
Dawood Mamoon

University of Islamabad (A Bahria Town Project)

27 September 2017

Online at https://mpra.ub.uni-muenchen.de/81622/
MPRA Paper No. 81622, posted 28 September 2017 14:30 UTC
Economics Case Study:

Harvard Business School Pedagogy Techniques:

From Teaching Entrepreneurship to Influencing Business Policy through Research

By

Dawood Mamoon

Dean and Professor

School of Management and Economics

University of Islamabad (A Bahria Town Project)


Abstract:

The case study explains the need for social entrepreneurship while remaining in the premise of mainstream economics. A detailed discussion is carried out on the vulnerabilities of economic policy making that has led to some of the new initiatives at Harvard Business School to promote such pedagogy practices at Business Schools that may eventually influence national and international policy making to the benefit of the society and not only the economies of developed and developing countries. Two brief cases are presented. First one takes evolution of HBS course at a Pakistani university to develop superior pedagogy for student learning towards social entrepreneurship. The other case maps the journey of bilateral relationships between China and Pakistan from Free trade agreement to CPEC as a matter of national policy to evaluate local business risks and potentials.
1. Introduction: Economics and Business teaching in Silos

It is true that the foundation of business function derives its theory from economics. However, the link of business and economics ends here in education syllabus for both business graduates and economics students. In Pakistan, the education in economics subject is heavily inclined towards theory in Universities where the subject is taught as a main degree program. Students of economics undergo myriad of subjects that all teach them different aspects of economic theory and if the degree allows they write a thesis that is mostly concerned with secondary data analysis. Economics students may also write technical reports or term papers that may in most cases refer to issues that are macro in nature. For example the most popular subject lines are Inflation, Money markets, banking structure, Fiscal Policy, Gender, Legal institutions, conflict, and etc. These are all very important topics. The students are benefitted with a greater awareness of the issues that are vital for the development of a nation. Many think tanks, ministries or international organizations are working on these issues. However, the technical work of these organizations are mostly guided by international consultants that in all cases have international degrees from either Europe or US. The degree programs in Europe or US are very multidisciplinary in nature to cater to international development issues. However as mentioned such orientation is missing in economics degree programs in Pakistan. So the graduates of economics mostly are absorbed in academic institutions where they are concerned with teaching same theory they have learned in their degree program without linking it with its micro application to markets or society they live in.

Instead the micro application of the issues being dealt by markets or society is more generally covered in the business degree programs in Pakistan. The Business degrees utilize many methodologies in classroom or outside to equip the students with skills that are more practically outward oriented. For example, students undertake case studies of organizations where as these organizations are not limited to private businesses but also cover government and non government bodies and international organizations. The most important aspect of business studies in Pakistan is that they are taught and guided to understand and carry out primary data analysis. Primary data is one of the most informative sources for micro analysis at firm level. This is a right skill every business is looking for in their employees. Not only that, with 8th amendment passed in Pakistan, the local body governance structure is looking for the same skill set for their employees in facilitating local governments for technical or managerial insights. For example, product research at both firm level and government level need skills that can decipher primary sources of information. Once done, these bodies are also looking for skills that require analysis of the information and its presentation that can be associated with the base line of the matter.
Why UMT graduates in Economics are different? At UMT faculty understands this gap between the degree programs of Economics and Business studies. The economics students are allowed and encouraged to take courses from Business studies. Additionally, the courses at Economics department are formatted in a way that allow students to understand the practical application of the subject through specific teaching methodologies that heavily involve students in the classroom learning. The Economics degree program at UMT is preparing students for not only academic positions in colleges or universities but it is also preparing them for roles in businesses and other non-business entities. In UMT Economics department, the slogan is that Business needs Economics and so does Economics need Business.

1.2. Application of Economics in Modern Business Practices:

For Neo Classical thought, the private sector is the sole source of prosperity for the nation. Businesses form, compete and bring economic efficiency by innovating in the process. Government at best is the regulator introducing laws to avoid market failure within the economic system. US capitalism has been seen as a success story till recently where corporate sector has been one of the sources of making it a world super power. However there was a draw back within the system as Thomas Picketty recently observed in his book ‘Capitalism in 21st century’ that returns to capitalist system only favors the capitalists (Read entrepreneurs). His data analysis gave credence to the socialist thought that capitalism is akin to exploitation supported by recent trends of high inequality in US.

In theory, economic agents work on incentives, and efficiency of the system follows. The very idea and management and execution of the idea is well incentivized under capitalist economic system. Entrepreneurs take the biggest chunk of returns for their effort of channeling capital into production and dissemination of the product. Even though China has a socialist orientation, it has greatly benefitted from capitalist incentive structure introduced to their private sector regulatory framework. However also in China inequalities are on the rise.

The main critique with Business orientation is that it is always profit oriented whereas the profit is accrued by the entrepreneur. No doubt 21st century has seen a remarkable rise in number of billionaires be it US or China for example. This has created discontent among the working class as they feel exploited by the system. Since working class is most prominent part of the population, this discontent has enabled the intellectuals to claim that capitalism has failed but same critics haven’t come up with any alternate idea.

Yes, the government can play a role to redistribute the returns to capital towards workers but in economic theory and psychology such measures will be a severe blow to the incentive to work in the first place. Such a step will surely create problems of moral hazard and free riding
and innovation and efficiency would be greatly diminished as is the case with Socialist systems during cold war era including Russia.

It has to be understood by alternate theorists that Businesses cannot function without maintaining profit margins. The larger the business is, higher should be the profit margin to minimize uncertainty it faces due to competition. The rising costs are always chasing the businesses unless they innovate and expand their market. Businesses should also minimize the costs as what has been witnessed in practice by multinationals by outsourcing ventures. The stakes involved are not only for the enterpreneur but the workers also. A large business is a complex network of functions that all should align themselves on making the business process efficient to maximize the revenues and minimize the costs. The profit is a positive externality that is in most distributed to the top brass of the business but regulatory laws also ensure that the workers are also beneficiaries.

Since profits are inherent to a business process, it translates into the psychology of both workers and the top brass. The example of Enron shows that business ethics were flouted in the race towards profiteering and even lies and deception was introduced to the book keeping that eventually lead to the collapse of the business as well as the shareholders returns. The economic process of incentive cannot be isolated from the psychology of business ethics. Since the primacy of mainstream economics is based on self interest, the valid focus on profit making leads to violation of business ethics.

One of the ideas to address this problem is recently introduced by Harvard Business School’s professor Michael Porter (see Porter et al, 2011). According to him if businesses can focus on business process and product innovation in a manner that directly benefit the social groups of the society as consumers or workers then such a business may very well focus on profits and aslo such a business behavior will satisfy the very critics of capitalism. The brilliance of the idea is that it doesn’t take away the incentive structure from the enterpreneur but challenges him/her to create innovation with a social target in mind. With the implementation of shared values society will be brought closer to businesses and the disenfranchisement from post capitalist expressionism would transform towards the benefit of entrepreneur.

1.3. How Entrenched is Micro Economics of Business Competitiveness with the Macro Economy? Case of CPEC

Assume a two country model. Country A is US and country B is Pakistan. What is then the probability of a success of a start up firm in US and Pakistan? US has a very different economic, political and social landscape than Pakistan. We have seen recent success stories in US like Facebook, Google and earlier Micro soft that are global brand names. What did Pakistan miss and can Pakistani firms compete with these brand names?
The hypothesis in this article I want to bring forward is that there is absence of level playing field in competition for both US and Pakistani firms. Without the availability of level playing field Pakistani firms will still miss the boat in all its probability and it would be very difficult for them to transform into global brands. So what is this level playing field I am referring to?

One can bring about the income hypothesis first if it can to some extent determine the differences in level of development in both US and Pakistan. The percapita of US is significantly different than that of Pakistan. To achieve the same percapita Pakistan may have to achieve annual growth rates of at least 6% for more than 5 decades. The proximate determinants of growth are capital market and trade liberalisation. Both happened in Pakistan since 1980s. However rise in incomes have not been sustained at the minimum of 6%. Services sector blossomed but the larger peripheries remained impoverished and underdeveloped. For a Pakistani firm to become a global brand it has to achieve competitiveness locally. However healthy national competition for Pakistani firms are not forthcoming because it is restricted to local clusters. In other words Pakistani firms are in most reinventing the wheel. The learning by doing that should happen with the open door competition policy failed to occur. International brands are dominating the national landscape.

Furthermore focusing on incomes as a bench mark to provide level playing field has been seen to be futile. Because per capita is an average concept that may increase in value but it hides the skewness in the patterns of income rise within the population. Thus inequalities in the society cannot be ignored. The level playing field should be over encompassing concept. Political and social development is as necessary as the macro economy. First social and political development means that income rise has indeed improved the life style of the common man. The peripheries are the potential market for local firms to enter into competition and improve their local competitiveness. Domestic commerce and new cities have been emphasized by Dr Nadeem ul Haque who is Pakistan’s one of the most prominent economists. The idea is that Pakistani firms should achieve competitiveness locally by entering into the new local markets that leave their status as peripheries by urbanization phenomenon. In other words cluster formation transform the peripheries into mainstream. Here there is no invinsible hand but a strong role of the government to do that.

Some words for current economic landscape in Pakistan. China Pakistan Economic Corridor (CPEC) strives to bring economic peripheries into mainstream. Currently infrastructure is being developed. Industrial zones are the future and also new cities in the agenda. Further more the government has been providing the impetus to the development of society by committing to Sustainable Development Goals (SDGs). This means that an environment of efficient local competition is being harnessed and Pakistani firms may take up a regional role if not global one.
2. Understanding the Complex Welfare Equation for Social Entrepreneurship

2.1. Simplifying Economics of the Economy

Economics works in simple ways. Any domestic economy is divided into three sectors: Agriculture, Manufacturing and Services. The economic activity is placed in either of these three sectors to make up for production profile of any country.

Since early twenty first century a due focus had been given to services sector by the developing countries in order to keep with the pace of progress in developed countries. Banking, Telecom and Information Technology have been vigorously promoted in order to achieve higher growth rates. The business cycle also favored these countries from Sub Saharan Africa to Asia to Latin America. Decent growth rates were achieved but in most countries they appeared to be not sustainable.

Services sector in most developing countries did not support manufacturing or agriculture but promoted consumer economies. Now there is a visible shift to the policy recommendations for these countries. The lagging behind manufacturing and agriculture sector is drawing attention.

The literature for this attention is coming from the global institutions that reside in the west. There are direct and indirect references being made by this literature towards giving due attention to agriculture and manufacturing sectors. The prime reason is that most developing countries primarily remain agro base. This means that a significant portion of the populations are employed in agriculture sector. So agriculture transformation is being thought upon.

However the solutions have to be developing country specific. We know that international agreements like TRIPS promote protection of agriculture sector of developed countries. Furthermore biotechnology creates dependency of agro based products from the West. For example seeds for many crucial crops like wheat are genetically engineered to create barriers to reproduction process. This has been the reason BRICs made a case for developing countries and WTO talks have continuously failed between developed and developing countries.

Nevertheless, developing countries have to embrace bio technology in their agri production to bring efficiency to production and the very sector. But the process should not be biased against small farmers as it has happened in India.

The second important sector that is manufacturing has also been ignored in most developing countries. History tells us that Asian tigers like South Korea protected their manufacturing sector in 1980s and thus today are hub to manufacturing exports with a visible contribution to growth and per capita incomes. Agri technology is directly linked with the manufacturing
sector. If a country has a manufacturing base, it can produce high end technology inputs that may be used in efficient cropping.

So developing countries need also to have a robust industrial base. Technology development is worth its deal only when these developing countries can apply it in manufacturing sector. Be it for consumer goods.

One can note the importance of manufacturing sector from the fact that recent literature from academicians and practitioners are criticizing the de industrialization process in West. The reason of the critique is simple. Ignoring industrial sector by outsourcing it to countries like China and India, US for example has created disharmony in occupational balance within its population. This has systematically created discontent with even democratic precedence that is the bastion of modern social network being painfully developed and practiced by US. For example, movements of white supremacy clearly on racial grounds has gained alarming strength in the country that is called a country of immigrants. Even Neo Nazism has taken strong roots though in the guise of the very white supremacy movement. Recent victor of Donald Trump is the prove of this disharmony. So de industrialization of absence of active industrialization challenge democratic precedence in countries.

So the slogan in developing countries should be that agriculture for poverty alleviation, industrialization for jobs and democracy; and services for facilitation.

2.2. What Went Wrong with Economics Policy Making

It has been more than some 50 good years that IMF and World Bank have taken upon themselves to bring development to the developing world. Their more convincing policy recommendation started from structural adjustment plans (SAP) that were implemented in most developing countries. It recommended that developing countries should structurally overhaul their economies primarily focusing on the liberalization of their financial sectors. Most developing countries opened up their capital markets to global integration. It exposed them to greater risks if not anything else. The rational of the risk accumulation is simple. World financial markets commonly find themselves in financial bubbles. When they bust they sweep the credit gains globally. Any global investor would want to diversify their portfolio risk and looking for investments in financial markets that are less integrated. So as a start if any developing country liberalise their financial market the risk diversification motive encourage international investors to invest in that market. But when the integration is complete, it is open to the risk of the receding business cycles. So any shock in global finance would be shared by that market too. This is the story of East Asia financial crises of 1998. The credit that came easy after integration with global financial system, went away even quicker and billions of dollars were lost in a matter of days. Access to international finance eventually realizes itself into investment in
industry but short term portfolio investments create an artificial inflow of financial prosperity in a country. Mackinnon and Shaws idea of liberalization and its gains failed miserably.

Trade liberalization was also promoted by IFIs in developing countries in addition to financial liberalization. Again following their influence in developing countries through billion dollars worth of loans and intellectual capital, IFIs negotiated with developing countries to leave protection and apply liberalisation of their goods market. Countries like Pakistan, Vietnam, Argentina, Brazil and regions like Sub Saharan Africa liberalized and turned in to consumer economies. Trade deficits increased with alarming rates. These countries simply could not export to the same proportion they could export. Countries like South Korea, India and China protected their manufacturing industries and thus did not become active part of the world trading system in 1980s but could develop a robust manufacturing base to eventually export more to outside world. The Stolper and Samuelson’s basic trade theory collapsed that predicted that developing countries would prosper in agriculture by opening up to world trade.

Most of the developing countries that implemented structural adjustment plans of 1990s witnessed a sharp increase in poverty levels as growth rates did not materialize. So IFIs came up with poverty reduction strategies. It was comprehensive policy tool for the developing countries that was combined with Millenium Development Goals (MDGs). Social sector was the perceived policy focus of the PRSPs and IFI vision. However fundamentals of policy prescriptions remained same. For higher growth developing countries need to liberalise trade and finance. Social safety nets for the poor should be built that can complement the liberalization process. Clearly the early 2000s had the winners in countries that earlier protected their real sectors. They were able to export. Countries like Pakistan remained in the quagmire of recession. Global financial crises didn’t help either. Since risks were shared for integration, the crises that started in US hit every developing country that had liberalized its economy except for China.

Growth rates collapsed. So a more focus was given to the idea of regional integration through regional trading agreements but conflicts amongst each other prevented many developing countries to apply the agreements in letter and spirit.

IFIs tried for another time after learning from their earlier mistakes and made an effort to make growth inclusive by making an all out focus on the society. Failure of MDGs didn’t deter them and they initiated Sustainable Development Goals. This is the story of this decade. Government ministries in the developing South are seriously heading their advice; and frameworks of development are mapped so that the end beneficiary is the poor man.

In other words society and economics is seen in one prism that is fresh change in capitalist economics intellectual approach (Chicago School of Thought). In other words a focus on
markets had not delivered results. However the critics of capitalism and capitalist institutions like IMF and World Bank claim that it has been all along a conspiracy. Social development and Poverty Alleviation are just slogans. What these IFIs give are loans and create dependency among developing countries to influence their social and economic governance. It’s a conspiracy theory of the center exploiting the developing peripheries of the world. Capitalism is a wrong choice of application of economic system for these developing countries.

Irrespective of the critics, one should not discredit the stream of intellect that form the capitalist economics. There is a valid possibility that there is a gap between the intellect that created the motivation of IFIs policy recommendations and actual understanding on the ground. For example, the country heads of these IFIs in developing countries are primarily concerned with loan disbursement in a similar fashion that bank manager would work. The amount of loan that is given to the country is the barometer of success of the country head of these IFIs.

Then comes the management and monitoring of the projects under which the loan has been disbursed. The linear monitoring and evaluation frameworks are incapable of successfully executing the projects that face complexity of actors and destination characteristics involved. In other words the loans were disbursed in all sincerity by highly qualified teams of country missions of these IFIs but not managed well due to complexity issues in loan management and specific project evaluations in which the loan is utilized.

For example, issues like corruption, asymmetric information of actors involved and poor project delivery are the externalities these IFIs fail to take into account in their evaluations. Most loans show success on paper but on ground not much change has been observed telling a story of indigenous dynamics of every developing country that has utilized these loans. So PRSPs and SDGs appear more of a rhetoric for the critics where some go as far as calling it a conspiracy of the Center on developing peripheries of the world.

2.3. Need for Welfare through Social Entrepreneurship

The linear definition of poverty is that of poverty line. It is an income centric determinant of welfare. GDP growth that is assumed to trickle down to fairly lead an increase in incomes of the poor was the policy choice of every developing country since much recently. However it was observed that the trickle down effect was not happening in most developing countries. Many countries witnessed high or decent growth rates but they were biased towards the richest segments of the society. In other words, income increase was witnessed by upper income deciles than its over-encompassing effect. Income inequality was on the rise.

Thus the top agenda of the donors during 2001-2010 was also to work for inequality mitigation within the developing South. However the focus on inequality mitigation couldn’t surpass its
rhetoric. The governments within developing countries were still asked to achieve high growth rates. Due to 2008 global recession, growth rates plummeted world over. Safety nets for the poor were the second best option. However the money for the safety nets were gathered from external donors. The loan based safety nets were not sustainable in the long run.

Then came Thomas Picketty’s popular book namely ‘Capitalism in 21st Century’ that received significant popularity internationally. He presented the idea with help of historic data that rate of return of capital is much higher than the growth rate of the American economy. What it meant was that capitalism favors the capitalists and not the labor. It was quite an apt idea. World has witnessed a rise in number of billionaires recently, whereas the world’s poor have increased in number in relative terms.

The deindustrialization in capitalist societies have seen a rise in relative wage inequality amongst the educated and uneducated/less educated. It had clear implications for democratic precedence in the West as well as the East. Racism and class struggle has especially increased in the West. Inequalities also lead to election surprises where on one hand extremist Hindu forces won elections in the largest democracy India while white supremacy voted Trump to power in the oldest democracy USA.

World is struggling to curtail the inequalities that had political and economic consequences the world over. To curtail this, the new buzz word was introduced. The focus on growth was not abandoned by the capitalists but there was an addendum and that is the very growth and its processes should be ‘inclusive’.

Generally inequality is not considered to be of a significant matter in capitalist economics literature. The capitalist accrues maximum gain because of his idea, management of the business idea and for the risk taking in the market. The employees are distributed the gains according to their intellectual contribution in capital creation. So less educated or uneducated form the bottom of the income gain pyramid and that is equality in capitalism. The question of equity is not well addressed.

Whereas, inclusive growth is the old wine in the new bottle. What changed is the introduction of wider definitions of poverty that are more qualitative in nature and are popularly known as multidimensional poverty measures. From gender to health to education form the lack of capabilities of the population or otherwise. Inclusive growth means that the legal, political and social status of the population increase with growth and it is not only about the incomes. How to achieve this new rhetoric is not yet clear.

Harvard’s Social Progress Index puts some light on the matter but it is also a very new measurement of development focusing its progress in developed countries than developing
countries. The developing countries need not follow the highly unequal path of development as it happened in capitalist countries like the USA.

For that focus on income growth and income inequality is nevertheless an important factor. Incomes present the due capacity of a country to achieve financially its social, political or legal goals’ setting. One way to curtail income inequalities is to focus on all the three sectors of the economy i.e. Agriculture, Industry and Services.

From technology introduction in agriculture to cluster development for industries are the steps in the right direction. This way the poor farmer is to be included in the mainstream as well as giving jobs to the millions of unskilled labor that dwell in developing peripheries of an underdeveloped country in a more general sense.

2.4. Further Building the Context for Measures: Harvard’s Social Progress Index

Income remains one of the most important factors to consider for any country’s development. The per capita incomes of developed countries are far greater than that of developing countries. High incomes in developed countries than correlate to factors like technology, innovation, democracy, gender equality, and freedom of expression. So one simple way to determine progress in developing countries is to say how much convergence has been achieved to the extent of the incomes in developed countries. Convergence of incomes between developed and developing countries can happen if in many cases these developing countries grow in economic activity annually at decent rates for extended periods of time. That may in most cases mean growth rates of above 6 percent. We have example of China and India. They have progressed in income growth spanning decades and convergence has occurred. The direct beneficiaries of this convergence have been the poor in these countries.

Growth rate of GDP has been a key policy tool to evaluate a county’s progress and a target for national and international stakeholders to judge economic development within a developing country since 1980s. However there are only few success stories of growth achievers within developing countries and majority of Africa and larger Asia could not achieve economic growth. Yes, most developing countries were able to grow in spurts but growth rates plummeted in long term where as convergence of incomes to the likes of developed countries require persistence in economic performance.

What did these poor performers miss? Surprisingly the cause is the very focus on economic growth itself. The fundamental issue in growth targeting is to achieve it in long run but countries have to start it from somewhere. Growth achieved in any such starting point is then expected to sustain itself for number of years spanning decades. The focus of the national governments were to set targets for expansion of economic activity in initial years resulted in promotion of such sectors that contributed most in value addition. Services sectors that employ
the already highly educated were promoted and urbanization was encouraged. In the trail for short term growth, significant segments of the poor households were missed who could not be employed in these thriving services sectors or who dwell in rural areas. Further more urgency in improvement of income levels caused many developing countries to ignore social and political development. Simply put the growth was not inclusive.

The short term economic growth though achieved had been temporary. Focus on incomes has misguided policy makers for long. In order to sustain in the long run what has been attained in the short run; governments need to complement economic policies with such steps that directly cause social and political development of the society. Furthermore agriculture and industrial sector should also contribute to significant income generation and technology will play a key role in it.

Social Progress Index(SPI) (see Porter et al, 2014) that is exogenous to GDP has been developed in association with Harvard Business School that disaggregates performance in terms of social and technical progress of a country. Such performance indexes should supplement growth frameworks to gauge economic performance. SPI closely relates with income levels across countries so convergence of incomes ensure that socially viable policies with improvements in education and health sector takes place.
3. Pedagogy and Research for Social Entrepreneurship

3.1. Case Study of HBS Course on Competitiveness

It was February 2016. I was part of the organizing team of NBEAC that is the accreditation body of business schools in Pakistan hosted by HEC. So I attended its annual event that calls upon academicians and practitioners from all over the world to brainstorm on improving the quality of business education in Pakistan. One of the well known academician and practitioners invited to the inaugural session was none other that Dr Ishrat Hussain who is the Director of one of the most prestigious business school namely IBA. He gave an excellent speech. The most striking point for me was that he mentioned that Business Schools in Pakistan should enable their graduates to understand the application of business not only as a corporate entity but also what it has to offer to the society. He was quite right especially in the context of Pakistan where at least 30 percent of the population is below poverty line. Successive governments have tried to create safety nets for the poor but with little success. Any Economist would tell you that its private sector activity that matters in improving the livelihood of the local population and government initiatives, though worth while, are eventually not sustainable. Sasta Roti (Cheap Loaf) scheme by Chief Minister Shebaz Sharif is good example to this effect. Government runs on taxes and thus can only facilitate redistribution of wealth by channeling economic resources of a country but does not directly generate economic activity.

In addition to some other responsibilities at UMT, I had been also asked to teach Harvard Business School course namely Micro Economics of Competitiveness since 2013. I was also sent to HBS by UMT for a short training to Boston. I had a great time there understanding the pedagogy practices adopted by HBS and the technical aspects of the course. The course was based on case study methodology. There were nearly 40 case studies written by Michael Porter himself. Some were as old as written in 1980s. The cases were concerned with different successful businesses and countries from all the geographic locations of the globe. In addition to this Michael Porter introduced to us his latest contribution to the competitiveness literature that was about the concept of Corporate Shared Values. It was different from Corporate Social Responsibility that itself has been a relatively new concept of business ethics introduced in early 2000s.

The analogy between CSR and CSV is simple. CSR is the cost to the business and thus has not been successful. In later lines I will explain why especially in the context of Pakistan. CSV is about the very business process that contributes to the welfare of the society while not deviating from profit maximization.

When in 2014, I first taught the course, I included case studies as per HBS standard course outline and included two projects. First project asked the students to analyse CSR activity of the
business they select and the second one focused on CSV activity. The course went very well where students learnt about businesses and surrounding economic and social environments of regions like Latin America, Africa and East Asia. In addition to this they also got to know that CSR activities are generally insignificant part of business revenues or profits in Pakistan. They learnt that CSR is a direct cost to business and any corporate entity would not like rising cost and thus also understanding in detail the limitation of CSR. Since CSV is a new concept, they learnt that it is more of rhetoric than its actual application at different multinationals operating in Pakistan.

Since HBS course was offered to MS and PhD students at UMT, students also considered case studies to be very simplistic. The research side was not effectively covered with these case studies. I should mention here that UMT post graduate students are taught advance level research articles and thus an improvisation from my side to the HBS course was naturally required.

Since 2015, I made some changes in the course contents. Now my course was focused on Corporate Shared Values. Naturally, after spending initial lectures on explaining students the concept of competitiveness and its application to society, my course was now focused in preparation of two business plans. In the first half of the course, students used to prepare a business plan for an existing firm. The purpose was that students understand in detail how there selected business works. The business plan includes competitors analysis, substitute environment, price strategy as well as the national economic and social environment in which the business compete.

The second half of the course was spent on preparing a business plan for a hypothetical firm. This was the most important part of not only the HBS course but student learning. The restriction for the hypothetical business selection was that it has to adhere to shared values. The first requirement was that students understand well the concept of CSV. Then they create a business plan for a firm that adheres to CSV. (see Porter et al; 2002; 2006 and 2011)

Such business plans were the real challenge for the students. It is easy to conceptualise an idea of a business or a business process that adheres to CSV. For example, providing clean drinking water with the likes of Nestle mineral water bottling to the shanty towns of Lahore metropolis is a great idea. Transforming such a concept into a business plan is not an easy task. Business plan is basically a detailed feasibility report. Clean drinking water as a business idea means that there has to be a right pricing strategy that makes the business profitable but also affordable to poor people. Then hypothetical or real competitors analysis has to be taken into account in addition to other fundamentals of the business plan.
Since it is the intellectual property of UMT, I won't be discussing the actual business plans students worked on in my course. Usually for such business ideas, multinationals allocate millions of dollars in Research and Development. We can have TATA’s Nano car in mind. It took some good amount of money and time to apply the idea of cheap and affordable car to practice in India. It is interesting to visualize that UMT MS and PhD graduates are exposed to this high end learning of business phenomenon in one of the courses in their degree program. They are taught the knowledge of the future that is coming to business education in Pakistan. They are well versed in establishing the link between business and society.

Such courses enable UMT graduates one step ahead to other business schools in Pakistan.

3.2. Case Study of CPEC and need for Research to Guide Policy

I worked at Ministry of Commerce, Government of Pakistan from 2009-2011 as Director Research in its premier research think tank namely Pakistan Institute of Trade and Development (PITAD). The think tank was then recently conceived to formulate and give guide lines to Pakistan’s billions dollars worth of trade policy. I worked on numerous projects there providing recommendations to how Pakistani government facilitate trade in both goods and services with its partner countries.

There I had a chance to work on Free Trading Agreements (FTAs) that Pakistan has signed or in process of signing with countries that are of strategic importance to the country. The one important FTA was with China. My team did an intensive research on product level and evaluated costs and benefits analysis on the FTA. It became apparent that due to the FTA, Pakistani small manufacturing industry had become highly uncompetitive. It is much cheaper to import from China than to produce domestically. Hundreds of thousands of jobs were lost due to the FTA.

Despite the apparent risk of losing out markets to China, Pakistani government did nothing to make Pakistan’s small manufacturing industry more competitive. A silent force was behind implementing the FTA in letter and spirit. The only rational we were told for the FTA was that China is our time tested friend. In other words the FTA was a concession to China for its friendship and it didn’t seem to matter how much loss the local trader in Pakistan had to bear.

There are provisions within any FTA to protect segments of certain industry or certain products, but Pakistan never exercised such kind of protection through a negative list. At the ministry we were paving the way for a bigger prize from China and that was China Pakistan Economic Corridor (CPEC). The assumption all along was to increase economic stakes of China within Pakistani economy. Another assumption of CPEC was that local industries would be promoted by Chinese investments that would primarily build the infrastructure for connectivity within different provinces that will facilitate local commerce.
However the flipside of the matter is being discussed today that brings doubts to CPEC. The possibility has been presented that China would be building up businesses that is to be owned by Chinese in the industrial zones that are to be formulated under CPEC. This argument puts at risk any indigenous manufacturing base of Pakistan. This makes CPEC a clear threat to large and small businesses in Pakistan. This also makes me question what forms base of our friendship with China?

The silent negotiators are ready to sell Pakistan for their strategic depth. Is it so? The question is a valid one to be answered in a logical terms. If Pakistan protects and promotes its local industry under CPEC, it is really a game changer for Pakistani people. Millions of jobs would be created as well as Pakistani business will mark a significant presence in international markets with a steep rise in national exports such that Pakistan scores a trade surplus and GDP growth rates more than 6-7 percent.
References:


