture a startup culture? Malaysia took following measures in building a vibrant startup business ecosystem:

**A strong commitment from the leadership**

The Malaysian Government provided strong commitment for developing a startup culture in the country. The Prime Minister of Malaysia Datuk Seri Najib Tun Razak while chairing the 29th MSC Malaysia Implementation Council Meeting in Putrajaya, held on 20 October, 2017, said, “Malaysia has the ideal ecosystem for global tech start-ups to establish themselves and expand into the South-East Asian market… The Malaysian tech start-up scene is growing and vibrant… There are several made-in-Malaysia regional champions that we see today”.

**Facilitating inflow of resources and ideas from foreign countries**

Malaysia removed a lot of restrictions on the inflow of resources (human and financial) and ideas from other countries. In addition, Malaysia provided several incentives for the foreign
knowledge workers (FKWs) and foreign knowledge entrepreneur (FKEs). This policy has helped in attracting foreign talent.

**Improving the ease of doing business**

Malaysia has rigorously emphasized improving the ease of doing business. On the World Bank’s score of Ease of Doing Business (EDB) in 2018, Malaysia has scored well on almost all 10 dimensions of the EDB (see Figure 1). On six dimensions, it scored 80 or more. In terms of ranking too, on four dimensions, Malaysia has ranked among the top 20 out of 190 countries (see Figure 2). On an overall basis, Malaysia has ranked 24th (on the 2018 Distance to Frontier Index - covering all aforementioned 10 dimensions) -- ahead of Japan and China (World Bank, 2018).

**Digital infrastructure**

Malaysia has created a powerful digital infrastructure that facilitates the individuals and groups in designing and launching startups. High spread broadband is available. On the Digital Evolution Index of 2017, Malaysia is placed 26th in the world, while it ranks second in the world on account of digital evolution index momentum score (Chakravorti and Chaturvedi, 2017).

**Innovate, innovate and innovate**


It is providing overall policy guidelines to all related institutions with the aim of transforming the Malaysian economy into an innovation economy by 2020. This policy is also in line with the Vision 2020 of Malaysia; it envisions the country becoming a developed country by 2020.

In 1996, the Government established Malaysia Digital Economy Corporation Sdn Bhd (MDEC) to transform Malaysian economy into a digital economy. It operates on four principles (MDEC, 2018):

- Attracting Investors, Globalising Local Tech Champions
- Catalysing Industry-Driven Digital Ecosystem
- Building Critical Enablers of the Digital Economy
- Driving Inclusive Adoption of Technology

MDEC has launched several programmes. Multimedia Super Corridor (MSC) is one of such initiatives towards achieving the goal of digital economy. MSC status is granted to the tech-firms on the ground of innovations in the field of technology.

MSC status allows companies to hire foreign talent and provides them tax incentives. MSC status companies are provided relaxations in taxes (up to 70%) for five years. In 2015, the
number of MSC status companies had grown to 3,600 (MDEC, 2015). A comprehensive database of 3,000 companies is available at https://www.mdec.my/directory/msc-malaysia-directory.

Another prominent initiative of the MDEC is the Malaysia Digital Hubs, which is equipped with high-speed broadband. It provides a platform for the co-existence of startups and scale-ups with growth ecosystem players. Such players include (MIDA, 2017, p. 80):

- venture capitals
- accelerators
- anchor Internet companies
- talent builders, and
- mentors

Diversity is also a great source of innovation in Malaysia. The population comprises Bumiputera (Malays and indigenous peoples, including Orang Asli, Dayak, Anak Negeri), Chinese, Indian Tamil, others and non-citizens.

**Institutional support**

Other than MDEC, there are several other initiatives/institutions providing support to the Malaysian startups (MDEC, 2015):

- Malaysian Global Innovation and Creativity Centre (MaGIC)
- Cyberview
- StartupMalaysia.org
- 500 Startups
- New Entrepreneurship Foundation (MyNEF)
- Cradle
- National Incubator Network Association (NINA)
- Technopreneur Association of Malaysia (TeAM)
- Founder Institute (FI)

CREST Place is still another initiative for providing support to the startups. It has been launched by the Malaysian Investment Development Authority (MIDA). It provides a platform to like-minded entrepreneurs to test their business ideas and hosts CREST IoT Cloud Data Centre. CREST Place is currently hosting 15 entrepreneurial companies in innovative areas such as: IC design, IoT, robotics design and training, electronics design and consultancy and E-Commerce (MIDA, 2017, pp 80-89).

**Incubation centres**

The primary purpose of the incubation is to provide support to the startups in their initial stages of development. Support may include providing coaching, mentoring, linkage with market and other resources to enable the startups to develop their first minimum viable product (MVP), commonly known as a prototype (Nassar & Sori, 2017).
Malaysia has set up several incubation centres. For example, Cyberview has created several incubation centres in Cyberjaya, a newly created city located near Kuala Lumpur.

The incubators may also help the startups in creating partnerships with established companies. Cyberview also organizes Grill or Chill Sessions in Cyberjaya. The sessions provide a forum for the idea owners to present their business plans/ideas before panels of experts and test and refine their business ideas. Many prospective investors also observe such proceedings and select business idea owners for joint venturing.

**Capacity building**

Developing capacity of the startups owners in designing, launching and nurturing their startups is another area of intervention. Several capacity building opportunities are available to the startup owners. Human Resource Development Foundation (HRDF) and Cyberview are offering capacity building services.

**Financing**

The Malaysian Government facilitates Malaysian startups in securing funds from various sources.

**Role of universities**

The role of the universities is crucial. It has a strong potential in Malaysia, although this potential is yet to be tapped.
Conclusion

Young people these days are full of energy and ideas, much needed to transform the world. For an appropriate startup culture, they need direction and support. However, not many countries are able to recognize the treasure of this hidden potential.

Malaysia offers plenty of lessons in the domain of startup culture development. Other countries can take advantage. Malaysia’s experience suggests that the rate of success for startups can be improved by taking these measures:

- Improving the ease of doing business
- Increasing tax incentives
- Visas for the FKW
- A strong digital infrastructure
- Grill or Chill type Sessions
- Incubation centres
- Financing arrangements
- Mentoring, coaching and training
- Linkages with potential clients
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Information and Communications Sector in India: A Key Driver of the Nation’s Economy

Balwant Singh Mehta

As the United Nations has pointed out, the sharing of knowledge and information, particularly through Information and Communication Technologies (ICTs), has the power to transform economies and societies.

Technological progress is a considerable driving force behind economic growth. ICT infrastructure, in particular, has attracted much investment, and generated significant fiscal revenues and employment opportunities in developing countries.

More and more, managers have to become “data-savvy”. That is, they require a thorough understanding of how to use data to make sound business decisions. ICTs have dramatically affected who managers hire, how they do the hiring and how they manage.

In today’s workforce, it is crucial for any job seeker, employer, supervisor or employee to understand the advantages, challenges and complexities of technology.

In India, a nation of more than 1.3 billion people, the ICT sector is a key driver of the economy in terms of revenue and job creation. It has led to massive employment generation. It is an important sector that offers many opportunities, but one which also faces several challenges.

This article examines the ICT sector’s contribution to India’s gross domestic product (GDP), the sector’s revenue earnings from exports and the domestic market, and its direct and indirect employment generation.

The article uses data from secondary sources, such as published economic surveys, ministry of electronics and information technology publications and National Association of Software and Services Companies (NASSCOM) publications, and so on.

The ICT sector includes three segments: information technology; the Information Technology Enabled Services and Business Process Outsourcing (ITeS/BPOsector, also referred to as business processing management-BPM); and software products/engineering services and research and development.

The high-tech sector in India

India is ranked seventh among the 15 largest economies in the world in terms of gross domestic product. In 2015-16, the gross value added growth rate of the services sector was 7.8 per cent, highest among the world’s 15 largest economies. Services contributed more than half (52.9 per cent) of India’s economic output in 2015-16 (Economic Survey, 2017-18).
The growth of the services sector is attributed to the emergence of ICT services, one of the key drivers of India’s economy. India placed among the most favored sourcing destinations for ICT services in the world with a share of 55 per cent of the global outsourcing business in 2016-17 (KPMG, 2016).

This was due to availability of a large pool of skilled English speaking, technically qualified graduates in the country. India is now the fourth largest startup hub in the world, with more than 4,750 start-ups.

The ICT services sector ranks third in total foreign direct investment (FDI) among all sectors and accounts for around 37 per cent of total private equity and venture investment in the country. The ICT sector attracted cumulative FDI inflows worth US $27.7 billion between April 2000 and September 2017, according to data released by the Department of Industrial Policy and Promotion (IBEF, 2018).

**ICT’s contribution to national income steadily rising**

ICT’s contribution to national income (GDP) in India has been steadily increasing over the last decade. In 1997-98, ICT’s share of GDP was just 1.2 per cent; by 2016-17, this had increased nearly seven-fold to 8.3 per cent. The per capita GDP contribution of ICT services is over 80 times that of the agriculture sector.

The growth of the ICT sector has a considerable multiplier effect on output. Every dollar spent by the ICT sector (on domestically sourced goods and services) translates into a total output of about two dollars in the economy. This output is driven by derived demand from firm-level spending (capital expenditures as well as operating expenditures) and a high level of consumption spending by professionals employed in the sector (Mehta, 2017).

Studies indicate that of the total revenue of the industry, around 45 per cent is spent in the domestic economy through non-wage operating expenses, capital expenditures and consumption spending by professionals. This spending, in turn, generates additional output via its direct and indirect backward linkages with other sectors and the induced effect of wages and salaries.

The sectors most affected by this multiplier effect include housing/construction, transport services, communications, consumer durables, food items and clothing.

**Revenues up substantially**

Revenues in the ICT sector increased substantially during the 2000s. In 2016-17, ICT revenues were estimated at US $154 billion. This was twice the level of US $74 billion in 2010-11 and 15 times the amount of US $10.2 billion in 2001-02 (Table 1).

During the past six years, the compound annual growth rate of revenues in India’s ICT sector was about 10 per cent, three to four times higher than the global ICT growth rate. Exports contributed more than three-quarters (76 per cent) of total revenue in 2016-17, leaving the share from domestic sales at 24 per cent.
Table 1: Revenue of ICT Sector (in US $ billion)

<table>
<thead>
<tr>
<th>Year/ Segment</th>
<th>2001-02</th>
<th>2005-10</th>
<th>2010-11</th>
<th>2015-16</th>
<th>2016-17(E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>7.6</td>
<td>23.6</td>
<td>59.0</td>
<td>108.0</td>
<td>117.0</td>
</tr>
<tr>
<td>Domestic</td>
<td>2.6</td>
<td>6.7</td>
<td>29.0</td>
<td>35.0</td>
<td>37.0</td>
</tr>
<tr>
<td>Total</td>
<td>10.2</td>
<td>30.3</td>
<td>88.0</td>
<td>143.0</td>
<td>154.0</td>
</tr>
</tbody>
</table>

E: Estimated; Source: NASSCOM & Ministry of Electronics and information technology, 2018

Gains in export revenues driven by SMAC technologies

In 2016-17, the value of exports in the ICT sector was estimated at US $117 billion; this was almost twice the value of US $59 billion in 2010-11, representing a compound annual growth rate of 12.1 per cent (Table 2).

The gain in export revenues was driven largely by an increase in the use of services pertaining to the so-called SMAC technologies, that is, social media, mobility, analytics and cloud technologies, as well as artificial intelligence, embedded systems, and so on.

SMAC technologies create a significant impact on software exports, as opportunities have grown for mobile applications, enterprise products, governance, cloud and cloud ready products. The United States, United Kingdom and European Union still remain the major overseas markets for ICT services, accounting for nearly 90 per cent of total ICT exports.

Table 2: Export of ICT Sector by Segments (in US $ billion)

<table>
<thead>
<tr>
<th>Year/ Segment</th>
<th>2010-11</th>
<th>2015-16</th>
<th>2016-17(E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Service</td>
<td>33.5</td>
<td>61.0</td>
<td>66</td>
</tr>
<tr>
<td>ITeS-BPO</td>
<td>14.1</td>
<td>24.4</td>
<td>26</td>
</tr>
<tr>
<td>Software Products, Engineering Services, R&amp;D</td>
<td>11.4</td>
<td>22.4</td>
<td>25</td>
</tr>
<tr>
<td>Total Export (IT-ITeS)</td>
<td>59</td>
<td>107.8</td>
<td>117</td>
</tr>
</tbody>
</table>

E: Estimated; Source: NASSCOM & Ministry of Electronics and information technology, 2018

Of India’s three ICT segments, IT services is the fastest growing segment. In 2016-17, IT services contributed 56.4 per cent of exports, followed by ITeS-BPO (22.2 per cent) and engineering R&D and product development (21.4 per cent).

The domain-specific solutions playing a significant role in driving the growth of R&D and software products are those focusing on convergence, customization, efficiencies and localization, machine-to-machine technology and newer technologies around SMAC.
Pace of domestic market revenues slower

In 2016-17, ICT revenues from domestic markets were estimated at US $37 billion, up substantially from just US $2.6 billion in 2001-02 and US $29 billion in 2010-11. However, during the last six years, domestic revenues have increased at an annual compound growth rate of only 4.1 per cent, although this pace is expected to rise.

Of the three ICT segments, IT services contributed the lion’s share of domestic revenues (63.5 per cent) in 2016-17. This compares with 20.3 per cent for engineering R&D and product development and 16.2 per cent for ITeS-BPO.

Domestic revenues were driven by technology upgrades in banking finance services and insurance (BFSI), telecom and state governments, and compliance of MIS investments.

The growth in domestic revenues in ITeS-BPO services was driven by demand from select customers reverting to outsourcing business processes, especially from the BFSI, automotive and retail sectors.

Growth in domestic software products was driven by demand in sectors such as retail, health care, education, manufacturing and SMAC-based solutions. All these sectors are expected to increase substantially in the near future and facilitate revenue growth in the domestic market.

Employment: ICT largest private sector employer in India

The ICT sector is the largest private sector employer in India, creating both direct and indirect employment. It creates direct employment particularly for educated and skilled youth in urban areas, and indirect jobs in several associated sectors, such as transportation, real estate and catering, security and housekeeping, and so on.

In 2016-17, the sector provided direct employment for 3.86 million people, up from just 530,000 in 2001-02, about 1.31 million in 2005-06 and 2.54 million in 2010-11 (Table 3). During the last six years, employment has increased at a compound annual growth rate of 7.2 per cent.

Across the three segments, roughly one-half (49.7 per cent) of ICT employment was created in IT services in 2016-17, followed by 29.8 per cent in ITeS-BPO and 20.5 per cent in the domestic market.

In 2016-17, total IT software and services employment was estimated at 3.86 million. IT-ITeS services constituted the major source of employment in this industry and its share has increased over the years.

It is estimated that the creation of one job in the ICT sector provides four additional jobs in the rest of the economy, mostly to less educated people (Mehta, 2017). In addition, this sector offers easier access to employment for women than other traditional sectors, as reflected in their high representation.
Women occupied more than 34 per cent of jobs in the ICT sector in 2016-17, higher than any other sector of the Indian economy (Mehta, 2016; NASSCOM, 2018).

Table 3: Employment in ICT Sector in India (in millions)

<table>
<thead>
<tr>
<th>Year/ Segment</th>
<th>2001-02</th>
<th>2005-6</th>
<th>2010-11</th>
<th>2015-16</th>
<th>2016-17(E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Services *</td>
<td>0.17</td>
<td>0.51</td>
<td>1.15</td>
<td>1.85</td>
<td>1.92</td>
</tr>
<tr>
<td>ITeS-BPO *</td>
<td>0.11</td>
<td>0.42</td>
<td>0.83</td>
<td>1.09</td>
<td>1.15</td>
</tr>
<tr>
<td>Domestic Market</td>
<td>0.25</td>
<td>0.38</td>
<td>0.56</td>
<td>0.76</td>
<td>0.79</td>
</tr>
<tr>
<td>Total Employment</td>
<td>0.53</td>
<td>1.31</td>
<td>2.54</td>
<td>3.70</td>
<td>3.86</td>
</tr>
</tbody>
</table>

E: Estimated; Source: NASSCOM & Ministry of Electronics and information technology, 2018
*Software Products, Engineering Services, R&D included in both IT and ITeS-BPO services, divisions not available.

Opportunities, but several challenges

This sector offer many opportunities but also has several challenges. The opportunities and challenges include:

- Collaborating with the Indian government for the success of initiatives, such as the BPO promotion scheme approved under the Digital India program and the development of the Smart Cities Mission, the objective of which is to promote sustainable and inclusive cities;

- Reducing tax deducted at source for BPO companies from 10 per cent to 2 per cent in the recent budget to increase their profit margin;

- Focusing on emerging technologies such as 3D printing, Internet of things\(^6\) and smart health care, rural business process management or BPOs, and a large pool of graduates who could be trained to be employable through the increased number of quality training institutes or courses;

- A growing demand for new services, such as cloud computing, business intelligence, digital technology and mobile applications, requires a large pool of skilled trained people. Every year an estimated 6 million graduates join the labour force; they can grab the opportunities in high-end ICT service segments if trained properly with these new skill sets;

- The increasing use of IT technologies in the domestic market, particularly in the areas of telemedicine, health, remote monitoring solutions and clinical information systems, would continue to boost demand for IT services. Further, digitisation of contents and the

\(^6\)The internet of things (IoT) is a computing concept that describes the idea of everyday physical objects being connected to the Internet and being able to identify themselves to other devices.
adoption of IT by media and banking will also create huge opportunities for domestic ICT sector growth;

- Tier II and III cities are increasingly gaining traction among IT companies, aiming to establish business in India. Cheap labour, affordable real estate, favourable government regulations, tax breaks and SEZ schemes will facilitate their emergence as new IT destinations;

- The ICT sector is expected to be impacted the most by new emerging technology and lack of new skill sets, both among the existing workforce and the new entrants. Accordingly to a Mckinsey report, about half the existing workforce in India needs retraining in new skill sets, such as cloud computing, data analytics, big data, nano-technology, 3D printing, Internet of things, and artificial intelligence. Those unable to undertake retraining will be left behind or lose their jobs;

- Companies are also moving to automation/robotics and replacing human labour. Furthermore, a major challenge is the increasingly protectionist nature of countries such as the United States, while others, such as the United Kingdom, Australia and Singapore, have already tightened their visa requirements. Indications are that they aim to reduce jobs for Indian professionals and hire more local people;

- ICT’s share of exports in total services for India declined during the recent decade (2006-2016). At the same time, ICT’s share of total services exports has increased in other economies, such as China, Brazil, Russia, Philippines, Israel and Ukraine. This portends increasing competition for India from these countries.

**Conclusion and policy implications**

This report has clearly shown that India’s ICT sector is a major contributor to the nation’s economy in terms of revenue and job creation. It is an important sector that offers many opportunities, but which also faces several challenges.

Competition is increasing and companies are looking to move up the value chain and tap into the high margin areas. India must look beyond the United States and United Kingdom to accelerate growth opportunities by tapping new markets in Asia, Africa, South America and Europe.

The government should help in training and retraining educated youth with new skill sets demanded by the ICT industry, as well as assisting educational institutions to upgrade their courses as market demand requires.

The ICT sector is dominated by educated youth from urban areas only. Consequently, the government and private sector, particularly industry, should participate in training poor and rural youth under their corporate responsibility services. The industry must focus on the domestic market and government should provide them more tax benefits and other concessions.

The tier II and tier III cities are emerging as new ICT destinations; the government should encourage them by easing regulations and providing tax benefits. It could also provide
concessions to help these cities tap the local supply of cheap skilled young people by providing them employment.

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Leadership at the top: Four experts examine corporate governance

Sandiran Premakanthan and John Flanders

Leadership in a business enterprise is not just the domain of senior managers among the rank and file. It also extends to the upper echelons in the corporate board room.

As Chris Catliff, president and CEO of BlueShore Financial in Vancouver, Canada, wrote recently:

“The CEO cannot be all things to all people. The focus of today's CEO must be to provide forward-thinking strategy, to embody the brand and corporate values, and to deeply understand the external environment. A strong strategic board can probe and improve that strategy, adjusting as needed for long-term success.

“Ultimately,” he wrote in Canada’s national newspaper, The Globe and Mail, “I place a great deal of trust in my board of directors and their guidance. After all, a board is the highest form of governance, ensuring an organization's fundamental accountability and stability. In turn, this garners vital legitimacy with one's stakeholders.”

In March 2018, four Canadian scholars presented research findings in this area at the Telfer School of Management MBA conference on corporate governance at the University of Ottawa.

The speakers discussed the spectacular failure in corporate governance as seen from the collapse of Enron to the demise of Nortel Networks, due to the lack of good governance resulting in long-term consequences.

Their message was that these failures have raised many challenges and highlighted the need for effective mechanisms and practices to control managerial actions and corporate decisions.

This article summarizes their presentations. The speakers were: Dr. Philip McIlkenny, associate professor of accounting, University of Ottawa; Dr. Merridee Bujaki, Sprott School of Business, Carleton University, Ottawa; Dr. P.M Vasudev, associate professor, Faculty of Law, University of Ottawa; and Ottawa litigation lawyer Craig Bater.

Prof. Philip McIlkenny: Diversity on corporate boards

The first speaker Prof. Philip McIlkenny addressed the topic of “Diversity on corporate boards: The current state of play”.
He said the issue of diversity is not about discrimination. “It is about getting the widest possible talent pool and a different perspective.”

He talked about the aftermath of the financial crisis of 2008–2009 and an idea that has been around for some time, specifically: Would the financial crisis have been different had it been Lehman Sisters rather than Lehman Brothers? 

Prof. McIlkenny said this refers to the idea that women are rather more risk averse than men and have different ways of taking risks, of addressing issues. In fact, he said, there is evidence that corporate boards with women came out better during the financial crisis.

He said there is a school of thought that says mixed gender environments increase risk tolerance in both men and women compared with a single gender environment. On the other hand, some studies say gender diversity itself reduces risk aversion.

To achieve the right gender balance on boards and management requires organizational champions, mentors and a head of diversity and inclusion. Mechanisms for renewing board membership, such as term limits for directors, could facilitate the gender balance, he said.

Prof. McIlkenny said there is strong support in Canada for the “30% Club”. In 2017, Canada’s largest institutional investors called for 30% representation of women on the boards and executive management teams of S&P/TSX composite index companies by 2022.

While more diverse boards lead to stronger results, the pace of change has been slow in Canada. In a sample of issuers, only 12% of board seats were occupied by women. This proportion rose to 18% for the 215 largest issuers with over $1 billion in market capitalization, according to a September 2016 review by the Canadian Securities Administrators.

“We do not believe mandatory quotas are the right approach,” Canada’s 30% Club has written. It also does not want to compromise the principles of meritocracy.

“Instead, we are building a strong foundation of business leaders who are committed to meaningful, sustainable gender balance in business leadership. Our name comes from an aspirational goal that we believe can be achieved in Canada through focused efforts by the business community,” the Club literature says.

“As in all business ventures, ‘what gets measured gets managed’ – a numeric goal provides real impetus for change, and our goal is for 30% of board seats and C-Suites to be held by women by 2022.”

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7 https://www.forbes.com/sites/timworstall/2014/03/29/of-course-the-crisis-would-have-been-different-if-lehman-brothers-had-been-lehman-sisters/#22d5eb77f9a
In 2015, Prof. McIlkenny co-authored a research paper on gender diversity on corporate boards. Its results suggested that the increasing presence of women on boards enhances a firm’s awareness about environmental issues. It also promotes the adoption of proactive strategies to respond to stakeholder demands for increased public reporting about the effects of climate change.

**Dr. Merridee Bujaki: ‘Gendering Merit’**

Dr. Bujaki spoke on the topic “Gendering Merit: Challenging the Disclosure of Merit in Corporate Disclosures related to Women on Boards”.

She has taught gender issues in management, and the history of management thought as well as auditing theory, advanced auditing, financial statement analysis, financial accounting, managerial accounting, and cases in accounting.

Dr. Bujaki said previous research has shown that the term ‘merit’ has been construed as objective and neutral. However, the definition privileges those who actually define the concept.

In organizations, those with the power to define merit have traditionally been male. The resulting definitions have thus reflected the experiences and characteristics of men; they have come to be taken for granted and many are largely self-serving⁸.

“Women are compared to these definitions and are frequently found lacking in ‘merit’,” she said.

Dr. Bujaki said concepts of both merit and gender are socially constructed. Challenging current understanding of these concepts requires challenging existing power relations in organizations and society.

“According to ‘merit’-based arguments, women are likely to be continued to be seen as lacking in merit,” she said. “This leaves existing power relationships on boards and in organizations unchanged.”

Dr. Bujaki referred to the findings of a study titled “The Paradox of Meritocracy in Organizations”⁹. The authors tested empirically the theoretical argument that when an organizational culture promotes meritocracy (compared with when it does not), managers in that organization may ironically show greater bias in favor of men over equally performing women in translating employee performance evaluations into rewards and other key career outcomes. They called this the “paradox of meritocracy”.

The study’s main finding was that when an organization is explicitly presented as meritocratic, individuals in managerial positions favor a male employee over an equally qualified female employee by awarding him a larger monetary reward.

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⁸ Cohen and Uhlmann 2005

Prof. Bujaki also warned against what is known as “moral credentialing”. “Moral credential bias occurs when someone's history of making fair judgements gives rise to a sense of "free licence" in the future”10.

In other words, don't think it's okay to do something wrong because you normally do the right thing. Your decision to do the wrong thing would be tainted by moral credential bias, if you did.

Prof. Bujaki said moral credentialing could lead to increase bias in managerial decisions. For example, an equal employment employer may make decisions against the grain, which leads to gender bias.

“Discussion of the gendered nature of merit by regulators and boards is needed to substantively challenge existing policies, procedures and practices,” she said.

Prof. P.M Vasudev: Lessons from Nortel

Nortel was a multinational telecommunications and data networking equipment manufacturer headquartered in Mississauga, Canada, a suburb of Toronto. Nortel's 2009 bankruptcy case—the largest in Canadian history—left pensioners, shareholders and former employees with enormous losses, while Nortel executives continued to draw "retention bonuses" totaling US $190 million during the eight-year post-bankruptcy period.

Prof. Vasudev said that if the Nortel episode offers any lessons in corporate governance at all, it is about rethinking the role of directors. Boards cannot be just monitors, he said.

Positioning directors as corporate stewards can produce a different outcome. It can encourage them to have deeper engagement and assume some responsibility for business outcomes. If notions about stewardship, rather than monitoring, shape the atmosphere in boardrooms, it can encourage greater engagement with core business, entrepreneurial flair, and the willingness to take risk.

Nortel’s experience “underscores the need for adaptive boards capable of deeper engagement during critical times and the need for constant attentions to business performance and financial health and independent judgement of the board guided completely by advisors’ opinion in major decisions.”

You can read Prof. Vasudev’s article “Corporate Governance at Nortel – Board Functions and the Need for Redefinition” (Feb 2014)11

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He concludes: “The lessons offered by the Nortel episode can contribute to making corporate theory more wholesome and complete. In particular, corporate theory has not paid sufficient attention to the limited validity of the monitoring function.

“The approach has been mono-dimensional, with little sensitivity to the limitations of the monitoring principle. The Nortel episode demonstrates the need to expand and fine-tune corporate theory and the role of directors to better serve current and emerging needs of business corporations operating in global markets.”

Prof. Craig Bater: Issues in the not-for-profit boardroom

Prof. Bater spoke on the topic “Current Issues in the Not-For-Profit Boardroom”. He said a crop of recent corporate failures has shown that corporate boards need better mechanisms to cope with day-to-day events.

“The failures of corporate governance have raised many questions about effectiveness, but they have also highlighted the need for better mechanisms, rules, and practices in order to control the managerial actions and corporate decisions” he said.

“Some examples of corporate governance mechanisms that can be utilized include among others board structure, compensation structure, audit committee, government regulations, and a market for corporate control.”

Other mechanisms include: strategic planning; director selection; self evaluation; director education; managing stakeholder/shareholder relationships; succession planning; and innovation and technology management.

Prof. Bater said more and more corporations are taking the lead on social change. “Put ‘social action’ on the boardroom table,” he said. “Make it part of the strategic plan review.

“If the Board decides on a social action plan, have a focused interaction and engagement with the stakeholders and shareholders to communicate the decision and the long-term benefits to the shareholders or stakeholders. The objective is to build trust and confidence in the organization and its brand.”

Directors should actively pursue written strategic and action plans, and update them regularly, he said. Above all, boards should also have a good cybersecurity plan that should summarize potential targets, the likelihood of attack, the impact of a data breach and a blueprint for action.

Further reading:


Introduction of authors

- **Sandiran (Sandi) Premakanthan (Canada):** He is the Founder President/Chair of IOCOM. He holds a Master's in Business Administration (MBA) from the University of Ottawa with concentration in Finance, Accounting, Auditing and Evaluation. He is the President and Principal Consultant of Symbiotic International Consulting Services (SICS), Ottawa, Canada.

- **John Flanders (Canada):** John is an award-winning journalist and retired public servant in the field of communications. Between 1984 and 1993, he served as Parliamentary bureau chief for The Spectator. He is part-time editor, HillNote Series, Library of Parliament and for the Parliamentary Budget Officer, Ottawa, Canada.

- **Balwant Singh Mehta (India):** Dr. Mehta holds a Ph.D. in Development Economics and is a Post Doctoral Fellow (ICSSR) at the Institute for Human Development, New Delhi, India. He has worked extensively in the areas of Information and Communication technology for development, labour, employment and child well-being.

- **Basil Orsini, (Canada):** Basil is a Certified Internal Auditor (CIA) with over 35 years of experience in the federal government of Canada. In addition, he is a Certified Government Auditing Professional (CGAP), Certified Fraud Assurance Examiner (CFE) and holds a Certification in Risk Management Assurance (CRMA).

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