Volume 2 | Issue 1 | 2018

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Innovation for Buyers and Suppliers

Gender Equality in Pakistani Organisations

How do Different Value Groups Develop in the Same Organisation?

PakWheels.com – The Next Challenge

From Kashf Foundation to Kashf Microfinance Bank

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The SDSB faculty engages in cutting-edge research in all major fields of business studies. *SDSB Impact* summarises the findings of the faculty's research for the benefit of the larger public—especially managers, executives, entrepreneurs, and policy-makers. These findings emerge from pioneering research conducted by the SDSB faculty and published in the world's best journals and case hubs. The newsletter attempts to distill the most important or practically relevant lessons from these findings and share them with its readers.

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Innovation for Buyers and Suppliers

In today's competitive world, innovation is an essential aspect of successful business performance. For an emerging market like Pakistan, the supply chain is a potential source of product innovation, but efforts need to be made for it to function efficiently and effectively. The buyer's innovation strategy enhances the supplier's innovation focus, as well as the buyer-seller relationship that supports product innovation. Using the resource dependence theory, authors Muhammad Shakeel Jajja, Vijay R. Kannan, Shaukat Ali Brah, and Syed Zahoor Hassan find linkages among firm innovation strategy, suppliers' orientation and actions, product innovation, and business performance. This article details how the strategic alignment of the buyer and supplier around product innovation actually leads to innovation and better performance outcomes.

The authors conducted surveys with managers of Pakistani and Indian companies who were familiar with their firms' supply chain operations. The authors report several findings that have important managerial implications. Innovation breeds innovation, i.e., the innovation ability of the buyers increases when they work with innovative suppliers who possess resources such as creative employees, information, and research and development capability. Thus firms need to focus on the selection and management of suppliers that are strategically aligned with the firm's innovation goals. It is also important that the supporting infrastructure for innovation is available in the organisational supply chain. Managers should develop internal innovation capabilities, partner with like-minded organisations, and create conditions for effective cooperation — all essential factors to bring about innovation outcomes.

To minimise the uncertainties that occur in organisations, innovation-focused companies should develop systems to enhance supplier engagement in the innovation process. Such collaborations improve communication channels, product and process development, and mutual alignment of goals and delivery activities. Firms in developing countries have to work harder to build inter-organisational communication, trust, and information sharing. Foreign collaborations are beneficial in this regard as they bring with them many advantages — investment, new technologies, management experience, and a broader perspective with respect to innovation, competition, and awareness of changing customer preferences.

Product innovation is greatly enhanced by involving suppliers, utilising inter-organisational teams, focusing on innovation within and between supply chain partner facilities, and sharing accurate and relevant information across the supply chain. A supportive buyer-supplier relationship results in the sharing of long-term and mutual goals; clarity of expectations between both parties helps reduce ambiguities. The innovation goals need to be clearly defined, i.e., whether the focus is on domestic or international markets, incremental or substantive innovation, etc.

Developing countries like Pakistan and India have additional concerns like whether to concentrate on affordable innovation in rapidly growing price-sensitive market segments, or focus on high-value market segments.

These factors influence the level and type of competition faced, partner selection, investment needed to support innovation, etc. Of course, access to capital substantially impacts the product innovation outcomes, caeteris paribus. Eventually, all these factors facilitate product innovation, which in turn has a positive impact on business performance.

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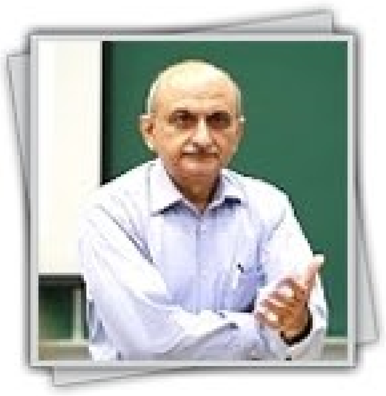

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Gender Equality in Pakistani Organisations

Gender equality and women employment are fiercely contested issues, especially in countries like Pakistan which are characterised by patriarchal attitudes, weak policy implementation, and societal norms that weaken women's positions in workplaces. Unfortunately, despite the mushrooming of national policies and international conventions that prohibit discrimination and incorporate gender equality in the legislative framework of Pakistan, there is a huge gap between policy and practice — Pakistan recently ranked second lowest on a list of 145 countries being evaluated for gender gap. Authors Faiza Ali and Jawad Syed highlight the multilevel issues related to gender equality in the workplace, i.e., macro-national, meso-organisational and micro-individual. Using qualitative interviews, this study reveals the challenges faced by female employees within and outside organisations at all three levels.

The authors argue that gender is a social construct. Thus a context-specific and localised approach is necessary to understand why gender equality has so far been difficult to achieve in Pakistani organisations. At the macro-national level, gender segregation restricts women's mobility outside the house and resultantly, limits their economic and career opportunities. This is exacerbated by sociocultural expectations of a woman's main role as a homemaker, inequitable distribution of household responsibilities, and lack of facilities in the workplace (transportation, childcare). Female employees often struggle to be taken seriously by clients, who prefer dealing with male employees; similarly, male employees often do not treat their female colleagues with the same respect they may give to their male colleagues. Even women with career success sometimes find themselves unable to avail opportunities for career growth that require them to move away from home without a male guardian.

At the meso-organisational level, sexual harassment is often a vaguely discussed topic in workplaces — employees are usually clueless about the procedure of filing such a complaint. Staying silent or informally contacting a supervisor are the actions commonly taken by the victim. Unfortunately, if she complains about sexual harassment by her own supervisor, she faces career obstacles, e.g., being overlooked for promotions. Another problem is that while women don't usually face problems being recruited, they confront issues when it comes to promotions and training opportunities, often being ignored in favour of males. Similarly, female managers may find themselves working with males who resent being "ordered" by a female. Perhaps most surprisingly, income inequality is not uncommon, with women earning only 61% of a male's pay for similar work.

Micro-individual issues vary according to individuals. Women with families may prefer more flexible hours, especially if they have children. Interestingly, some gendered practices are perceived by women themselves as favourable, e.g., being excluded from assignments that involve fieldwork, or letting a male colleague deal with a "problem" customer. Agency is an important feature, with many women recognising the power of education and financial independence, and making efforts to obtain both.

All three levels of issues overlap. For example, a meso-level issue like income gap or sexual harassment has its roots in broader macro-level subjects like gender segregation and sociocultural restrictions on women; sociocultural issues are linked with interpretations of religious aspects like female modesty.

It would be beneficial to utilise tools like media, education, and legislation to deal with matters of *purdah*, female inhibition, and modesty at the societal level — the impact of which would seep into workplaces as well. Discrimination in the workplace takes many forms. While managers need to consider matters of pay equity and career growth seriously, they also need to realise the importance of providing a flexible work environment that enables women to meet both job and family commitments.

Despite these hurdles, female employment has been on the rise, due to multiple factors like rising female literacy, awareness of women's rights, urbanisation and introduction of laws and policies emphasising gender equality. Practitioners and managers, in both public and private organisations, need to develop a comprehensive and contextual understanding of the multilevel issues women face in workplaces and other domains of life. This may reduce the gap between policy and practice and help design policies more suited to the Pakistani society. Understanding these challenges allows the development of realistic models of gender equality, and provide policies that are well-informed and practical for working women.

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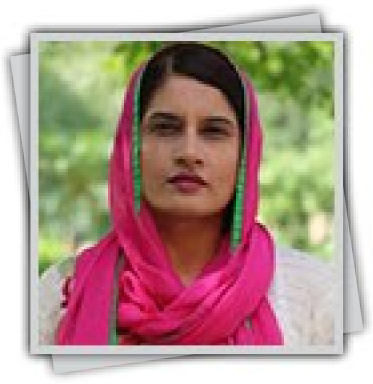

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How do Different Value Groups Develop in the Same Organisation?

Global organisations expect a standard set of values and behaviours from their employees, regardless of personal background or geographical location. However, this does not stop the growth of different groups within organisations, with each possessing its own values. Authors Alfred M. Jaeger, Sung Soo Kim, and Arif Nazir Butt explain the concept of *groupvergence*, how it develops in organisations, and results in the formation of two types of value groups — *local values clusters* and *global values clusters.* They further describe how these value groups impact organisations. Groupvergence is the emergence, in the same environment, of different groups of individuals with either more local or more global values, suggesting varying levels of divergence or convergence for different groups. Those with little or no exposure to globalisation would have local sociocultural as well as business ideology values (local values cluster); those with some or more exposure would have local sociocultural values coupled with global business ideology values (global values cluster).

Managers' values are influenced by two (potentially) parallel processes, i.e., cultural exposure and (organisational) socialisation. *Cultural exposure* can result from regular electronic interaction (telephone, email, video chat). Another source is face to face interaction with members of other cultures, which exposes managers to more "universal managerial ethos." Not only does this business approach improve productivity, efficiency, and effectiveness, it also promotes a uniformity of values (global managerial values) across cultural contexts. *Organisational socialisation* is the process whereby newcomers become incorporated into the organisational roles and environment. They learn behaviours that help them become effective members of the organisational culture. Moreover, they absorb organisational values, norms, and identity — all of which form value clusters. Managers who work or have worked in MNCs (multinational corporations) are more likely to espouse global managerial values as opposed to those who have worked only in domestic enterprises.

Global organisations which have these coexisting groups can utilise this cultural diversity for problem-solving, creativity, and establishing networking ties. Global values cluster managers are a better choice for foreign negotiations, representatives in multinational teams, international initiatives, and interactions with foreign counterparts possessing similar managerial values. Since these global values clusters share sociocultural values with their local values cluster colleagues, this works to their advantage when interacting with the latter group. For example, knowledge of local values helps enhance relations between the headquarters of global organisations and their various local subsidiaries.

Managers and firms need to make conscious attempts to enhance cultural values diversity in the workplace. This includes hiring more local employees who have basic knowledge of English or the headquarters language, as well as overseas education. This enables the formation of global values clusters that interact more effectively with their counterparts at the headquarters as well as with other organisational groups. It is imperative to facilitate interactions with overseas counterparts, provide training and education overseas, and encourage employees who are willing to work at different locations. However, it is also necessary to recognise the worth of local cluster values, i.e., they better understand the core values of the home country and local employees, as well as the local knowledge and perspectives.

In this era of globalisation, change in managerial values is a given. The authors have proposed the idea of groupvergence, where local and global values clusters coexist. This leads to more effective problem-solving, mediation between local and global cultures in their respective global organisations, and better networking.

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PakWheels.com – The Next Challenge

THE CONTEXT

This case features the challenges faced by a start-up website, PakWheels.com, in the used-car market in 2015, when its founding partners were assessing potential sources of profitable growth and ways to maintain their competitive advantage. Founded in Pakistan, PakWheels.com was a vertically classified automotive portal that successfully revolutionised the used-car trade channel by bridging the gap between the traditional retail channel of car dealers and buyers. Key discussion points focus on the turning point of the PakWheels business, namely retention of users while sustaining the current business model, identification of key strategies for scaling up and monetization, and response to competitive threats to safeguard its market position. Through evaluating these options and discussing this case, students will learn about strategic problems faced by online portals as well as how these unique businesses create value for end users.

THE DECISION

During the monsoon season of mid-July 2015, Raza Saeed and Suneel Munj, the two co-founders and managing partners of PakWheels.com, grabbed a coffee en route to their office in Lahore, Pakistan. Their thoughts were consumed by the crucial upcoming investor presentation about the company's growth strategy for 2016. Just when they thought that they were ready to develop an aggressive growth strategy, they received some unsettling news. There was speculation that one of the largest online classified websites—OLX—would commence a major three-week long media campaign costing about USD 0.5 million to launch its used-car section in the local market. According to Munj, PakWheels relied heavily on its loyal community members and their positive word of mouth for marketing, but this method may not be sustainable in the long run. For the first time in the history of Pakistan, online brands were deploying significant advertising budgets for mainstream media advertising. To compete with these deep-pocketed international giants, such as OLX, for market share was going to be a huge challenge for PakWheels. Saeed and Munj realised that they had to make some strategic business decisions. These included developing a profitable growth strategy for scaling up their digital platform without compromising sustainability and its competitive advantages and finally, making a decision on how to respond to OLX as an imminent threat to their market leader position.

Reference

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From Kashf Foundation to Kashf Microfinance Bank

THE CONTEXT

This case documents the challenges faced by the Kashf Microfinance Bank (KMFB) in 2012, when it was a relatively new entrant in the financial industry established by the 2001 Microfinance Institutions Ordinance. The case identifies the difficulties KMFB encountered in establishing itself as a microfinance bank, moving away from the unregulated NGO sector that its parent company, Kashf Foundation, belonged to.

KMFB faced the simultaneous challenges of surviving the start-up stage as well as adapting to the stringent banking regulations placed on it by the State Bank of Pakistan (SBP). The latter required learning to strike a balance between the sometimes conflicting banking and development institutional logics, a typical problem for hybrid institutions with a social mission. As KMFB grappled with trying to meet SBP's requirements on capital adequacy, it faced a repayment crisis originating from its parent company, wiping out a significant portion of its equity. KMFB's board must make a decision regarding whether or not to invite a new majority shareholder to bring the bank out of the red. This includes the decision criteria for choosing a shareholder that will uphold KMFB's mission of financial inclusion.

THE DECISION

On a wintry evening in late 2012, KMFB's CEO Mudassar Aqil sat in his office reading yet another SBP inquiry directed at Kashf Microfinance Bank. Aqil's mind was increasingly occupied by thoughts of the bank's current dismal financial statements. He knew he had tough choices ahead as he prepared for a meeting with his board of directors. This included raising the minimum capital requirement (MCR) from PKR 500 million to PKR 1 billion and increasing their capital to meet an annual target of PKR 1 billion by December 2013. These regulations hit Kashf Bank hard, since two-thirds of its initial equity of PKR 750 million had already been wiped out in the years since it began operations in 2008. Due to this, the country's premier credit rating agency had just intimated Kashf Bank that it was dangerously close to being downgraded to non-investment grade. The bank had to recover from its balance sheet crisis, but what were the options available? Would a fresh injection of equity allow the original board of directors to maintain their hold over the bank and safeguard Aqil's position as its CEO? Or would there have to be a sell-out? The bank had been approached by a few interested buyers that included a telecommunications company as well as a consortium of local investors. In purely financial terms, both offers would substantially improve the bank's balance sheet and pull it out of this crisis. There was also interest from the Foundation for International Community Assistance (FINCA), a widely respected name in the international community. Kashf Bank's board had to decide how to balance financial considerations with the social and development mission of their institution, i.e., providing access to finance to the country's unbanked population of more than 150 million.

Reference

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