

Leadership in an age of upheaval

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🕒 PUBLISHED 4 HOURS AGO

Two ideas for leaders to consider: adopt a sandbox approach to experimentation, and set up international advisory bodies to challenge your core assumptions

What sort of leaders and chief executives do we need to help us navigate through this volatile, uncertain, complex and ambiguous (Vuca) world?

What qualities must they have or acquire, to equip them to deal with the unpredictable future?

The fact is unexpected things have been happening and they have been happening frequently over the last few years. There have been too many black swans. The Black Swan, first coined by Nassim Taleb, refers to an outlier event, one that is wholly unexpected, unanticipated, that leaves a great impact, a far-reaching impact, for which we find explanations after the event in retrospect.

I can name a few black swans - in politics - Russia annexing Crimea, Brexit, the election of Mr Donald Trump as the 45th President of the United States, mass migration from the Middle East and Africa to Europe in 2015, and, most recently, the de facto blockade of Qatar.

In the world of economics and business there are black swans too. There was the 2008 collapse of Bear Stearns and its bailout, the collapse of Lehman Brothers leading to the worst financial crisis in the US since the Great Depression and triggering a global financial crisis and recession.

On the technology front, it is a fast-changing and disruptive world. Who would have guessed Airbnb's various alternatives to conventional hotel stays would have taken off so rapidly, or that Uber and other ride-hailers could have shaken up the taxi market globally? And Amazon can so successfully take on bookselling, and now sells everything including gardening tools, groceries, beauty and health and baby products. They've just bought into Whole Foods. Maybe one day they will sell insurance as well.

It is clear that leadership has to deal with unexpected developments - technological disruption, changes in business models - and come out on top of it. All have to deal with a growing digitally empowered public and customers, big data and meta data.

One area that organisations and countries must deal with is the AI (artificial intelligence) revolution.

To what extent can the organisation introduce automation and robotics, which is really important for productivity and keeping pace with competition, but weigh this against the displacement of jobs? How can the organisation ride this and yet provide for the worker?

What qualities do leaders need?

I will not talk of the obvious qualities such as charisma, the ability to connect with people or the ability to communicate and motivate which discussions on leadership always highlight. At any period of history successful leaders have the right quotient of these attributes.

In this new time and a Vuca future, we need leaders, whether public or corporate, who have a combination of skills: are technologically or digitally savvy; driven by a sense of openness and a genuine hunger for knowledge; and leaders who know their limits, who know what they don't know and would look for that missing talent to augment the leadership ranks.

ACROSS GENERATIONS

In addition, I would argue that you need a combination of generations in the circle of leadership. It is striking that today Canada has a prime minister who is 45 years old, Mr Justin Trudeau; France has President Emmanuel Macron, aged 39, and Ireland just elected for itself 38-year-old doctor Leo Varadkar, born of an Indian Hindu father and a Catholic Irish mother.

I used to think when Prime Minister Lee Hsien Loong said he was determined to plan succession and he wanted to step down at 70, that he should not. I still think he should continue in office, but PM Lee understands the trends out there and what is needed for the future. He is looking for those in their 30s - a good place to begin. I believe inter-generational leadership is important in an uncertain age, especially when we will face an ageing electorate and an ageing workforce.

DIVERSITY

Diversity would certainly increase a leadership circle's intelligence and ability to innovate, anticipate and connect with different populations. In the world of business and industry, Singapore can do better in appointing more women to corporate boards. According to The Singapore Board Index 2016, the representation of women on the STI 30 Boards has increased from 79 per cent in 2014 to 10.2 per cent in 2016.

Companies with at least one female director formed 73.3 per cent of the total in 2016, compared with 57 per cent in 2014.

The Diversity Action Committee reported that in 2015, of the 758 SGX-listed companies, 9.5 per cent of the directors' seats were held by women, up from 8.8 per cent in 2014. We are behind Europe, the United Kingdom and the US and behind India.



Local fintech company Pay2Home's money transfer machines allow migrant workers to remit money home without going through remittance agents. The MAS Fintech Regulatory Sandbox allows a promising technology, product or app to be tested under relaxed legal and regulatory requirements. ST PHOTO: LIM YAOSHUI

More women have also entered Singapore politics. Of the 89 elected seats in Parliament, 21 are held by women or 23.5 per cent of MPs are women. If you include the Non-Constituency MPs (NCMPs) and Nominated MPs (NMPs), that would be an additional 12 seats, of which three are held by women, or 25 per cent. So in the 101-seat Parliament, 23.7 per cent are women. This compares well globally as the Inter-Parliamentary Union reports that the average percentage of women in the single House is 23.4 per cent this year.

RISK-TAKING LEADERSHIP

In addition, our leaders must be bold and must instil a culture of daring to try, of taking some risk, if we are to go forward into the future and prepare for it.

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We all know Singapore is a kiasu (scared to lose) society. A foreign architect told me that he noticed there was one obvious difference between Singapore and Dubai. In Singapore, if he were to show some plans with a very innovative and unusual structure, Singaporean clients would ask him: "Has it been built before? How many times? Four times or five times, good. We'll do it." In Dubai, if the plans were shown to his emirati clients, they would ask: "Has this been built before?" If the answer is yes, they don't want it. They want something totally new and never done before.

I can understand that with infrastructure, we want to be cautious for safety reasons. Singapore has done well by being cautious, but we should watch that this caution does not become super-cautious and then we can never welcome new innovations.

But how do you depart from a strategy or model that has made you successful, whether you are in the public sector or private? It is hard to let go of what works even though you know it won't last much longer and change is necessary.

That is why many foreign corporations appoint international advisory groups to brainstorm with them, to challenge the corporation. The outsider often asks the basic question about purpose and objectives that can be profoundly important. They can alert one to what is happening elsewhere and the full impact of things which a news report or paper does not highlight. Our agencies, universities, GIC and Temasek Holdings have international advisory boards or international members on the board. Fewer of our Singapore corporations do. This should be viewed as an investment rather than an expense.

SANDBOX APPROACH TO RISK

But there is a way of trying out the untested or untrusted ways of doing things while protecting the rest of the system from infection in case something goes wrong. In the technology industry and start-ups, there is the possibility of using the "sandbox". It describes a safe place to play, to provide a testing environment for the changes and outright experimentation, away from the system.

It can be tried out on a much bigger scale. In 1980, Chinese leader Deng Xiaoping, who had decided to move China on the path of four modernisations after the Cultural Revolution, designated four Special Economic Zones (SEZs) - sleepy fishing village Shenzhen in Guangdong province, Zhuhai and Shantou, and Xiamen in Fujian province - giving them special tax benefits, and preferential treatment to foreign investment, and lifting central control in the building of infrastructure; in other words, liberating the economy and experimenting with capitalism early in its opening up.

It was the sandbox approach. It was a controlled experiment. Four sandboxes and what sandboxes! Today, Shenzhen is a thriving megacity of 12 million people, and is known as a world-class tech hub. Encouraged by these successes, China opened up many more SEZs along the coast, each time with more flexible policies.

Recently, President Xi Jinping designated Xiongan near Beijing as the newest SEZ, an area which is twice the size of New York. The sandbox worked for China.

In Singapore, we have our sandbox politics and sandbox policies.

The People's Action Party (PAP) government has been adapting its governance model, opening up in a careful way from the tighter politics of the earlier decades in response to the growing middle class and the increasingly well-educated electorate.

In the period of a one-party Parliament when the opposition was too weak to win its place in the elected legislature, the PAP government experimented with the concept of the NCMP, appointed from the best losers in the elections, and then the NMPs to allow representatives from the different sectors such as women, trade unions, the arts, sports or media and business who did not wish to stand in the elections to enter Parliament.

This way, more diverse views could be represented in Parliament should the opposition fail to be elected in meaningful numbers. We did produce good policy discussions, and opposition members gained experience to prepare policy alternatives and to play a role in the governing process.

All of you in business and industry know of the Monetary Authority of Singapore's (MAS') Fintech Regulatory Sandbox. If a technology, product or app is rapidly evolving and promising, MAS may relax specific legal and regulatory requirements that it normally prescribes so the entity can test out its product, for the duration that it is in the sandbox. Upon successful experimentation and exiting the sandbox, the entity will be subject to the usual requirements.

The Singapore Government has indicated it is going to roll out a "big data sandbox" this year. All universities and research centres have been asking for access to data all these years. In Singapore, we are quite tight in our control of information. Information or data is given on a need-to-know basis. But smart cities need data. Innovation needs data. With big data, businesses can understand the market better, the preferences of their customers or clients, and where they can build their businesses to optimise on traffic flows.

Researchers can produce sharper analyses and provide more relevant solutions with more data access. But we must wait to see what big data is rolled out. How much data, how granular is the data? Let us see if people are sensitive to privacy of the data. But setting up the "big data sandbox" will be a most welcome step.

- **Professor Chan Heng Chee is chairman of the Lee Kuan Yew Centre for Innovative Cities at the Singapore University of Technology and Design. This is excerpted from a recent speech she gave at the Far East Leadership Lecture Series.**