

Singapore elites must tackle sustainability

By Alwyn Lim and Kenneth Goh

CAN Singapore's elites give back to society by taking the lead on sustainability? For the third year running, Singapore has topped the Elite Quality Index (EQx), an annual ranking of 151 countries on how well political and economic elites create value for society. According to EQx 2022, Singapore's elites have created business models with excellent value creation for society. As Singapore emerges from the Covid-19 pandemic and reconnects with the world, can its elites leverage their value creation models to create greater social and environmental sustainability?

Sustainability and the role of elites

The Elite Quality Index (EQx), administered by the Foundation for Value Creation jointly with the University of St Gallen, defines elites as "coordinated groups" with business models that successfully accumulate wealth. Present in every society, they often work in groups (such as a corporation or an industry). Essentially they are individuals who have strong control over society's key resources; examples include high-tech entrepreneurs, bankers, oil cartels, as well as decision makers in the political arena.

The question is - to what extent elites extract value, or whether they actually create value for society. EQx compiles various

cross-national indicators to determine how much value a society's elites create in relation to how much influence they have.

Singapore's elites rank relatively high in terms of political power (rank #20) and economic power (rank #9), suggesting the potential for value extraction -- and it turns out that their business models create exceptional political value (rank #1) and economic value (rank #1). Hence Singapore's elite influence is high in terms of control of corruption, government responsiveness to change, venture capital finance, and creative destruction, suggesting a very high degree of control and coordination of wealth accumulation. Nevertheless, elite power has also translated into value creation, seen in excellent performance in low Covid fatalities, food security, low homicide rate, health efficiency, trade freedom, and low inflation.

One emerging area that defines elite value creation lies not only in creating economic wealth but also in contributing to sustainability. Academics and practitioners differ in how to define sustainability, but the consensus zeroes in on whether business models of wealth creation can persist without negative impact on the environment or social relations, two of the more prominent arenas of sustainability. For example, business models can explicitly incorporate environmental, social, and governance (ESG) concerns by focusing on

an equal weightage of social, environmental, and financial performance (triple bottom line) factors.

International rankings such as EQx 2022 often capture large-scale processes and may not be able to identify more local factors, such as what specific social relations can lead to more sustainable outcomes. Can Singapore's elites, whose contributions to wealth creation and value creation for society already top the world, take the lead on sustainability? Some local examples on environmental and social sustainability may be instructive.

Family-owned Agrocrop is extending its original business as a grain trader to launch a sustainably sourced plant-based food brand HerbVvore. John Cheng, a third-generation family member of sugar manufacturer Cheng Yew Heng Candy Factory, has also taken the lead on sustainability by establishing an agri-food tech accelerator that invests in startups developing new technologies for sustainable food production to alleviate food insecurity.

Even those in pollutive industries see it as their responsibility to improve industry best practices in sustainability not just to manage public relations but to actively engage partners and customers to adopt more sustainable solutions. For example, chemical dye company Matex International has spent more than three decades working with its partners to develop a tex-

tile dyeing process that would be less pollutive and uses less energy. This desire to reduce the environmental impact of chemical dyeing motivated Alex Tan's founding of the company in 1989, and is now championed by his son Dro Tan, who is currently Matex's executive director.

Beyond environmental sustainability, many elites are also involved in supporting social sustainability through the preservation of cultural heritage. For example, the family of real estate developer Daniel Teo is known for its patronage of the visual and performing arts. Family business owners also champion social sustainability through their role as employers. While corporations may retrench older staff in favour of younger, more productive workers, many family-owned firms have been known to provide loyal employees with a safety net in their old age through retraining or by carving out roles within the company that will still allow them to contribute to the business. Such practices are not legally mandated but stem from the familial bonds between the family-owners and employees that have been cultivated over the years.

The way forward for sustainability

Clearly, there is much room for improvement in how Singapore elites can contribute to value creation by specifically tackling the issue of sustainability. In this, Sin-

gapore's state capitalist model, where the government coordinates and guides business activity, can play a central role. For instance, the government has excelled in building a favourable environment for free enterprise and is supportive of economic globalisation and immigration. Singapore's sovereign wealth funds have channelled profits from investments into social and communitarian projects. The mediating role of the Singapore government is also seen in its management of its public housing system, in inclusive economic policies like the Progressive Wage Model, and generous tax incentives for charitable donations.

Still, Singapore's elites have the opportunity -- and obligation -- to lead the way on sustainability. The pandemic has revealed how vulnerable even successful business models can be in a globally integrated world. Going forward, sustainability will remain a top concern in discussions of future value creation. Singapore elites, with their world-performing business models, should lead the way in this arena.

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