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Sustainability in Asia: Family Business at the Forefront

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We interview the leaders of six successful family firms based in SE Asia about their efforts to make their organizations more sustainable. Although the sectors, histories, and locations of these firms differ, they share visions of sustainability rooted in continuing success for the family and the community. In reviewing these cases, we were struck by similarities in the sources that pushed these firms towards sustainability initiatives, the challenges of implementing them, and the winning strategies that helped the leaders of these firms overcome these challenges. After presenting the six cases, we develop these themes in more detail to suggest implications and consider the relevance of these efforts to global sustainability efforts.

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Asia and the Global Sustainability Movement

The business view of sustainability has been dominated by the experience of large firms from developed economies, which has been shaped in important ways by the environmental movement. Increasing numbers and types of companies have committed to *environmental* sustainability, often with board level support. People and resources have flowed into formal positions, departments, and structures to execute a variety of sustainability strategies focused on protection and preservation of the physical environment.[1] In the emerging economies of Asia, however, there is often a lingering perception that environmentalism is a cost to businesses with little upside. Several factors may contribute to this mindset, including a relative lack of development, resources, and awareness, sometimes coupled with a sense that environmentalism is an imposition of Western hegemony. The negative impact of these perceptions on related activities has been exacerbated by the many challenges of measuring activity and impact, particularly in emerging markets. With regard to environmental regulation, many Asian countries operate under a weak legislative regime that is poorly enforced due to inadequate resources, flawed data, and corruption. In light of this, it may come as no surprise that Asian business seems to lag behind on environmental sustainability. For example, in 2018 only 12 of the 100 most sustainable corporations in the world had their headquarters in Asia.[2] This relatively poor performance seems to hold across most industries: only four of twenty-four industry groups had an Asian company top the list of most sustainable companies.[3]

Recent years have seen a broadening of business views of sustainability,[4] particularly after the adoption of the 2030 Agenda for Sustainable Development by the member states of the United Nations in 2015. This agenda specifies important roles for business, not just in climate action and providing for clean water and sanitation, but also in reducing inequality and engendering human and community development.[5] This more holistic view of sustainability has promulgated rapidly, as evidenced by a recent article in *Forbes Magazine*,[6] which characterized *environmental*, *social*, and *governance* (ESG) issues as sources of "… material financial risks and opportunities that can have a significant impact on the bottom line." According to Investopedia,[7] ESG sustainability considers three criteria: "Environmental criteria look at how a company performs as a steward of nature. Social criteria examine how a company manages relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls and shareholder rights." The purpose of this paper is to reconsider sustainability efforts in Asia in terms of this broader view, incorporating not just environmental, but also social and governance sustainability actions. Perhaps the sustainability challenges and successes related to operating in Asia may become clearer in the context of these broader metrics of impact.

According to *The Business Times* of Singapore,[8] concern in Southeast Asia about building a sustainable legacy and having a positive impact on society has increased as family heads hand over their business empires to the next generation. Intergenerational thinking frames the understanding of sustainability among both founding and inheriting family members, shifting approaches to ESG sustainability. From the campus of INSEAD business school in Singapore, we reached out to sustainability leaders from this group and introduce six in the pages that follow. As we listened to the stories of these leaders and their companies, we came to a clearer understanding of what has motivated their sustainability efforts, the

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1 https://www.mckinsey.com/business-functions/sustainability/our-insights/sustainabilitys-deepening-imprint
2 https://www.corporateknights.com/magazines/2018-global-100-issue/2018-global-100-results-15166618/
3 https://www.sustainability-indices.com/media/f/e/3/fe34ea6b4b3e0a1348e51afda6f87569_170907-djsi-review-2017-en-vdef_tcm10-13245.pdf
4 http://www.un-documents.net/our-common-future.pdf
5 https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf
6 https://www.forbes.com/sites/mikescott/2019/02/17/what-do-investors-want-to-know-about-your-sustainability-strategy-now-companies-have-a-guide/
7 https://www.investopedia.com/terms/e/environmental-social-and-governance-esg-criteria.asp
8 https://www.businesstimes.com.sg/magazines/wealth-june-2018/helping-a-new-generation-of-asian-investors-build-sustainable-legacies

challenges they have faced in these efforts, and strategies that have helped them succeed. Their stories emanate from very different sectors, histories, and locations; yet they are linked together by visions of sustainability rooted in continuing success for the family and the community. Our review of these cases suggests several themes that we develop in the concluding section of the report; we preview them here to frame the cases that follow.

The first theme relates to sources of sustainable innovation in these family businesses. We were struck by the explicitly intergenerational thinking among the representatives of these firms; for them, stewardship was a defining part of the role. The enduring mission and tradition functioned as the key tools for understanding the history of the firm and the family; delivering quality was a starting point for all of their narratives and enduring theme. These firms were also born highly attuned to external context; many of the founders were outsiders in some meaningful sense, and all scanned broadly to discover opportunities and react to potential threats. Indeed, virtually every story has a moment of shock and pivot, where the firm encounters an existential threat and answer with an explicitly sustainable solution.

The second theme arises from the human dynamics of discovering and implementing these sustainable solutions. Of course, resistance to change is well researched, and many of the mechanisms that produce it here are familiar. To avoid treading a well-worn path, we focus on some elements that are a bit more idiosyncratic to family business and perhaps also Asia. For example, these sustainability narratives often include a sustainable prodigal, a family scion reluctant to join the business without a pivot to more positive social impact. This role of the next generation in these sustainability pivots changes the dynamics of resistance from within, as the family unites around the change. Even as they wrest with these internal challenges, the scions often face challenges related to their entry and control from external constituencies. Having the imprimatur of family succession does not necessarily mitigate the challenges of managing resistance from external constituencies that face by any new leader.

Our final theme integrates the prior two by describing winning strategies that helped the leaders of these firms move in the direction of greater sustainability. Frequently, the firms used the reasoning of double (or triple or quadruple) bottom line, appealing to the reality that they were accountable for more than just performance. Related to this, they often defined sustainability inclusively by committing to communities and providing education and training. These actions were important signals that the firm understood the broader obligations of running a business. Often, they worked with communities to enact more effective public and private cooperation; for example, by bringing in appropriate third party certification of sustainability initiatives. After presenting the six cases, we return to and develop these themes in more detail to suggest implications for family businesses broadly and consider the relevance of these efforts in Asia to global sustainability efforts.

Singbee, Lina Wang, and Winson Yeung

In 1989 Wang Yuan Cheng founded Singbee,[9] a relatively early Chinese private company. Located in Pujiang County in the south-eastern province of Zhejiang, Singbee soon became a successful manufacturer of decorative crystal. Rapid growth of early entrants like Singbee, together with the industry's low entry barriers, attracted many competitors; by 2003, over 22,000 crystal factories had sprung up in Pujiang alone. While this proliferation created cutthroat competition, Wang was more troubled by another concern. Pujiang's crystal manufacturers dumped manufacturing waste into the many rivers that crisscrossed the county. Over time, most of its 400 rivers, once clear, turned milky - a few even flowed black. Wang's concern for the environment was as unusual as it was deep. He began a systematic search for a more sustainable business and discovered a new lighting technology that used

[9] https://bcorporation.net/directory/singbee

light emitting diodes (LED). This technology not only saved energy but, being mercury-free, was also cleaner than traditional lighting technologies.

Following three years of research, Singbee developed China's first LED streetlight in 2006. Unfortunately, LED lighting was virtually unknown in China; consumer interest remained low largely because widely-used fluorescent lights cost a fraction of their LED equivalents. Unable to gain a foothold in China, Singbee turned to overseas markets in Europe but met with little success. The company could not build an effective distributor network because of language barriers and lack of familiarity with the European marketplace. Convinced of the benefits of LED lights, Wang did not allow these early setbacks to deter him. His persistence paid off and by 2013, Singbee had a comprehensive LED product line that it sold successfully in China, the US and Europe. A major factor in Singbee's success was Wang's daughter Lina Wang and her husband Winson Yeung.

Winson Yeung: A turbulent start

Winson and Lina met as students at London's Imperial College; their shared passion for sustainability drew them together, they resolved to pursue careers aligned to their beliefs. This meant that Lina was reluctant to join her father's environmentally-disastrous crystal business. However, in 2007, when Wang steered Singbee into LED products that were clean to produce, use and dispose, Lina joined the family business and persuaded Winson to join six months later. From a rented garage in Bristol, Lina and Winson made a second attempt to sell Singbee's LED lights in Europe. Although they were proficient in English and understood the European market better than Wang, they struggled to make headway. Winson described the challenge they faced: "Nobody understood LED. In April 2008, at a trade show in Frankfurt, only 1% of the over 1000 exhibitors were LED. We were one of them. Several people came up to us and were curious, so I spent a lot of time explaining the technology rather than selling the product. LED was very new - even for Germany, which was a leader in advanced technologies and sustainability."

Despite disappointing sales, Lina, her father, and Winson remained optimistic and decided to tackle the challenge on multiple fronts. They educated their markets about the benefits of LED lighting. The company also took over most of its supply chain because there were insufficient component manufacturers. Finally, Singbee's technology team devised its own quality control systems as there were no established protocols for this emerging technology. These investments paid off handsomely and Singbee rolled out a range of exciting new products, including one of the first high-wattage LED lamps for warehousing and street lighting applications. Orders poured in and Singbee's plans for Europe finally got off the ground, but within six months new cracks appeared. While Winson and Lina were successfully bringing in sales orders, quality lapses plagued the manufacturing operations based in China; the quality standards devised by the technology team were not having the intended effect.

By 2009 Singbee's LED business was in shambles. The Chief Technology Officer left the company in early 2010, and Lina returned to China as General Manager with Winson as the newly appointed Vice President. Despite these leadership changes, the company suffered major upheaval. Winson described one episode in this stormy period: "The company was in chaos. There was a leadership vacuum because the predominantly male senior management saw Lina and me as young and inexperienced. We were in Hong Kong when we got wind of news that the entire R&D and production team were about to leave. We rushed back to salvage the situation. We focused on retaining those who understood our vision for the company - a few of them left, but the core stayed."

Following this shake-out, Winson and Lina built on Singbee's leadership core by bringing in people who shared their commitment to quality and sustainability. With admirable foresight, they also decided to correct the gender imbalance at senior management levels. Although the new technology and production heads were men, they appointed women to several other key leadership positions. Winson described the value of this move: “The new heads of purchase and LED were women who supported our vision. They told us that a female CEO made them feel more secure and committed. I believe Singbee’s gender balance was a hidden and undervalued source of its success.”

Stabilizing the ship

Having weathered the initial turbulence and built a core of capable and committed talent, Lina and Winson focused their attention on stabilizing operations. Singbee’s success in global markets hinged on its ability to deliver high-quality, innovative products. Once again, Winson’s passion for sustainability shaped the company’s actions: “For sustained success we needed to create our own products, not just market those designed by others. These products must be sustainable in every sense – higher lumen efficiency and longer lasting. To minimize our carbon footprint, they would also need to be manufactured locally in our key markets.”

At the end of 2011, following a year of intensive design, Singbee launched the hugely successful 360 series – a range of illumination products for public spaces that met all their sustainability criteria. To avoid the quality problems of the past, Singbee instituted a 21-step quality check system together with rigorous third-party testing. The products were assembled in China as well as in Singbee’s key overseas markets – the US and Europe. Localizing production in this way not only reduced the company’s carbon footprint but was also economical - transport efficiencies and lower import duties on components offset the higher labor costs of these overseas markets.

Singbee’s innovative, energy-efficient designs were sustainable in other ways too. Their modular design cut consumer costs and waste. If a lamp was damaged or failed, only the faulty or damaged component had to be replaced, significantly increasing its lifespan over that of conventional lamps. By 2015 Singbee established itself as a high-quality, innovative company in the premium lighting market in China, the US and Europe.

Embracing sustainability

A firm foothold in global markets increased the company’s ability to withstand setbacks in the home market. Winson and Lina were keen to consolidate this hard-won stability by imbuing every aspect of the business with sustainability. Winson was quick to credit the Wangs for being among China’s sustainability pioneers: “Today most people understand the importance of sustainability, but 10 years ago it was different. When Singbee entered the LED business, my father-in-law was called crazy and my wife called stupid. They could have just taken their thriving crystal business and built on its success. Why start at 0 when you’re at 100?”

Singbee’s commitment to sustainability went beyond making environmentally-friendly products. Wang and Lina strenuously urged local authorities to clean up Pujiang’s polluted rivers. Their advocacy energized local businesses who joined forces with them, and this persistence paid off: in 2015 the government initiated a massive community-based clean-up. Pujiang’s rivers flowed clear again, and the region became a major ecotourism attraction.

Faced with many other similar pollution-related challenges, the Chinese government introduced a host of environmental protection regulations, some of which directly affected crystal manufacturers. Singbee was unscathed thanks to Wang’s foresight in switching to LED products, but several crystal manufacturers went bankrupt as they could no longer operate profitably. This experience strengthened Winson’s determination to ensure that Singbee would weather future challenges.

Making Singbee 'future-proof'

The 2008 financial crisis as well as Brexit and the US presidential election - both in 2016, led to unprecedented levels of turbulence and uncertainty. Winson believed that the only way forward was to embrace sustainability in its broadest sense: "It gets harder to maintain momentum and adhere to our principles in an ever-shifting world. The US is our biggest market and President Trump is a wild card. He is very anti-China on trade issues and could pass laws that make it difficult for us. Unless we focus on the sustainability of our company - make it future-proof - we will not have a company to pass onto the next generation."

LED was already a mature technology, so Singbee needed a strong pipeline of innovative products. To minimize its carbon footprint and insulate it from trade policy changes, the company would have to assemble these new products in its key markets. Winson's focus on sustainability now proved invaluable: "Since sustainability was so important to us, we were comfortable going into the unknown to protect it. Our people constantly ask, 'How can I make something sustainable?' With such a mind-set, great things happen – you drive innovation."

To build the culture, Singbee needed to attract more people who shared the vision and values. Winson explained why this was a challenge: "Even today many in China don't understand the broader value of sustainability. Businesses pursue sustainability not because it's good for the world but because it's profitable. So, they don't focus on the long-term goal of creating impact."

This was true even within Singbee as many employees did not share the commitment to sustainability. Winson observed that changing mindsets was a slow process: "In Pujiang our people understood and supported our move from crystal to LED because water pollution was a highly visible local problem. But for a global issue like climate change they tell me 'I'm only a dot, I can't make a difference.' I explain to them that a picture is made up many tiny dots, but it takes time for mind-sets to shift. So, we educate and remain patient." Winson's clear convictions and patience slowly bore fruit; one important milestone happened in October 2016 when Singbee was certified as a BCorp, a globally recognized certification that meets rigorous standards of social and environmental performance, accountability, and transparency. There were encouraging instances of employees voluntarily pursuing sustainability - the company's Human Resource head took it upon herself to encourage employees to reduce personal consumption of water and electricity, and recruiting new talent was facilitated by the company's sustainability reputation. The company also made progress in building a global team of employees that was technologically competent and nimble. Several exciting products were on the horizon including smart lighting that could be manipulated remotely; a bio light capable of mimicking sunlight that would speed up post-operative recovery in hospitals; and streetlights that absorbed air pollution. By ensuring that sustainability pervaded every aspect of the company, Winson was optimistic that Singbee would ride out the inevitable volatility. He described what such a company would mean to him: "I want to wake up every morning knowing that I'm part of a business that's making a profit while being good to our people, our customers and the environment. That's the kind of company I want to leave for my daughter."

EKKI Group and Kanishka Arumugam

Growing up in an agrarian community in the southern Indian state of Tamil Nadu, P. Arumugam saw farmers struggle to eke out a living. Hampered by primitive technology and an unpredictable monsoon season, water management was one of their most acute concerns. The Green Revolution that swept the country in the 1980s did little to alleviate these water woes, so Arumugam and his uncle decided to tackle the challenge themselves. In 1981 they joined hands with a friend, and each invested US$500 to set up a facility to manufacture high quality agricultural pumps in Coimbatore, a major city in Tamil

Nadu. Starting from a small rented workshop, the EKKI Group (EKKI)[10] grew to become one of India's leading providers of pumping technologies for agriculture, public utilities, building services, and industrial markets.

EKKI's remarkable growth journey was fueled by its deep commitment to quality – the very first submersible pumps were manufactured to high reliability standards. The company also established itself as an innovator when it successfully developed and manufactured vertical open-well submersible pumps for agricultural markets. This was a significant engineering achievement as the submersibles market was dominated by a few European players whose products were not suited to conditions in rural India. In 1996, the company began manufacturing pumps for buildings; once again, they quickly developed capabilities in production of these pumps at global standards but with products better suited to conditions in India. With a range of products to serve both rural and urban customers, the company continued to grow over the next decades. In 2013, with the passing of the other two founders, Arumugam became the sole owner of the EKKI Group which included EKKI Pumps and Deccan Pumps. By 2017, with double-digit growth in every year of its 37-year history, this well-respected family business employed 550 people; had 4 world-class production centers; it sold its products under the EKKI and Deccan brands through 10 sales companies, 500 exclusive distributors, and over 2000 retailers all over India.

Kanishka Arumugam: 'Water is a mega opportunity'

In 2015 Arumugam's son, Kanishka Arumugam, joined EKKI. After completing a master's program from the University of Warwick and an undergraduate program from the Universities of Sheffield and Leeds in the UK, Kanishka spent 12 months preparing to join the family business. He picked up valuable industry knowledge as an intern at the UK office of Xylem Inc., one of the world's largest pump manufacturers. He then worked at Forbes Marshall, a family-owned steam engineering solutions leader in Pune, India, where he acquired an understanding of the complexities of running a successful family business. He also attended Stanford University's Summer Institute for General Management, which exposed him to the high technology world of Silicon Valley. Armed with this education and experience, Kanishka might have worked anywhere in the world, yet he chose to return home and join his father's business. He explained why: "After my studies I had many lucrative opportunities to work overseas in consulting or investment banking, but it's never been about money. At home, dining table conversations were always about EKKI and pumps, so it was natural for me to become interested. I also saw access to clean and safe water as a mega opportunity. I believe family businesses can make money and be a force for good."

Becoming a force for good

Beyond having a product line that was directly related to sustainability, EKKI's efforts to be a force for good targeted the local community. Kanishka described why this was typical of Indian industrial houses – many of whom built the country's schools, hospitals and roads: "My father started EKKI in Coimbatore - a city built by entrepreneurs who gave back to the community once they became successful. A staunch philanthropist, he believed that if EKKI made good products and was good to all its stakeholders, good things would follow. This philosophy is now a part of EKKI's DNA"

Most of EKKI's philanthropic work was channeled through two foundations focused on the local community. The first started in 2003 to run a not-for-profit elder's home in Coimbatore; the focus customers were parents of Indians settled abroad who did not wish to uproot themselves to live with their children in a foreign land. By providing a mid-priced retirement facility, the home allowed the

[10] https://www.ekkigroup.com/ekki-group/about-ekki/

elderly parents of the Indian diaspora to remain in the country of their birth. A second community contribution was a not-for-profit engineering college and business school. Kanishka explained why his father chose to invest in an institution of higher learning: “My father came from a humble, rural background and was the first in his family to get a college education. Having experienced the value of a good education, he wanted other young people to benefit as well. Most of our students are first-generation college-educated, so when they graduate with good jobs, it’s life-changing. There was also a de-risking rationale for the college. My father worried about the future – he’d seen many industrial houses fail due to mismanagement or technology change. He hoped that the college would endure and benefit the community even if the business failed.”

Kanishka’s mother was behind a third key initiative within the company, housing and food for low level workers, driven by her belief that EKKI had a responsibility to take care of its most vulnerable employees. Kanishka knew the rationale from an early age: “Most of our people are from rural areas - they need decent food and accommodation in Coimbatore. We provide these for our shop floor and mid-level employees. This isn’t anything to brag about – we have to do this, because ultimately the quality of your people is the quality of your organization.”

EKKI’s product-line also evolved to reflect its mission to create impact. Its pumps were already viewed as reliable and easy-to-use, so the company focused on making them more energy-efficient, including pumping systems that ran on solar energy. Kanishka conceded they were just beginning, but he was certain that this was the right way forward - for India and the world.

Water is the next oil

Kanishka reeled off alarming statistics about the dire prognosis for water availability: “For the last 500 years we have exploited the earth’s resources. Global warming and population growth have led to massive increases in the use of water, while pollution has strained water supplies. Nearly 1.2 billion people on the planet don’t have access to potable water and an estimated 2 million people die each year due to unsafe drinking water, inadequate sanitation or insufficient water for hygiene - water is going to be the next oil.”

Apart from the survival and environmental need for better water management, Kanishka made a strong business case for it as well: “We estimate that nearly half the world’s population will face severe water crisis by 2035, unless new technologies are deployed. Despite this, water is one of the least technologically influenced industries, so it holds big opportunities. From office towers to factories to homes, the need for clean water has never been greater. This water must be transported to where it’s needed or removed from where there is excess. The global water pumps industry is worth $45 billion annually - if I capture just 1% of it, we have a really good business.”

Kanishka worried that the threat of water shortages was especially acute in a fresh-water dependent country like India. On track to become the world’s most populous country by 2024, an estimated 54% of India’s population is at risk of being water-stressed. Rapid urbanization and industrialization have driven exponential growth in water requirements, while most Indian farms, industries and rural communities rely on fresh water drawn from bore wells. With ground water levels falling precipitously, India has to find alternative sources of fresh water. Kanishka believes that waste water recycling is the answer: “Waste water can be treated and used instead of using fresh water. This will not only save water but also tackle a health issue. In India we discharge untreated waste water into lakes and rivers causing disease and death, so recycling water will save lives.”

Anticipating that waste water management would be a lucrative opportunity, EKKI took the first steps to enter this business. In 2013, during his university days in the UK, Kanishka met Dr. Klaus Hoffmann, Chief Executive of HOMA Pumps, a world-leading German maker of waste water pumps. HOMA's expertise so impressed Kanishka, he invited this family-owned business to visit EKKI. The visit was a resounding success and in 2018, a 50-50 joint venture was established between EKKI and HOMA. Kanishka felt particularly proud that "two successful family businesses from different parts of the world came together for a common sustainability purpose."

The Indian challenge…

Creating an infrastructure to permit recycled waste water to meet the country's water needs required huge investment and wide-spread change; entrenched practices and cultural norms threatened this transformation. Kanishka described how resistance came from every quarter: "Sustainability is a new concept for us in India. You can't just order people to stop littering, conserve energy or recycle – these habits develop slowly. Farmers won't stop drilling wells on their land – they see water as a fundamental right; consumers view it as a free resource; and industries won't manage their waste better or reduce pollution – it's expensive and the government doesn't regulate it."

Based on personal experience, he described how EKKI leadership's commitment to sustainability had not diffused all the way down into the organization: "My shop floor guys don't care – they're fine with leaving industrial effluent in the street. They say, 'This is all fancy, expensive stuff – at the end of the day we have to get the job done economically.' But sustainability can't be just about me sitting at the top. Everybody down the line - the HR people, the shop floor - must recognize its importance."

So EKKI embarked on a structured process of change although resources were a constraint given their relatively small size. The company obtained international certifications that established quality credentials; it developed a continuous process of educating, training, and rewarding employees in order to meet sustainability goals. As the company explored the possibility of being certified as a sustainable manufacturer, Kanishka had misgivings about whether any meaningful change could be made without government support. In the pumps industry itself, Kanishka identified several steps the government could take: "The Indian government must ensure that water is used sustainably by builders, farmers and industry. This requires education, infrastructure and regulation. The government has made some progress but must go further. For example, every building should be required to have a waste-water treatment plant. Additionally, farmers must be assured of stable electricity. They are major consumers of electricity - mostly to operate water pumps. Currently our pumps are designed to withstand wide power fluctuations which lowers their energy efficiency. With standardized power supply, farmers could use energy-efficient pumps, which EKKI also makes, and India could save billions."

…and opportunity

Kanishka's commitment to sustainability was intertwined with a keenness to see India prosper. If India pursued the United Nations' Sustainable Development Goals, it had the potential to create US$ 1 trillion in economic value and 72 million jobs by 2030. Considering the goal to ensure access to water and sanitation for all, Kanishka believed that the Indian pump industry could play a vital role in achieving this goal and thereby create a name for itself on the global stage: "The future wave is sustainability, and we have to be a part of it. But we can't limit our sights to being pan-India - we have a golden opportunity to create a global brand. The 'Made in Germany' and 'Made in Japan' brands flourished after the industrial revolution – now it's time for the 'Made in India' brand. The pump industry presents an opportunity and I would like to make my small contribution. EKKI's goal is to 'provide access to Clean Water with Less Energy' using the best technologies possible. We may not be the largest, but I'd like us to be one of the most respected."

Eu Yan Sang International and Richard Eu

In 1873, a young man named Eu Kong left his home in the southern Chinese province of Guangdong and found work in the tin mines of Perak in Malaya. A tin miner's life was harsh and dangerous with little to alleviate the hardship. Medical care was virtually non-existent, so workers turned to opium to relieve their suffering. In fact, colonial authorities coupled opium distribution licenses with tin mining licenses since most miners were addicted to opium.

Troubled by the plight of his fellow miners, Eu Kong believed he could alleviate their suffering by importing traditional medicines from China. A small shop (aptly named "Yan Sang" meaning "caring for mankind" in Chinese) that he opened in 1879 eventually became Eu Yan Sang International (EYSI), a leading producer and distributor of traditional Chinese medicines (TCM) in SE Asia.[11] Reinvesting returns from the importing and distribution business allowed Eu Kong's son, Eu Tong Sen bought tin mines and rubber plantations in British Malaya and Singapore. Following his father's tradition, Eu Tong Seng set up medical shops in Hong Kong, Singapore and the Malay peninsula to take care of his plantation workers and broaden the customer base; the Eu Yan Sang brand was born when he added the family name to his medical shop business.

Eu Yan Sang's commitment to quality and product innovation facilitated international expansion to China, Australia and the US, opening TCM clinics and medical centers. By 2017, EYSI had become a globally integrated healthcare and wellness company; together with its associate company Healthy Life Group Private Limited, it owned two factories in Hong Kong and Malaysia that supplied 243 retail outlets, 33 TCM clinics and two medical centers across China, Southeast Asia, and Australia.

Richard Eu: Differentiating through sustainable sourcing

In 1989, Eu Kong's great grandson, Richard Eu joined the family business, having worked elsewhere for 18 years. Richard explained why his entry was delayed: "In 1971 my father ran the banking part of the business – I didn't want to do commercial banking, so I didn't join at that time. Later, as conflict between family members grew, my entry became difficult. In 1973, when the company was listed, my father and uncle tried to consolidate their shareholding to gain control – it would have paved the way for me to join the business. Unfortunately, they failed, and I had to wait another 16 years before the opportunity came my way."

Richard's entry was contentious - a few disgruntled members of the family got together and engineered the sale of the business to Lum Chang, a construction company. Richard worked for Lum Chang until 1993 when he got an opportunity to buy them out. Richard explained why this was so significant to him: "This was the first time we had total control of the business so, in a roundabout way, my father's vision was realized. I was now determined to ensure that my great grandfather's vision also remained alive. We had to be sustainable."

The sustainability imperative

With a range of over 1000 herbs and 300 products, the Eu Yan Sang shops were among the best stocked TCM retailers in the region. They were also very successful, and Richard attributed this to the safe and authentic ingredients they used. Securing the raw material supply chain was therefore one of Richard's earliest challenges. He described the difficult situation he faced in those initial years: "Initially I worked for Lum Chang who ran the Malaysia and Singapore operations. I had no control over manufacturing which was run by my uncles in Hong Kong. Since we had disputes with them we could not be sure of

[11] https://www.euyansang.com.sg/en/about-us/eyscorporate1.html

supply. To make matters worse, Malaysia introduced import duties on herbal medicine making them more expensive."

Matters came to a head when the Malaysian government imposed strict manufacturing regulations for the pharmaceutical industry. Richard was no longer able to import herbal medicines from Hong Kong where manufacturing standards were less stringent. To make the company more sustainable, Richard set up a manufacturing facility in Kuala Lumpur in 1995.

Richard's next priority was to ensure his new factory was never short of quality raw materials. Initially most ingredients, which were natural products, came from wholesalers in Singapore, Malaysia and Hong Kong. However, Richard soon realized that EYSI's growth required greater control over the supply chain: "When our requirements were small, we could just pick up a phone and place an order with the local wholesaler. We were fairly down the value chain and we did not have to worry about what was going on upstream. But as revenues grew, the supply chain could not remain the same. There was a lot of talk about sustainability in the 80s and 90s and I saw its relevance to the business – I knew we had to think about sustainability at the very source of our supply chain."

Securing the supply chain

Almost 99% of EYSI's raw materials came from China, with a few high value items coming from other countries including edible ginseng (America and Korea), edible birds' nest (Southeast Asia) and Manuka honey (New Zealand). Despite being one of the most integrated players in terms of geography and product range, EYSI was small compared to its competitors in China. Most Chinese TCM sellers either sold a small number of products across a large geography, or they had a wide product range that they sold in one or two provinces. Both approaches yielded big markets so EYSI faced intense competition for raw materials.

Competition for markets was also heated. Most TCM products were distributed through small mom and pop stores called medical halls, which relied on a common network of wholesalers and local importers for supplies. Richard explained how EYSI was able to differentiate itself in order to grow:
"We decided to set ourselves apart from the pack through better quality and competitive prices - so we had to use different suppliers. I also wanted to make sure that these new suppliers were socially responsible. We could do this because we were one of the bigger groups by that time."

Quality assessment and procurement of animal and plant-based raw materials was regulated in China. However, these regulations were not strictly enforced making it very difficult for the company to develop a reliable and sustainable supply chain. To tackle this challenge EYSI put a complete stop to using products from endangered species, going above and beyond the regulations laid down by the Convention for the International trade in Endangered Species (CITES). Richard described the extraordinary lengths they went to in order to do this: "We destroyed all our stocks of rhino horns, even those acquired decades before rhinos were declared endangered. We stopped selling shark fin altogether. We sponsored conferences to protect bears that were being killed for bear bile. In this manner we replaced endangered animal products with plant-based alternatives wherever we could, and where we couldn't, we used sustainable sources – farmed animals."

For plant-based raw materials, EYSI followed a similar strategy. Where possible, they substituted wild-sourced products with farmed ones. This not only protected valuable flora, it also improved availability and gave EYSI access to high quality, sustainably-grown ingredients. Richard explained how EYSI implemented this strategy: "We didn't grow the raw materials ourselves. However, being big we could deal directly with the farmers. This made it possible to have raw material traceability. We visited farms to make sure the produce was farmed sustainably. For example, we helped them ensure that their land didn't deteriorate, which would affect the quality of herbs grown on it. We also ensured that wild-sourced products were harvested correctly taking care to minimize negative impact."

Not an NGO or a charity

EYSI was successful in differentiating itself as a provider of high quality, sustainably-sourced products but the process was not without serious challenges at both ends of the value chain – the suppliers of raw materials and the final consumer. For its plant-based raw materials, EYSI dealt with multiple small farmers, many of whom were set in their ways. Getting them to embrace sustainable farming practices was a slow and difficult process. For wild-picked ingredients, the supply chain was even harder to manage. Most pickers did not have the volumes to sell directly to EYSI, so they sold their produce to intermediaries who consolidated, cleaned and graded it for sale to EYSI. Being farther down the value chain, EYSI had limited influence on the pickers. Often, EYSI simply did not have the expertise to help them and, when they could help, other challenges arose. Richard described their experience with one of EYSI's most successful wild-picked products - cordyceps, a mushroom that grew inside a caterpillar found in the high reaches of the Tibetan plateau: "Cordyceps is our most expensive herb - it's worth more than gold. For 2 weeks in the year, pickers camp out in the mountains to carefully hunt for these little shoots in the grass. Since they live off what they earn for the whole year, we wanted to help them get a fair price. We gave them trucks to make it more efficient for them to bring their produce to the grading center, but local gangs got involved. We realized we couldn't do this ourselves - we had to work with NGOs or the local government."

EYSI also faced a challenge at the consumer end of its business. Its commitment to quality and sustainability came at a price – one that most of its competitors chose not to bear. Richard described how this affected their operations: "We developed a quality certification system called iGATES that was audited by the Singapore government. This raised our production costs. Our competitors didn't use it because they saw it as a luxury they couldn't afford. Also, the herbs we used come in various grades - higher-grade products could cost ten times as much as lower grade ones. Since we never adulterated our ingredients, our prices were higher than our competitors. Customers complained, but we have to charge more -we're not a charity."

Keeping Eu Kong's social mission alive

Despite consumer resistance, Richard believed that EYSI's differentiating strategy would reap dividends in the long term: "Increasingly, consumers were willing to pay for sustainably and ethically sourced products. With the right packaging and marketing, we could reach out to them and tell them the story behind our products. Millennials were especially drawn to such stories, so the time was right."

Richard recognized that EYSI would need to broaden its sustainability focus to cover every aspect of the product, from raw materials to packaging. In 2013, the company undertook an internal study to reduce its carbon footprint. It also invested in research projects relating to sustainable farming practices. It was a win-win situation for all. Farmers that embraced sustainable practices would earn better returns. EYSI would have an assured supply of quality ingredients; and the consumer would get access to superior products.

The company had made a beginning by getting some farmers to accept its more stringent quality standards. For wild-picked raw materials, the company was working with international conservation groups like WWF and Birdlife to explore responsible sourcing practices. For more complex supply chains, EYSI planned to focus on educating those closest to them in the chain. Packaging would also be designed to meet consumer preferences with environmentally-friendly choices.

While progress was slow and expensive, Richard believed that EYSI had a moral obligation to persist with its strategy of sustainable sourcing. As he explained: “Although we’re not the biggest players, I like to think that we take the quality of our products and the sustainability of our sourcing more seriously than any of them. We do this because we believe we must – not because we have to. It goes back to the original mission of the business - to help people. There are no opium addicts to help, so it must be our farmers. We cannot have a business that’s growing fast without also improving the farmer’s life. Business cannot be purely for profit.”

B. P. de Silva Group and Navin Amarsuriya

In 1869 a young trader set sail from Sri Lanka with a pocketful of gems. Balage Porolis de Silva’s travels brought him to Singapore where, recognizing the island’s trading potential, he decided to settle down. Three years later, he founded the B.P. de Silva Group (BPD)[12] to manufacture and sell jewelry. From the outset, BPD’s pieces were of exceptional quality and soon found their way into the collections of royalty, politicians as well as business and military leaders in Europe and Asia. In 1928, BPD was appointed as a distributor for Swiss luxury watchmaker Omega and became its largest distributor in the 1950s. As the company acquired more brands it grew to become one of Asia’s largest and most respected luxury watch distributors. Having successfully distributed western brands for almost a century, the group decided in the year 2000 to focus on building Asian brands to bring to the world. It acquired Risis from the Singapore government - a small company known for its gold plated, orchid-inspired products. Over 145 years this niche jewelry company evolved into a diversified group with businesses in luxury goods such as watches and jewelry, tea, water purification systems, and micro-hydroelectric power generation.

Navin Amarsuriya: Is money the only form of generational wealth?

Navin Amarsuriya, a fifth-generation family member, joined the group as a management trainee at Risis. He shared why he believed strongly that sustainability was both a moral imperative and an enormous challenge for any family business: “My company has been around for 145 years. When we think of the long-term future of the company, it’s always in the context of this intergenerational theme. Social and environmental sustainability is a no-brainer – but it’s a constant battle. How do we balance short-term interests that drive financial performance with the world that we will leave for the generations yet unborn?”

By the 1960s, BPD had over 140 family and non-family shareholders. Disputes arose over the distribution of the group’s assets and board meetings often ended with unresolved disagreements. In the 1970s, Navin’s grandfather bought out the other shareholders and appointed several independent directors to the board. According to Navin, this separation of control and ownership injected a measure of stability and resilience that enabled the company to survive and thrive: “I’m very proud that our Board is unusual in the sense that we have more independent directors than family directors. There is a tacit understanding that the family has certain limitations and our primary duty is to find people with the right values to join the team. We want our managers to be accountable to a high level of external talent.”

Sustainability is more than just surviving

Navin was keen to broaden the sustainability vision from merely surviving to creating positive impact for employees, customers, supply chain and the broader community. This would require the BPD brand to be recognized for its commitment to sustainably-made products; this would not only help the group

[12] http://www.bpdesilva.com/story.html

meet growing global regulatory pressures to be sustainable, but would also enable it to capitalize on the surging demand for such products. Navin described the nature of this demand: "While some customers of sustainable products are motivated by a desire to be seen as socially progressive, a growing number are truly committed to the view that we all need to live lighter. They want to know the story behind the product and are willing to pay more when the story aligns with their personal mission."

By 2018 several high-end brands had successfully responded to this trend by ensuring that their missions resonated with sustainability-conscious customers. Transforming the BPD brand in the same way would require every aspect of the group's business to be aligned with sustainability. As Navin explained, the company had made a promising start: "At a very micro level we have environmental KPIs for senior management. We've started with simple things like tracking waste, believing that increased awareness will change behavior in other domains as well. At a higher level, I'm working towards more transparent supply chains and ethical sourcing. At Risis, the company that I'm directly responsible for, I've begun the process of being certified as a BCorp and hope to complete it in 2018. But it has been a huge challenge."

An uphill task

Navin's push for sustainability faced an immediate and grave challenge. While the global market for sustainable products was growing rapidly, the BPD group's own customer pool did not reflect this trend. Its most lucrative businesses were in the Asian luxury goods market, and these customers were relatively less concerned about issues of sustainability. Navin explained: "For most of our customers, price and quality are paramount. Sustainability is merely a "side-dish" – it's nice but they're not going to buy because of it. As a result, in most high growth markets like Myanmar, Vietnam and Cambodia, demand is limited. In China, where consumption is primarily driven by a desire for social status, sustainable products are a tiny fraction of the enormous luxury market."

Nevertheless, Navin was optimistic that the market for sustainable products would grow as consumers became better educated, more connected and well-travelled. Moreover, China's massive consumer base meant that even the "tiny fraction" that sought sustainable products represented a sizeable market. As Navin made moves to tap this segment's potential, he was confronted with his second, equally formidable challenge – resistance from within the group itself. Faced with bottom-line pressures, the top management of the company was focused on boosting revenue-generating activities. Navin described how sustainability was simply not a priority: "I'm part of the senior leadership of the B.P. de Silva Group, but my passion is not widely shared. Most agree with my ideas, but they see me as an idealist. As self-defined pragmatists, they're not keen to transform the group. They see it as risky, it takes a lot of work, and they have other priorities. This is changing, and I hope the blending of our priorities will become the optimal path."

In the interim, these differing priorities meant that sustainability was not integrated into the group's business strategy and processes. As a consequence, employees down the line were also less committed to Navin's vision. Knowing his interest in sustainability, they often came to him with ideas and proposals, but he expressed doubts that they actually shared his beliefs: "Every industry is undergoing massive change - unlike anything we've seen before. This means that people aren't sure if they have a job tomorrow. Since sustainability does not currently contribute significantly to our turnover, many see it as a superfluous exercise, unrelated to the challenges they face every day."

A balancing act

Navin knew that the BPD brand would have to undergo a significant overhaul in order for his vision to see fruition. Unfortunately, consumer perceptions around the group's current stable of luxury brands were so far removed from notions of impact and sustainability, that Navin feared rebranding would be unsuccessful: “A significant portion of our top line is contributed by customers who don’t see much value in sustainability. We will have to bring them slowly from this negative mind-set to zero before making real progress. Fortunately, younger generations give me hope that this will get easier as time passes.”

Until then, Navin argued, it made more sense to acquire new brands that already appealed to consumers who valued sustainability and were willing to pay for it. These product lines would make the process of transforming the BPD brand quicker, simpler, and more cost-effective. As he explained:
“It’s like having an old house. Do you tear it down and build a new one or do you renovate the old one? Renovation of a very old house is unpredictable in terms of cost – that said, there may be intangible benefits in doing so”

Rebuilding BPD would inevitably impact revenue and stability in the near term, and Navin described the challenge this would create for the group’s senior management: “We would have to straddle two tensions: Upholding sustainability values while generating enough return for shareholders. We may choose to pursue sustainability because of an ideological belief that it is necessary, but we have to find a way for the business to make sense while pursuing this goal.”

This would be necessary, not merely to appease shareholders, but also as a source of funds to finance the sustainability strategy. This meant that the group faced a delicate balancing act: generating investment funds by continuing to maximize revenues from traditional products while developing an integrated strategy to replace them with sustainable ones. Acquiring brands that were imbued with sustainability would bring more than a ready customer base. With the right product lines, a significant proportion of group revenues would flow from customers who requested sustainable practices. This would have a significant impact on attitudes towards sustainability within BPD, which Navin believed was critical for long-term success: “Sustainability cannot just be a flight of fancy of the business’ owner. The push to create a sustainable organization won’t last long without buy-in at every level in the organization. A sustainable product line will help me get that buy-in. I’m hoping it will help my people find the logic in it for themselves - that ultimately sustainability is about them and their families.”

Navin believed that the new brand managers accompanying the acquired brands would act as change agents who would accelerate attitudinal change in the BPD. As he explained: “If a sustainable brand is doing its job it means that the people behind the brand really understand their customers’ need for sustainability. So, what I’m really buying are people who are committed to sustainability These people will influence those they work with and as I win more people over to my way of thinking, the culture will change naturally.”

Despite his optimism, Navin was realistic about how long and arduous this road would be. For the present, BPD’s priority would be to unlock the value of existing operations. However, he was absolutely clear about the long-term direction for the group: “I don’t believe that a family business should last forever unless it represents some larger value. The largest and most profitable companies come and go, but the ones that matter will be those who do their utmost to create the conditions for wider definitions of success. It may take a lifetime, but sometimes the journey matters more than the destination.”

The RIGht People and Robin Pho

In 1972 Robby Pho Wan Hok left Europe where he was studying and returned to his home town in West Papua, Indonesia to start a business. Looking for an Indonesian name for the new company, he consulted a local government official who suggested the name PONCO that sounded similar to the Pho family name. PONCO became a supplier for all the manpower requirements of its oil and gas (O&G) industry clients - from supplying mechanics, welders and crane operators to chefs and laundry men. They also provided a comprehensive range of personnel services including payroll, taxation, training and travel.

As Indonesia's O&G sector grew, local regulations multiplied, and it became increasingly difficult for foreign companies to find and manage adequate numbers of trained personnel. The support of an organization like PONCO relieved them of these responsibilities, allowing them to focus on drilling. PONCO's grateful clients were happy to pay for their services and by the early 2000s, PONCO was widely recognized as the Indonesia specialist for O&G manpower. The 2008 global recession hit the O&G sector particularly hard and PONCO struggled to collect payment from clients. Instead of paying within 30 days, clients often paid in 60-90 days. In the same year, the company was dealt another devastating blow - Robby Pho suffered a serious health setback and needed emergency heart surgery. In the midst of this grave uncertainty and turmoil, Robby Pho's son, Robin Pho, left the comforts of his professional banking career and entered the family business.

Robin Pho: Hug trees and save dolphins

With a promising career in private banking, Robin never intended to join his father's business: "In 2008, I'd been in banking for almost 5 years and had recently been headhunted to join UBS - the #1 bank in the world. Then Dad needed emergency heart surgery with a 20% chance of survival. Just before he went into the operating theatre, I promised him I'd join PONCO. That reassured him because PONCO was his first baby. Fortunately, the surgery went well, however I was now stuck in a family business that was fighting to survive!"

PONCO's crew, 95% of whom were located in Indonesia, were not on the company's direct payroll. They were hired on back-to-back contracts, which were plentiful in the boom years of the early 2000s. Everything changed when oil prices collapsed in 2014, and many drilling companies stopped drilling as it no longer made commercial sense. Initially, clients sent their idle rigs to shipyards for maintenance and upgrading, so PONCO was still able to find work for its crew. However, as the crisis deepened, work virtually dried up and many players in the industry, both clients and competitors, were forced to close. PONCO survived the carnage but the future looked bleak, so Robin decided to pivot his business: "The crews kept asking us for work, but there was nothing in oil and gas. PONCO had to find a new way forward and I knew it's future lay in renewable energy."

Robin's interest in sustainability started early. In a secondary school class magazine, he was quoted as saying "I want to save the world, hug trees and save dolphins." Later, as a student of the Singapore Management University, Robin was required to spend a minimum of 80 hours in a community service project – he spent almost 80 days. Robin described this project that gave him a deep appreciation of the environment: "I volunteered for a reef check project in Sabah Malaysia where local fisherman engaged in cyanide and dynamite fishing. They detonated a bomb and then scooped up the fish that floated up. Unfortunately, this practice caused long-term harm to the reef. We explained to the fishermen that soon there would be neither a reef nor any fish left. We persuaded them to protect the coral instead and earn a livelihood by charging visitors an entry fee for snorkeling and scuba diving. It was a success because that whole marine area is now an official marine park."

Robin readily acknowledged that his beliefs and values were molded by his father. Robby was born on Doom Island, a speck of land just off the coast near Sorong in West Papua. Growing up without running water or electricity, Robby Pho understood the struggle of living in an environment that lacked basic infrastructure and it had a profound influence on what he did: "My father was always keen to do the right thing. In the 1990s, while in the oil and gas business, he also dabbled in a fish export business. He procured fish from remote islands in the Indonesian archipelago and exported them to Hong Kong. Far removed from urban communities, the fisherman didn't know what to do with money, so they asked us to barter their fish for basic necessities such as clothes, generators, tents and fuel. One of the most coveted items were polaroid pictures of their families which they thought were simply magical! But we didn't stop at giving them what they wanted - we also educated them. We persuaded them to stop the cruel practice of shark finning and instead, encouraged them to fish for other higher value fish like grouper or red snapper. It was the right thing to do – for everyone."

Becoming The RIGht People

Despite this shared concern for creating impact, Robin was reluctant to work at PONCO. Coming from a big, global bank, he acknowledged feeling embarrassed to say he worked in a small family business. However, when circumstances forced him to join, he was delighted to discover the true extent of PONCO's positive impact: "We have operations in remote and backward areas. During site visits I saw the positive contribution we made by providing employment and infrastructure such as roads, jetties and lighting to the local community. We also introduced safety consciousness. Some of the crew worked without proper safety training or gear. Many had lost fingers in the course of their work, even showing it off as a badge of honor to their friends in the industry. My father chose to invest in their well-being and put an end to lax safety practices. We want the offshore crew to return to their families even healthier than when they left. I met many crews whose children were now working for us. I realized that our family business wasn't just about dollars and cents but also about creating a better life for its people and their community."

The leadership also introduced core values to guide day-to-day work - Safety, Teamwork, Education and Professionalism, easily remembered with the acronym STEP. Step by step, PONCO would become a more professional family business. Sadly, on 26 April 2014, Robby passed away from colon cancer. At the time, the O&G industry was suffering from one of its worst downturns and jobs were scarce. Unwilling to abandon his people, Robin saw the renewable energy sector as a possible solution. He explained why this move received support from within PONCO as well as from his Uncle Simon who had worked alongside Robby for many decades: "My uncle supported the transition to renewables because it meant jobs for the old crew - something my father would have approved of. The move also resonated with the crew - not merely because it meant jobs for them - but also because they believed renewables would be good for the country. Indonesians are very patriotic people."

The transition to a completely new industry was a daunting task and many were skeptical that it would be successful. In late 2016, taking advantage of the lull in the O&G sector, Robin decided to juggle work and school and enrolled in the Executive MBA program at INSEAD. Every project and module he did in the program was applied to ensuring PONCO was successful in its pivot from O&G to renewable energy. One of Robin's earliest steps in the transition process was to change the company's name. Although attached to the name PONCO, Robin did not think that it was a good name with which to grow the renewable energy business. It held no meaning in the renewable energy industry and was hard to pronounce and remember. While exploring alternative names, Robin was drawn to a company slogan that his father had created - "The RIGht People" with a pun on the word RIG. It reflected a guiding aspiration - to always be the right people, to hire the right people, and to work for the right people. Coincidentally, "RP" were also the family initials! Robin's father, mother, sister and brother were called Robby, Rucinda, Rosalind and Roger respectively. Robin felt at peace changing the business' name because he had got father's approval, and in 2017, the Right People Group of Companies (RPG) was formed.

RPG owned the oil and gas business and three other business: a small publishing business; a family office company, and a non-profit charity called Singapore Obituaries. The renewable energy business,[13] which was launched as yet another arm of RPG, will be the focus of our remaining discussion of that firm.

Bringing renewable energy to Indonesia

By 2017 many companies in Europe and the US had successfully ventured into renewable energy, but this technologically sophisticated industry was still in its infancy in Asia. Gaining traction was especially difficult in Indonesia, with its wide regional variations; as a recognized Indonesia specialist, RPG was perfectly positioned to cover most of the renewables supply chain: “We marry competence in the hard science of renewables with an understanding of Indonesian business and culture. Except for manufacturing, we covered the entire value chain - Distribution; Engineering; Procurement and Construction; and Operations and Maintenance. Handling distributorship and procurement was straight forward as we already had a presence in Indonesia and we merely had to apply for the right import licenses to bring in renewable energy equipment. Also, we already had crew to handle the construction stage and we spent a lot of time with our suppliers to catch up on all the engineering aspects of the industry. I was certain that there would be a bright future in renewables.”

RPG worked with manufacturers and distributors from the region to develop technological capability. Having a legal and operational presence in both Singapore and Indonesia was a big advantage: the engineering, research and finance functions were located in Singapore to support clients, despite the location of the projects in Indonesia. The key business opportunity that the renewables business would pursue would be helping off-grid companies in Indonesia transition to solar energy: “Companies on the grid got cheap, subsidized electricity from the Indonesian government, so switching to clean energy did not make financial sense for them. However, there were many companies with operations in remote locations, far away from grid-tied energy. They relied on conventional diesel generators and diesel fuel had to be trucked in from afar. Loading was slow; maintenance was difficult and time consuming; water and air were being polluted; and the energy generation process was fraught with safety issues. Due to the high cost of energy generation in these off-grid locations, our solar solutions had very short payback periods, usually 3 to 5 years, after which the system generated free energy from the sun for the next 20 years and more. Clients felt comforted by the system’s very long 25-year warranty - so it was a no-brainer for them to switch to solar.”

Mastering a triple bottom line

The company’s entry into renewables was part of a comprehensive bid to be more sustainable. In 2016, RPG, a member of Family Business Network completed the Polaris Impact Assessment, a version of the B Corp assessment customized for family businesses.[14] This gave Robin the chance to be a facilitator at the Polaris Training for other next generation family business leaders; he trained in Geneva with under former US Vice-President Al Gore, a global leader on change and sustainability. These experiences were a key milestone in Robin’s mission to steer RPG towards a triple bottom line: People, Planet and Profits.

To master the first P (people) in the triple bottom line, Robin introduced personality profiles to understand his people better: “Sitting in front of a computer, churning numbers on a spreadsheet, I didn’t see the people side of our business. However, as I interacted with our crew I realized that when we executed a project well, not only did we provide them a livelihood, we also benefited the broader community. Over time, my banker-like profit maximization perspective changed - work became more meaningful when I focused on People.” Based on these profiles, the company invested in education and training and worked with corporate coaches for team building and leadership training. Only after

[13] https://www.rpreasia.com/
[14] http://www.fbn-i.org/polaris-impact-assessment/

engaging people internally, did he turn to education and outreach to external stakeholders, such as suppliers and clients.

Planet, the second component of the triple bottom line was a natural fit with the business' transition to renewable energy. RPG took steps to reduce pollution and practiced conservation by reducing the consumption of paper, water and energy. However, as Robin explained, RPG's greatest impact on the planet was via the solution it provided its clients: "The diesel generators most of our clients used not only polluted the environment but were expensive as well. Their money was literally going up in smoke. One client spent over $1 million on diesel every year – that's a lot of money being burnt and also a lot of carbon emissions. Switching to clean solar energy had a big positive impact on the flora and fauna. It was nice to know that despite being a small family business, we could have such positive impact on people and the planet."

Profit, the final P, was Robin's sole focus when he first joined the business in 2008: "As a banker, one of the first things I did was ask to see the management accounts. To my dismay, I discovered that my dad merely managed cash flow, paying little attention to profitability. He would not push clients to pay, even when payments were overdue for 9 months, for fear of upsetting them. Meanwhile our profits were being eroded because we had to pay interest on the bank loans we took to operate the business. I often joked that I worked for a non-profit because there was a period of time where we didn't make any profit!"

The education imperative

Robin was realistic that the transition to renewables would be a slow and difficult journey. He attributed most of the difficulties he encountered to a lack of awareness among his employees, clients, and financers. To correct this Robin worked hard at strengthening internal communications. The company organized site visits for its employees, many of whom had never seen a working solar photo voltaic system, let alone a solar panel manufacturing factory. The company organized movie screenings such as Al Gore's An Inconvenient Truth to draw attention to climate change, and Deepwater Horizon to highlight safety issues onboard oil rigs. Select employees were also sent for governance, risk and compliance training. Despite this, Robin described how he struggled to change the mind-sets of some of the older employees: "Older workers from my dad's era found it difficult to adapt. Accustomed to Indonesia's rampant corruption, they asked, 'What's the harm in paying a $5 bribe if it saved time and eliminated a few processes and procedures?' I explained that such short cuts compromised safety, but they found it hard to understand that a successful business was not just about making and saving money. Instead it had to look at long-term sustainability - of the business, it's people, and the community."

Unable to keep up with technological and digital advancements, some older workers asked to retire, and the company paid them their severance package. This shifted the culture towards younger people who were attuned to sustainability when they joined the company. Many were also motivated by RPG's mission of saving the planet by helping clients transition to clean energy. Determining which clients would be right for RPG was also a challenge. Robin had initially hoped to work with the Indonesian government on key projects. However, regulations were unclear and large government tenders that appeared attractive and lucrative, were plagued with uncertainty and frequent flip-flopping. Instead he decided to focus on private companies who were still using diesel, believing renewable energy would be the most beneficial to them.

Unfortunately, these clients knew very little about renewables and the sales cycle took much longer than expected. Robin explained how he addressed this challenge: "The B to G sector looked lucrative in the beginning, but we decided to focus on the B to B segment in Indonesia. As we were dealing with companies in the private sector, they had to be credit worthy so we focused on clients with operations in Indonesia but whose headquarters were in Singapore. Listed Singapore companies were required to do sustainability reporting and we could help them with that. Most companies want to go green, but they're unsure of what to do or whether the technology will work. So, we started with small projects, demonstrated success and then did the full roll-out. We also educated them - for example, many clients knew their total spending on energy but did not know the price of energy. We had clients paying $0.50/kwh using diesel whereas solar would cost them $0.10/kwh! With time, persistence and education, clients felt more confident about switching over to renewable energy, and we were there to help them with that journey."

Even where Robin was able persuade his clients to adopt clean energy, funding was still a big issue. Clients, used to paying a small amount monthly for their fuel cost, were unable to make the large upfront capital investment that solar energy required. They requested financing for the solar equipment which, as Robin explained, was not always readily available: "We could finance projects in the $1-3 million range with our own balance sheet, but for larger projects above $10 million, we had to go to banks for loans. Many turned us down because solar energy projects were new to banks in Singapore and Indonesia. They directed us to the Asian Development Bank or the World Bank, who were only willing to invest in infrastructure projects that were in the $100-200 million range."

RPG addressed these financing issues by offering monthly installment plans to select clients. While such plans were warmly welcomed by clients, they exposed RPG to severe credit risk if a client defaulted on its monthly payments. It was therefore imperative for RPG to undertake proper due diligence and offer the installment plans only to credit worthy clients. As Robin worked his way through the challenges before him, he knew many more hurdles and road blocks awaited him. Having become a first-time father of twin boys in 2017, he drew strength from a clear conviction that the company was heading in the correct direction: "Even if I focus only on Indonesia where we have our roots, and help it switch from diesel to renewable energy, that's a huge market and we can achieve great success. More importantly, I think about the kind of planet I want to leave for my kids. Running a business that my dad would have been proud of, one that would make my children proud that 'Daddy is saving the world' – that gives me renewable energy!"

HDI and Brandon Chia

Armed with a double degree in mathematics, Peter Chia tried selling a range of products from property to mainframe computers, but these experiences left him feeling dissatisfied. In the mid-80s he chanced upon an article in TIME magazine that changed his life; it described US President Ronald Reagan's liking for a lunch that contained bee pollen, thought to have several health benefits. Sensing an engaging opportunity, Peter imported a carton of the same bee products to Singapore. To his dismay, local medical halls refused to sell them - being new in the market, they were not popular; worse still, they deteriorated rapidly in Singapore's hot, humid climate. In 1986, with no budget for advertising or marketing and an urgent need to sell his highly perishable merchandise quickly, Peter founded a network marketing firm, which he named High Desert to highlight the natural habitat of the bees in high plateaus of the American west. Using his exceptional math skills, he devised a business model that put a twist on traditional network marketing schemes; it became a roaring success.
A write-up on the company's website described that heady period: "A simple commission plan was drawn up giving bonuses on sales and recruitment. The first business opportunity meeting was conducted in the living room of a small house back in Singapore. Twenty attendees responded to a small advertisement placed in the local newspapers and four signed up immediately; soon, the word started to spread. Six months later, High-Desert held its first large-scale business opportunity meeting in a hotel ballroom in Orchard Road Singapore. Thousands attended and traffic ground to a halt."

As High-Desert prospered, several companies adopted its network marketing approach, and it became a victim of its own success. Due to the unethical practices followed by some of these companies, the Singapore government put restrictions on all such schemes, and High-Desert was forced to pare down its entirely legitimate Singapore operations. Retaining Singapore as a distribution hub, the firm sought new markets; after initial success in Malaysia, the company subsequently expanded into the Philippines, Hong Kong and Indonesia. A key driver of this remarkable growth was a new name, identity, and mission in 2012: High-Desert transformed from a traditional network marketing firm to a business with entrepreneurship education at its core. The person behind this radical change was Peter's son, Brandon Chia, who signaled the new mission with a name change: High Desert became HDI.[15] This core of this shift in the mission revolved around deepening the relationship with enterprisers; it yielded considerable success: by 2015, the firm had well over 130,000 distributors all over Asia.

Brandon Chia

At a very early age, it was apparent that the younger Chia had inherited his father's entrepreneurial drive. He described his first foray into business: "After finishing school, I signed up to sell subscriptions for an economics magazine in schools while waiting for military enlistment. I soon learnt that it was more important to understand why students would buy the magazine - some wanted to impress their parents or be part of the in-crowd; others were only interested in the free gifts, still others hoped that a subscription would get them better grades. Clearly it wasn't just about the content of the magazine. I became the top rookie with record breaking sales. More importantly, I learnt salesmanship - how to approach strangers and quickly understand their emotions, needs and desires."

After finishing school Brandon pursued a law degree. Even with a grueling workload, he and a few friends undertook several successful business projects – an IT company specializing in websites and applications; an online credit card comparison site, and selling thermometers during SARS. Despite these early successes, Brandon stayed away from his father's business, largely because of the controversy surrounding network marketing. With no one to take over from him, Peter considered selling his company. At that time, flush with success and cash from the thermometer business, Brandon and a partner set up an equity firm, which invested in High Desert; this investment finally brought Brandon into the family business.

He described the trying initial years: "My first 6 years in the business were extremely challenging. Dad and I had very different styles and ideas, so we fought all the time. Like most young men, I was egotistical and thought I knew best. I remember one heated conversation over the dinner table. I told Dad, 'If you weren't my father I'd have quit a long time ago.' He replied, 'If you weren't my son, I'd have fired you a long time ago!'"

Partly to end the daily bickering, Peter dispatched Brandon to the Philippines where business had suffered significantly. Brandon described how this baptism by fire shaped him as a leader: "It was the school of hard knocks – I got scammed and cheated but I learned a lot. Being 'banished' allowed me the freedom to make mistakes and learn. I learnt very quickly from the various companies I was tasked to run. However, I always stayed away from the network marketing business. As a lawyer, I grew up hearing network marketing was a scam, and now here I was expected to operate one. I tried to figure out a way so that everyone could earn from our business, but it was impossible. Was there some other intangible benefit I wasn't seeing? I had to figure out the kind of business I wanted to be in and the kind of leader I wanted to be."

Brandon's vision: Sustainability at a spiritual level

[15] https://www.hdi.com

In 2012, following months of soul-searching, Brandon realized that the issue was not the network marketing business itself, but how these companies recruited. With appeals to easy wealth, the company attracted people wanting to make fast money with no effort. Exploiting this greed created a race to the bottom to relax standards and promise large returns. With barriers to entry low, many companies entered the fray, accelerating the race to the bottom. Their inevitable failures gave the industry a bad reputation. At the same time, Brandon recognized the inherent advantages of marketing through word of mouth and real-life experiences - it gave the company direct access to its customers enabling them to cultivate strong brand loyalty. At the aggregate level, a business with the right people, structures, and processes to share information effectively could create a very powerful mass marketing and distribution platform. He decided to shape this platform, which he called Social Network Marketing, to support micro-entrepreneurship - teaching people the basics of business through mastering practical skills of selling, management, leadership and coaching. This was a business Brandon could be passionate about! As Brandon explored these ideas he was confronted with an even deeper set of existential questions. How could he win over the hearts and minds of his people who were used to doing things the old way? Would his suppliers support him? Brandon also pondered what sustainability meant to him - would the business thrive or flame out? So many were putting their dreams, hopes and aspirations in the business. How could he ensure the business would be around for their children?

Brandon found answers that appealed to him in a version of tribal law with metaphoric roots in the animal kingdom. In his words: “The animal kingdom has a natural order. For example, lions have an optimal pride size. Exceed it and rival lions will fight, and the loser will start another pride. Humans are the same. Our natural environment is a village where a headman rules over 3-4 families using tribal law; where there is continuity in the way cultures and values are passed down from generation to generation with great reverence and respect. But we’ve forgotten this. Our skyscrapers pack thousands into small spaces where we’re expected to be efficient and productive. Laws govern our behavior and there is little tolerance for deviation. Morality and acceptance of differences have been eroded. In the relentless pursuit of capitalism, we are losing what it means to be human, to have genuine relationships with others. If we can bring back the sense of belonging found in smaller communities, it may address the spiritual need and sense of purpose that so many people are starting to explore.”

Brandon believed that in today’s urban communities, companies could take on the role of the village, inculcate the right values in their members, and shape responsible behavior. He chose to do this with a decentralized model that allowed entrepreneurs in different cities to adapt company values to create a sense of belonging and purpose. Brandon articulated how this system served the needs of individuals: “As our basic needs are met, we naturally aspire to explore our spiritual side and purpose. I do a lot of soul searching myself and others are going through a similar journey. We all want to be better versions of ourselves so why not support each other in that journey? HDI would become an ecosystem that embraced learning and growth at a spiritual level, allowing us the freedom to be tolerant and understanding of one another and to benefit from peer to peer sharing. We crafted what we felt were universal values that could inspire us and also allow for personal ‘inteRPGtation.’ We adopted “Live, Learn, Love” as our values.”

Live, Learn, Love

With a strong emphasis on individual development authentic to his own values, Brandon began the process of rebranding - adopting a new corporate identity and building a cohesive culture around the new values - which was needed to drive the business forward. The “Live” component was straight-forward as it was derived from HDI’s principle product line - health supplements. It also encompassed a determination to live each day to the fullest in a meaningful, less materialistic way.

“Learn” was personally very important to Brandon. Just as his father had allowed him the freedom to experiment and learn from his mistakes, Brandon wanted to give the same opportunity to his people. Traditional network marketing companies appointed distributors who sold their products and recruited others to do the same. HDI adapted this approach but with strong protections against the practices that had undermined the industry in Singapore; to emphasize that this was a different, more empowering approach, they replaced the role of distributor with the role of enterpriser. This signaled that these persons operated their own businesses, designed to help them learn within the HDI framework. Brandon described one of the most important aspects of this pro-learning philosophy:
“Most organizations are intolerant of failure, but they forget that the greatest learnings come from failure. We encourage failure by framing it as an opportunity to improve, and we share those experiences willingly. What’s more, we encourage our enterprisers to use the skills they learnt with us to start their own businesses outside of network marketing. We are not so arrogant to demand that they only work with HDI. If they want to benefit their communities, we support their initiatives. Bit by bit, they start to see us as an enabler.”

Brandon’s father, Peter, inspired the last and most unique of HDI’s three core values - “Love.” He believed that most people come to realize that love and relationships are the only things that matter. Despite other differences with his father, Brandon saw value in this philosophy. For HDI to be truly sustainable it needed to create a community that appealed to human social needs, requiring effective management of the emotional side of enterprise. To surface this level of interaction, he replicated an extraordinary practice started by his father in 2003 – hugging everyone he met! Brandon described the transformative power of this ritual: “Hugging is a manifestation of affection; it can’t be faked; it also means I’m not threatening. I use it to gauge how my employees feel about me. If I get an “air” hug, I know our relationship is not close. But if I get a bear hug, I know the guy loves me. Obviously, you have to be consistent – you can’t scream at people and then hug them. In the beginning, a few may feel uncomfortable, but you keep at it and bring them around. And you get tremendous affection back. Like any change process it starts with one person but, as people see the positive outcome, it ripples out. It’s crazy but it works.”

To accelerate the process of culture change, Brandon turned again to his vision of bottom up change driven by employee teams. The change he was seeking could not be mandated by the leadership – it had to be self-initiated in small groups. Based on his belief that there should be no more than nine members to ensure flexible, self-governance, Brandon created teams throughout the organization to create the ‘Inside-out’ program. These teams met in their respective departments first thing every morning for 45 minutes to share how they felt, their energy levels, and the challenges they were facing at work or in their personal lives. The day would end with the teams reassembling for ‘Outside-In,’ a recap on the day’s happenings and their greatest takeaways. The program was tested by one of the company’s human resource departments for a year before it was rolled out across the entire organization. It was a resounding success - at a time when the network marketing industry was experiencing a slump, HDI’s revenues grew by 17.4%. In 2014, the launch of a skincare business headed by Brandon’s sister Su-Mae, who shared his vision, enhanced the value of these changes as they worked together to improve the culture and work flow as they developed the new business.

To reinforce and accelerate the value of these teams, HDI worked hard to deepen trust with significant investments in the business, including a nine-story building in Indonesia for its headquarters in 2013. Three years later, after extensive renovation, the building had its grand opening with 14,000 square feet of space for its enterprisers, including a 250-seat auditorium and an HDI kids club. The firm also instituted a transparent compensation structure: salary bands were shared openly, allowing individuals to understand the tiered system. To build this alignment, HDI instituted Franklin Covey’s 4DX program as an experiment in Indonesia. Targets were articulated clearly, measures defined, and staff empowered, with regular assessments of each individual as a decision maker, a thinker, an innovator, and a doer. Instead of individual bonuses, team bonuses were awarded; within the teams there was free interchange of roles depending on the task at hand and actual experience rather than seniority. Clear career paths provided a structure for skill and competence development over the longer term. As this program was shared with key enterprisers through training sessions, they learned to drive the productivity of their networks.

By creating a culture of accountability across the organization, staff now felt that they could make a difference to the bottom line of the company, and sales began to climb. Different platforms - gatherings, meetings, focus groups and social media channels, allowed enterprisers share their thoughts, experiences, and recommendations. By proactively responding to this feedback, the company harnessed this information to give enterprisers a rich and unforgettable experience, improving the performance of the company. To do this, Brandon adopted a data-driven approach to identify operational challenges and ran simulations to analyze consumer buying habits in light of macro trends. He revamped the product portfolio, creating brands for product lines that appealed to different target markets, culled products that were not selling well, and introduced replacements that would cement HDI's reputation as a source of effective, well-designed, and unique bee products.

Suppliers were also critical to HDI's success, Brandon worked hard for their endorsement of HDI's transformation process. Being upfront about the new business model ensured that they understood the costs involved and how both could profit from the change. The results were remarkable - suppliers became partners, working towards common goals and helping the company with order cycles and product development. By 2016, these relationships had deepened beyond the mere formalities of business; all of the suppliers were included in the 30th anniversary celebrations of the firm with plaques and a handwritten note to thank them for their years of being part of the HDI family.

For everyone to feel a sense of belonging, their interests had to be aligned with those of HDI. Brandon described their approach to tackling this difficult task: "Traditionally, interests across the value chain are in conflict – each link in the chain wants the highest possible price, but the product has to be affordable for the customers. When we rebranded, we engaged with our suppliers and enterprisers to find out what their needs were. I even asked them how much they wanted their revenues and incomes to grow. Many were very ambitious, so I said, 'Great! Since we depend on one another to do well, what can we do to make sure that you can achieve your targets?' We had open discussions about how the best way to fulfil their needs. Now our interests were aligned."

Making the new HDI sustainable

Despite the initial success in transforming HDI's culture, Brandon remained concerned about HDI's sustainability, particularly the company's relevance and its ability to withstand competition, disruptions, and uncertainty: "I worry about many things. Will my suppliers still be around? Will interest in our business be sustained? Will we get disrupted? One of my leaders told me we're no longer competing with other network marketing companies – we're competing against companies in the gig economy because they also offer potential enterprisers a means to make a living. This level of competition needs a completely different mind-set. We have to craft a better experience journey for our people so we're constantly thinking of what we can do beyond just the money to create a strong sense of purpose and belonging."

During a recent informal discussion, one young enterpriser said that he had friends working in large corporations with what seemed to be dream jobs, but they found no purpose in their work. They too wanted an arrangement that offered flexibility and control over time and life choices: HDI was a platform where enterprisers could explore their own passion without being bound by the demands of a typical job. Hearing this, Brandon knew that HDI was on the path of sustainability and community building: “The model is changing. We’re used to having to pay to learn but I want to build an organization that will pay people to learn and grow; will support them; and celebrate their successes. I want to build HDI as an enabler, a psychologically safe ecosystem where our enterprisers, staff and suppliers can live, learn and love beyond themselves. That’s why we now say that HDI stands for “How Do I?” To be a platform to help others achieve their dreams - that to me is a noble cause and I am certain we are just at the cusp of what we can do.”