Northeastern University
Center for Emerging Markets

JUNE 2023

INSIGHTS

@ CENTER FOR EMERGING MARKETS

Insights @ Center for Emerging Markets

About This Issue

We are excited to share the third issue of Insights @ Center for Emerging Markets, a twice-yearly publication that focuses on cutting-edge ideas about emerging markets for managers and policymakers. Insights @ Center for Emerging Markets aims to translate rich and exciting research by Northeastern University faculty about emerging markets into manager-oriented briefs that encourage interdisciplinary conversations.

The current issue brings together researchers from the fields of international business & strategy, supply chain management, global health, and public policy. Contributors explore Chinese companies' innovative managerial approaches, the importance of cultural agility for managers in emerging markets, the challenges of informal entrepreneurship, shifts in global supply chain management, the future of healthcare in Sub-Saharan Africa, reverse innovation in healthcare, and the locational effects of UNEP on Kenya.

Building silhouettes at dusk in Nairobi, Kenya, host city of the UN Environment Programme (UNEP).

Production

Director **Ravi Ramamurti**
Editor **Valentina Marano**
Editorial Advisor **George Yip**
Content Creator **David Wesley**
Designer **Kathryn Slomski**

The Center for Emerging Markets

The Center for Emerging Markets (CEM) at the D'Amore-McKim School of Business at Northeastern University conducts and disseminates research on how local and foreign firms can leverage emerging markets for the greater good.

Founded in 2007 by Ravi Ramamurti, University Distinguished Professor of International Business & Strategy, CEM is a leading center of its kind in the U.S., with a reputation for cutting-edge research, particularly on internationalization strategy, technology, and innovation, and corporate governance.

CEM leverages the expertise of over 70 faculty fellows from across Northeastern University, many of whom are thought leaders in their fields and have authored many books, prize-winning articles, and cases on firms in emerging markets. It is guided by a distinguished external advisory board and maintains close ties with practitioners.

CEM strives to integrate emerging markets into the education, research, and work experience of students and regularly disseminates best practices to managers, policymakers, academics, and students via publications, events, and op-eds.

Want to learn more about CEM?

Contents

Read online:
bit.ly/InsightsCEM

How Digitally Enhanced Autonomous Teams Make Chinese Companies More Agile

The Idea in Brief

Chinese companies are reinventing management through an approach called "digitally enhanced directed autonomy" (DEDA). DEDA uses digital platforms to give frontline employees direct access to corporate resources and capabilities, allowing them to organize themselves around business opportunities without managerial intervention. Autonomy is directed where it is needed and tracked. By giving teams the freedom to design, produce, and sell their products, companies can foster innovation, increase employee engagement, and improve customer satisfaction. The authors use case studies to examine how Chinese companies utilize DEDA and how Western companies might learn from it.

Interested in learning more about this work?
Contact Professor Yip at g.yip@northeastern.edu

Handu Group

Chinese companies have successfully scaled up the concept of autonomous teams to groups of several dozen people, particularly in customer-facing roles. For example, at e-commerce company Handu Group, the core women's clothing brand known as HStyle operates using a system of teams responsible for designing, producing, and selling the firm's products. Each team has a minimum of three members, and if the product becomes popular, the team can grow to as many as 25 people.

HStyle sets annual production and sales targets, but the team controls product development, new product launches, discounts, and promotions. The company ranks team performance daily, and the results are accessible to everyone in real-time, creating a competitive drive between teams. If members of a team split off to form a new team, the leader of the new team must pay a fee to the original team for its previous training.

HStyle relies heavily on a digital platform that connects autonomous teams to both Handu and partner factories, allowing for small-batch production at high speed that can be scaled up easily when a product line proves successful. By using cloud-based supply-chain-management software, Handu minimizes its inventory and production costs, making it more efficient and profitable. This frees up Handu to focus on its core competencies while allowing external partners to serve other customers.

Haier

In 2005, Chinese appliance giant Haier began implementing a system of small, self-managed autonomous teams to create value directly for its customers. Frontline employees had P&L responsibility and received a share of profits created by the team. Members were connected through a technology platform to back-end resources that enabled access to suppliers, other micro-enterprises, and partners from within or outside the Haier group.

Haier built on this foundation by allowing teams to incorporate as microenterprises with rights to make decisions, hire talent, and award compensation. As a result, Haier can discover and capitalize on new opportunities, such as incubating biotech companies in refrigeration chains and radiotherapy equipment manufacturing.

Haier currently has a platform of 4,500 self-managed businesses that use shared resources to adjust to market shifts. One recent example is a microenterprise tasked with developing food products

that complemented its kitchen appliances. The team found that many families enjoy complicated meals such as roast duck that are normally prepared by professional chefs. The microenterprise approached cooks, restaurants, and food-processing manufacturers to task them with finding a way to make roast duck in a prepared-food package that customers could put in their pre-programmed ovens. The product became an instant hit during the Chinese New Year. The microenterprise team is now expanding to create offerings in dozens of other complex food categories. Microenterprises at Haier now account for $500 million in revenue and are doubling in size annually.

Managerial Implications: Applying the Lessons of DEDA to Western Firms

Chinese firms have an advantage due to their large workforce and collectivist culture. Chinese management encourages faster execution and decision-making by adopting "single-threaded leadership," which gives a leader a clearly defined task, budget, and timeline. This concept was embraced by electric vehicle manufacturer Build Your Dreams (BYD), which in late January 2020 when the COVID-19 pandemic was beginning to ravage the country, charged key leaders and division heads to find a solution to the mask shortage. The leaders mobilized 3,000 engineers and designers to convert one of BYD's industrial parks in Shenzhen, where in less than two weeks the company began manufacturing masks. By the end of 2020, mask production had lifted BYD's profits by more than 160 percent over 2019, netting the company $640 million.

Cultural and historical differences do not mean that some form of the DEDA system cannot be implemented in the West. For instance, Haier's acquisition of General Electric's (GE) appliance business in 2016 saw the successful introduction of the Chinese company's autonomous team model into a Western organization. The decentralized leadership model, new compensation structure, and entrepreneurial culture have proved popular and effective. GE Appliances has since adjusted its hiring process to attract entrepreneurial individuals, supported by a decentralized decision-making approach that gives employees problem-solving autonomy. While GE Appliances did not adopt Haier's internal market system, the successful incorporation of the autonomous team model demonstrates that Western firms can learn from Chinese business practices by recognizing the importance of bundling capabilities and shared business functions, without increasing power at the top.

German pharmaceutical company Bayer has successfully adopted this incentive system in China by implementing a work-life digital platform for staff management. The company uses non-financial incentives such as "thumbs up" and "thank-you card" messages that employees can send to other staff members. This recognition system has a strong social component and a gamified interaction mechanism that has made it popular with employees, with 4,000 logging into the platform every day. This kind of social incentive has transformed internal communications by flattening layers and speeding up feedback. Employees and managers can adjust both their work goals and their performance rapidly, while freeing up managers to put more emphasis on conversations with employees rather than just performance results.

To adopt an agile DEDA-type approach, Western executives will need to become more open to temporary, highly focused assignments. They need to create their own version of the Chinese culture that resolves tensions between individual and group interests through "individualistic collectivism." They also need to be more adept in their use of financial incentives.

"Cultural and historical differences do not mean that some form of the [Digitally Enhanced Directed Autonomy] system cannot be implemented in the West."

Original Work

Greeven, M. J., Xin, K., & Yip, G. S. (2023). How Chinese Companies Are Reinventing Management. *Harvard Business Review*, 101(3-4): 104-112.

The Importance of Cultural Agility for Companies in and from Emerging Markets

The Idea in Brief

In our globalized world, the ability to navigate cultural differences has become a critical skill. Paula Caligiuri's recent book provides a valuable framework for achieving this goal, by emphasizing the need to build cultural agility through social learning. Her Cultural Agility framework provides executives and managers with the tools needed to build trust, gain credibility, collab-orate, and communicate across cultural boundaries. It is all the more important for managers of comp-anies in and from emerging markets, who may be facing unique cultural barriers through foreign expansion.

Thinking about Culture

Cultural differences arise from the collective programming of the mind. National culture is the most widely accepted way to underst-nd these differences. Therefore, when designing organization pro-cesses, such as decision rights and incentive compensation, for a different national culture such as in a foreign subsidiary, home country executives need to take account of these average differ-ences. But at the level of individu-als, differences in national culture do not mean that individuals from a particular country should be stereotyped or generalized. There is plenty of variance in behaviors, attitudes, and values within any group, and therefore every indivi-ual should be treated uniquely. In other words, cultural differences should be understood as norms and tendencies that are shared by a group, but not as rigid or defini-tive characteristics of every indivi-dual belonging to that group.

Most people think of culture as something that is only experien-ced when in another country or when interacting with foreigners. However, cultural differences can be found locally through generati-onal, professional, regional, and organizational subcultures. There-fore, becoming culturally agile is important even when not traveling abroad. For instance, when atten-ding meetings, participants are often from different age groups, have backgrounds in different functional areas, have different regional and organizational cult-ures, and have varying educational backgrounds.

A Cultural Values Framework

Cultural agility is the ability to be comfortable and effective in novel situations. It comes from a combination of personality traits, knowledge, motivation, and exp-eriences. Around 50 percent of one's personality has a heritable component. For instance, novelty-

Interested in learning more about this work?
Contact Professor Caligiuri at p.caligiuri@northeastern.edu

seeking, linked to the personality trait of openness, is often linked to the way the body regulates dopamine. Although genes are only one part of the cultural agility equation, they provide clues to understanding why some people find developing cultural agility easier than others. Yet, cultural agility can be built from any starting point, and one's natural predisposition is merely the accelerator, not the engine.

Culture is created through iterative and successive experiences with people in groups. Behavioral norms are the first impression of a novel culture, while values, which may not be readily visible, affect how behaviors are evaluated.

Building Awareness, Engaging in Social Learning, and Gaining Experience

Cultural agility requires skill and practice, starting with building cultural awareness, engaging in social learning, and gaining experience by placing oneself in increasingly novel situations. Understanding how a context might differ is also crucial in perceiving and understanding cultural differences. This might involve engaging with colleagues from different cultures and forming professional relationships, reading articles or books about how to best communicate in an unfamiliar context, engaging with people from other countries, volunteering to work with diverse communities, trying new foods, learning a new language, practicing a second language with native speakers, and participating in intercultural exchange programs, such as study abroad or cultural exchanges.

With innovations in technology and communications, it has become easier to do business across borders. But mastering time zones and translations is only a small part of the challenge. Professionals need to be able to navigate the complexity of different cultures, including their nuances, customs, and ways of doing things. Those who can do so effectively are more likely to succeed, while those who cannot, may hinder their firm's business and harm its reputation. Furthermore, a lack of cultural agility can lead to misunderstandings, conflicts, and missed opportunities. Therefore, developing cultural agility is crucial for individuals and organizations that want to thrive in the modern world.

Managerial Implications

As global markets expand, companies are increasingly recognizing the need to foster cultural agility in their employees. For emerging markets, in particular, this skill is becoming essential.

To help organizations develop a pipeline of culturally agile professionals, companies should consider the following three steps:

- Identify the key roles that require cultural agility. Assess the cultural agility of your current workforce to understand your bench strength for cultural agility.
- Hire, assign, or promote those who have cultural agility (or have the personality traits to readily gain cultural agility) into key roles.
- Develop cultural agility to ensure the people with the right technical skills are gaining cultural agility in advance of a strategic role for which it will be needed.

By following these steps, companies can begin their journey towards greater cultural agility.

Original Works

Caligiuri, P. (2021). *Build your cultural agility*. Kogan Page.

Caligiuri, P. (2012). *Cultural agility: Building a pipeline of successful global professionals*. John Wiley & Sons.

Caligiuri, P., & DeCaprio, D. (2023, March 10). *How to prepare for a cross-cultural interview*. Harvard Business Review.

"Cultural agility can be built from any starting point, and one's natural predisposition is merely the accelerator..."

Companies Are Reshoring and Diversifying Supply Chains in A Post-Pandemic World

The Idea in Brief

The COVID-19 pandemic has caused significant shifts in how companies manage their supply chains, with three major changes emerging. First, reshoring is becoming a dominant trend, with companies shifting production and manufacturing to domestic locations from overseas factories to reduce risk and maintain business continuity. Companies are also investing in digital technologies to improve visibility and transparency along their supply chains. Finally, firms are becoming more flexible in their supply chain management by diversifying their sources of supply and holding more inventory. These shifts are likely to have a significant impact on the way goods are produced, distributed, and consumed in the years to come, with government policies playing an important role in managing the impact of these changes.

Reshoring

The pandemic highlighted the risks of global supply chains, with lockdowns and other restrictions leading to delays and disruptions in production and delivery. As a result, sixty percent of American

Interested in learning more about this work?
Contact Professor Sanders at n.sanders@northeastern.edu

and European companies are now seeking to relocate suppliers and production facilities closer to home or diversify their sources of supply to reduce the impact of global supply chain disruptions.

India and Vietnam are quickly becoming popular destinations for companies seeking to diversify away from China, attracting companies like Apple, which have been frustrated by product delays in China and are seeking to reduce their dependence on one country. Vietnam saw an expansion in production by Foxconn, which is Apple's largest supplier. Elsewhere, Volvo is planning to open a new European plant for the first time in 60 years, while automakers in North America are making investments in their home countries, such as Ford's new electric vehicle plant in Tennessee which will create 6,000 jobs.

Although reshoring may offer benefits in terms of reducing risks and improving business continuity, it also poses challenges. Companies may face higher costs and struggle to find skilled workers or suitable facilities in their home countries. As a result, firms need to carefully weigh the costs and benefits of reshoring and consider the potential impact on their suppliers and the broader supply chain.

If this trend continues, some emerging market countries could see a reduction in investment and job opportunities. As such, government policies will likely play a role through regulations, subsidies and incentives.

Technology

The impact of the COVID-19 pandemic on global supply chains was exacerbated by outdated technology and poor communication with suppliers, preventing firms from anticipating shortages and disruptions in supply chains. For instance, before the pandemic, most companies did not communicate with or were unaware of the locations of all their suppliers.

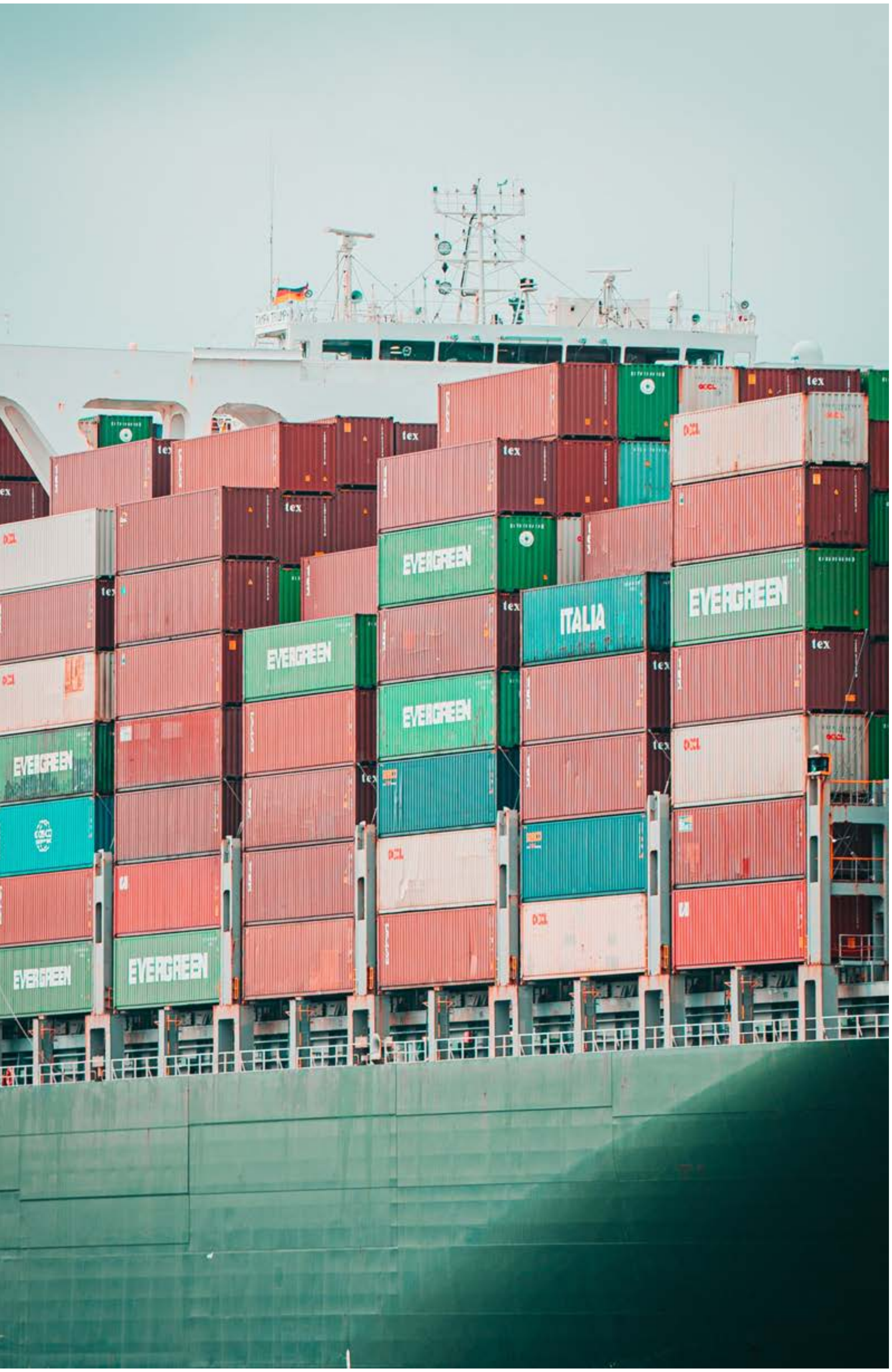
Companies have since realized the importance of monitoring supply chains to avoid and adapt to disruptions. Modern communication software that integrates with suppliers, cloud computing for efficient data storage, artificial intelligence for better decision-making, and robotics for automating processes are key priorities for companies, according to the Hackett Group, a strategy consultancy.

An example of how technologies are transforming the supply chain is the partnership between IBM and Maersk to create a blockchain-based platform called TradeLens that aims to digitize global trade and improve visibility and efficiency in the supply chain. TradeLens stores and shares data across the supply chain, reducing the risk of fraud, errors, and delays, while enabling companies to track shipments, predict disruptions, and optimize routes. It also improves communication with shippers, freight forwarders, and customs officials, thereby reducing bureaucracy and errors.

Flexibility

"Just-in-time" (JIT) was developed in Japan as a way of reducing waste by carrying as little inventory as possible to minimize storage costs, maximize efficiencies, and yield higher profits. As more companies adopted the JIT approach, they made themselves vulnerable to disruptions.

These vulnerabilities were particularly evident during the COVID-19 pandemic as factories were forced to idle due to missing parts, such as microchips. Something as simple as the logo badges on Ford cars caused major disruptions in production when the company's Michigan-based supplier faced labor shortages due to the pandemic. As a result, more companies are shifting to a "just-in-case" model by carrying inventory of critical components. While this approach reduces the likelihood of shortages, it is more costly, especially if some parts become obsolete or remain unused. A better strategy is for companies to use "caveats to JIT" where they strategically carry more inventory for critical components.



Managerial Implications

Despite the elevated costs, companies are unlikely to shift back to JIT because the risks from shortages outweigh the costs of carrying more inventory. Unfortunately, this transition will likely translate into higher costs for consumers who are already experiencing inflation. Moving forward, companies will benefit from a strategic and well-thought-out combination of the JIT and "just in case" approaches.

Original Works

Browning, T., Kumar, M., Sanders, N., Sodhi, M. S., Thürer, M., & Tortorella, G. L. (2023). From supply chain risk to system-wide disruptions: research opportunities in forecasting, risk management and product design. *International Journal of Operations & Production Management.*

Sanders, N. (2023). Global economy 2023: COVID-19 turned global supply chains upside down – 3 ways the pandemic forced companies to rethink and transform how they source their products. *The Conversation.*

"Moving forward, companies will benefit from a strategic and well-thought-out combination of the [Just in Time] and "just in case" approaches."

How Informal Entrepreneurship Impacts Innovation in Emerging Economies

The Idea in Brief

Research by Juan Bu and Alvaro Cuervo-Cazurra shows that new ventures in emerging markets, initially created informally, suffer from costs that persist and constrain a firm's ability to innovate even after they formalize their status. As a result of these informality costs, informally created new ventures are more likely to develop imitative rather than innovative new products. However, being acquired by other firms and improvements in the national innovation system can weaken the persistence of these informality costs, resulting in more innovation. To explain these findings, Bu and Cuervo-Cazurra develop the concept of internal imprinting, which captures how the internal characteristics of a company result in the establishment of practices that persist over time, affecting behavior and innovation. Managers in emerging markets should consider formalizing their firms from the beginning or joining a private business group to mitigate the negative impact of informality on their firms' innovativeness.

Informal Entrepreneurship in Emerging Economies

Informal firms are businesses that operate without registering with government agencies. They are a common phenomenon in emerging economies and are not legal persons, which limits their ability to establish and maintain formal contractual relationships. They account for more than half of all nonagricultural employment and contribute approximately one-third of gross domestic product (GDP) in emerging economies.

Informal entrepreneurship often arises due to the high costs and complexity of registration procedures in emerging markets. Informal entrepreneurs provide legal products and services to customers, but do not pay taxes, fees, and social security contributions, leading to cost advantages over formal firms.

Research by Bu and Cuervo-Cazurra examines more than 9,000 firms in 71 emerging markets. It shows that although informal firms may enjoy lower

Interested in learning more about this work?
Contact Professor Cuervo-Cazurra at
a.cuervocazurra@northeastern.edu

costs, they also suffer from lower innovativeness, thus hampering their future. Informality has a cost.

The Persistence of Informality Costs and Innovation

Since informal firms are not legal persons, they cannot publish hiring information to potential candidates through public platforms and provide information to potential employees. This limited information makes competent, skilled employees feel that the prospects for advancement and growth in informal firms are more limited and less appealing than working for a formal company. Informality also affects external relationships, hindering information exchange and making it difficult to establish long-term relationships with suppliers and distributors. Additionally, informally created firms are vulnerable to expropriation and abuse from corrupt government officials.

The costs associated with informality continue to affect firms' behavior even after they formalize. While formalization can help firms access external resources and achieve higher value-added and profitability, many of the informality problems are likely to persist. For instance, the internal practices of hiring and managing employees and external relationships with suppliers and distributors are particularly difficult to change.

Even after formalization, managers are likely to continue trusting their personal connections and relationships more than public platforms when searching for and hiring new employees. Existing employees often develop work attitudes that they may struggle to change. Moreover, the practices of managing employees based on short-term relationships can become ingrained in the corporate culture. Finally, the firm's history creates reputation challenges that increase perceived uncertainty and thus discourage promising talent from joining the firm even after it joins the formal economy.

The outcome of these informality costs is that they hamper innovation as employees and managers are more focused on the short term than on the long term and improvements needed for innovation.

The Impact of Ownership on Informality Costs and Product Development

Although informality costs persist after the firm becomes formalized and harm innovation, they can be altered through changes in ownership, as they can force an alteration of the company's mindset and practices. The impact of such ownership changes depend on whether the firms become owned by foreign firms, domestic business groups, or the state. The authors show that foreign ownership and domestic business group ownership alleviate informality costs, leading to more innovative new products, while state ownership increases informality costs, resulting in more imitative new products.

This is because, on the one hand, foreign ownership and busness group affiliation can help informal firms overcome the challenges of innovation, incentive alignment, and relationship building, by providing them with access to resources, knowledge, and networks. On the other hand, state ownership can exacerbate these challenges by creating a culture of imitation, and risk aversion, due to the political interference and soft budget constraints of state-owned firms. Therefore, informal firms should seek foreign or group ownership rather than state ownership to reduce their informality costs and enhance their performance.

Managerial Implications

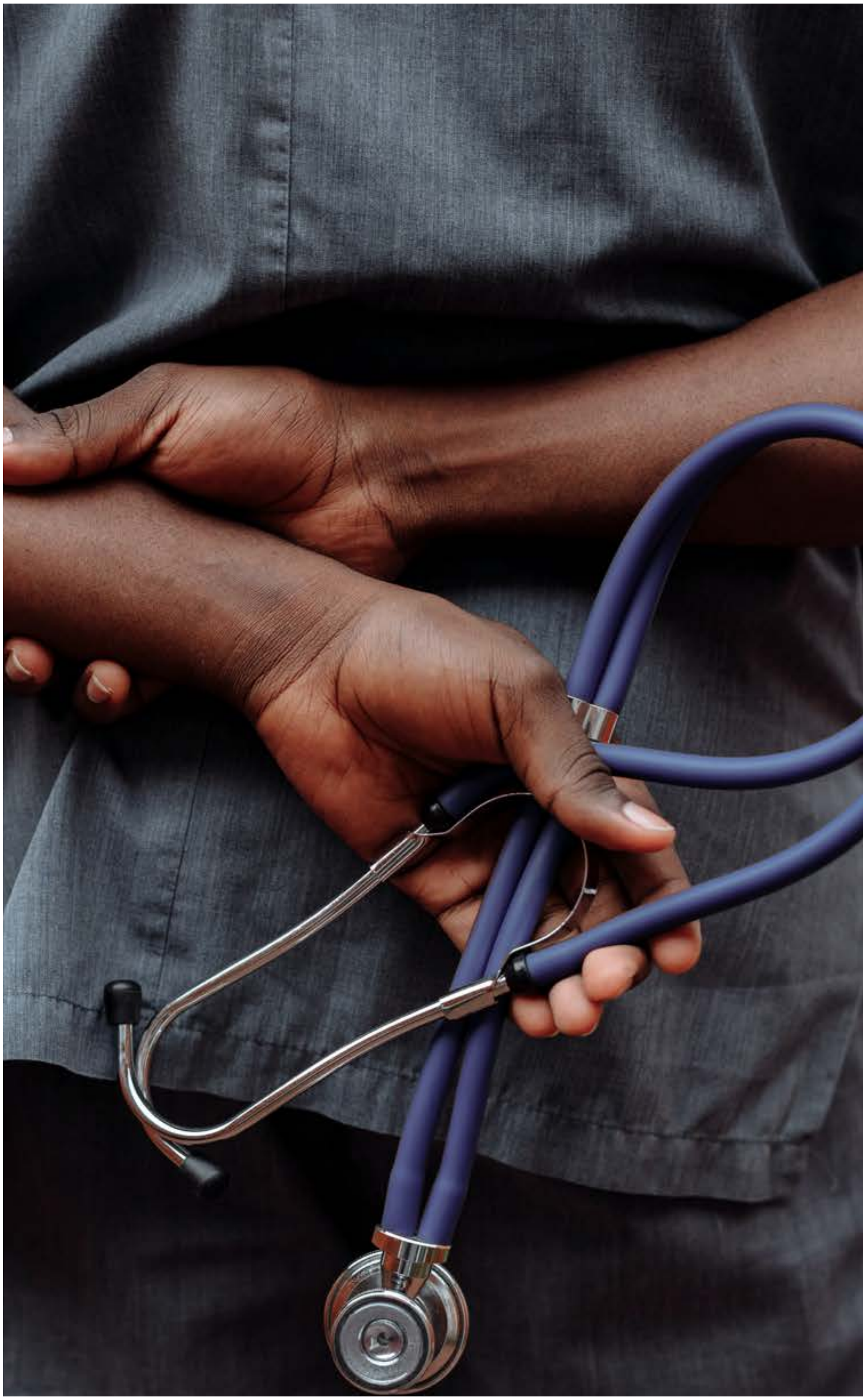
Managers who are keen on establishing innovative new ventures in emerging markets should consider formalizing their firms from the start to avoid the costs associated with informality that persist over time even after their firms have become formal ventures. Alternatively, if they have already created their firms informally, they may consider formalizing them and also joining private business groups.

Original Work

Bu, J., & Cuervo-Cazurra, A. (2020). Informality costs: Informal entrepreneurship and innovation in emerging economies. *Strategic Entrepreneurship Journal*, 14(3), 329-368.

"The costs associated with informality continue to affect firms' behavior even after they formalize."

Health Care in Sub-Saharan Africa: 21st Century Trends and Forecasts



The Idea in Brief

The future of health in Sub-Saharan Africa is both uncertain and promising. Life expectancy in this region has increased significantly, and growing economies may provide opportunities for increased financing for health. To effectively improve health in Sub-Saharan Africa, deliberate political investments and African-led models are necessary, as well as robust health systems that can adapt to changing disease and demographic patterns. Community health workers will play a crucial role in achieving universal health coverage and combating pandemics. However, Sub-Saharan Africa remains reliant on foreign financing and must combat corruption and improve domestic health governance to achieve autonomy. Ultimately, interventions to improve health in the region must target the population's changing needs and infrastructure demands.

Interested in learning more about this work?
Contact Professor Wamai at r.wamai@northeastern.edu

Current Health Challenges

Currently, Sub-Saharan Africa is home to one in eight people in the world, and by the end of the century, it could be one in three. The continent's population and economic trajectories have inspired optimism despite its history of colonial exploitation and frequent poor governance post-independence. However, Africa has continued to lag other world regions in all major health outcomes despite enormous national and international efforts. Currently, Sub-Saharan Africa remains the region of the world with the lowest improvement in life expectancy. The high burden of disease, poor population health outcomes, and inequities are due to high levels of poverty, weak health systems, poor governance, historical colonialism, and present-day neocolonial foreign aid policies.

The region is made up of 47 countries and has a population of 1.07 billion, with a median age of 18 years. It has the highest number of underdeveloped countries in the world, and the highest number of people living below $1.90 per day in 2018. It also accounts for the highest number of deaths and disability due to infectious diseases in the world. Women and children are particularly vulnerable, having the world's highest maternal and under-five mortality rates. To improve health outcomes, women need to have access to education and contraception, and both mothers and children need to be vaccinated.

Corruption and poor governance of foreign and domestic resources have exacted a toll on health development across the region.

Life expectancy in Sub-Saharan Africa was 61.2 years in 2016, rising slightly to 63.9 years in 2017. Even within the region, health disparities within and between countries are staggering, with the average person in Mauritius expected to live 21.9 years longer than the average person in Lesotho. The high rates of disease in Africa are often due to poverty, childhood nutritional deficiencies, unsafe water and sanitation, limited access to healthcare services, and a high prevalence of HIV/AIDS. While not unique to the region, human behavior, including demographic changes, migration, and consumption patterns, contribute to the spread of infectious diseases and make containment more difficult. Finally, the close interaction between humans, animals, and the natural environment can lead to conflicts and the transmission of zoonotic diseases, while poor disease surveillance and coordination during health emergencies allow infectious diseases to spread.

Recent studies predict that specific disease targets, such as reducing malaria and tuberculosis deaths by 2030 and 2035 respectively, are unlikely to be met. Moreover, while Sub-Saharan Africa has made significant progress towards meeting its global AIDS targets by 2030, achievements vary by country, age, gender, and socio-demographic status. Achieving treatment targets will require a combination of interventions targeted by profiles of population risk and geography, while governments and donors need to improve efficient resource utilization and accountability to meet the funding gaps required to meet the set targets.

One study in particular by Rweyemamu and colleagues for the UK Office of Science and Innovation's Foresight program warned of the dire impact and future threats posed by infectious diseases in Africa. The report predicted that human behavior, including demographic changes, migration, and consumption patterns, would present the highest disease risk in the 21st century. HIV/AIDS was labeled a “time bomb” that will continue to affect health and development in Sub-Saharan Africa while other diseases emerge; in 2022 it had 48 infectious diseases that were severe enough to require an international response.

"The future of health in Sub-Saharan Africa is challenging yet promising. This could be the century for Africa."

Longer Term Challenges

Like much of the rest of the world, the burden of non-communicable diseases is increasing rapidly in Sub-Saharan Africa. Part of this transition is due to an aging population. The share of people over the age of 60 will double by 2030 and will continue to grow at an annual rate of about 4 percent over the next fifty years. In response to this looming threat, Sub-Saharan countries must strengthen surveillance and health systems and adopt a model in which interventions are integrated across disease groups and health systems. This will not only save lives, but also reduce long-term healthcare costs. Climate change is negatively impacting health in Sub-Saharan Africa currently, and its consequences will mount as the world reaches ever-higher emissions thresholds. Despite contributing very little to the climate crisis, the people of Africa will face significant challenges that will amplify existing health inequities.

Policy Implications

The future of health in Sub-Saharan Africa is challenging yet promising. This could be the century for Africa. To address its short and long-term health challenges, improved financing for healthcare delivery and access are needed. This is particularly important as the region is vulnerable to the impact of climate change, which raises the risk of new epidemiological threats to its population. Moreover, as a persistent global funding gap for pandemics continues to affect Sub-Saharan Africa, the entire global aid model needs to be reformed in light of its negative impacts on the sustainability of the region's healthcare system. For instance, many foreign donors continue to foster a colonial legacy by imposing political, cultural, and religious morals and demands on recipient countries, and well-funded NGOs and foreign governments often siphon off the local health workforce. All in all, addressing these challenges is only going to be possible through political investments and African-grown and led models that "adjust rather than bend to the international health regime," as well as improve local governance.

Original Work

Wamai, R.G., & Shirley, H.C. (2022) The future of health in sub-Saharan Africa: is there a path to longer and healthier lives for all? In: Greiner, C., Van Wolputte, S., & Bollig, M. (Eds.) *African Futures*. Brill, Leiden, the Netherlands, 67–98.

Unconventional Remedies: How Reverse Innovation Can Help Fix the US Healthcare Industry

The Idea in Brief

Reverse innovation, which involves transferring new ideas and innovations from emerging economies to developed economies, can help fix the American healthcare system, which suffers from high costs, uneven quality, and less-than-universal access. Developing countries like India are under great pressure to use their very limited medical resources to serve the greatest number of people, at the lowest cost, while maintaining quality. As a result, a handful of Indian healthcare exemplars have mastered clever ways to simultaneously lower healthcare costs, improve quality, and expand access. Govindarajan and Ramamurti identify their secret sauce and recommend that healthcare organizations in the US and elsewhere consider emulating those strategies and practices.

Reverse Innovation

Reverse innovation in healthcare delivery is a nascent phenomenon, which will become increasingly important as rich countries face the challenge of lowering costs while maximizing value. To achieve this, leaders of US healthcare organizations need to cultivate a global mindset, including curiosity about healthcare innovations in emerging market countries and the ability to modify and adapt them to suit the unique US context.

The current American healthcare system has some of the world's best doctors and hospitals. At the same time, healthcare costs are very high and continue to rise at twice the rate of inflation. This has caused insurance premiums and other costs to increase, which has a negative impact on individuals and the economy as a whole. Despite this high spending, the quality of care is uneven, and inefficiencies abound. Healthcare access and outcomes vary with persistent racial, ethnic, and income gaps. The real problem is

Interested in learning more about this work?
Contact Professor Ramamurti at r.ramamurti@northeastern.edu

not who pays for healthcare, but that it costs too much and too many people cannot access the care they need.

Disruption in the Healthcare Industry

The authors identified and studied a small group of Indian hospitals that delivered high-quality healthcare at low prices, with the goal of learning lessons that have the potential to transform and disrupt business models in the United States and other developed countries. These hospitals cover a range of medical services and charge just one percent to 12 percent of US prices. The hospitals are privately owned, and all but two are for-profit hospitals.

These hospitals had to focus on quality to attract the well-to-do, while driving down costs relentlessly to make care affordable to the poor. In this way, they became at once extremely high-quality and ultra-low-cost players who extended the same world-class care to rich and poor alike.

Some industry insiders have voiced skepticism about the ability of Indian hospitals to deliver low-cost world-class care and the applicability of those innovations to other countries, especially the United States. Yet, the research shows that quality and costs can be managed at similar levels. For instance, the hospitals are accredited by international organizations and engage in applied research and teaching. Medical outcomes for various surgeries and treatments are as good as or better than those in the West. And while the salaries of medical specialists in India are significantly lower than in the US, other inputs like imported supplies and high-end devices can be much more expensive. “The labor-cost differential just isn't as important as you'd think,” the authors note, especially when accounting for investments in high-end devices (PET-CT scanners, MRI machines, and cyclotrons), land, and capital. Dismissing Indian innovations as irrelevant to developed countries would be a mistake, because the hospitals do not achieve their success only because of factor-cost advantages, but by creating cultures, organizations, and practices that prioritize value-based healthcare.

Policy Implications

Value-based healthcare has been suggested as a solution to America's healthcare crisis by focusing on creating value for patients, not just lowering costs. The prevailing fee-for-service system has led to zero-sum competition, in which everyone tries to shift costs to someone else, rather than positive-sum competition, in which all participants win. Principles of value-based competition include focusing on medical conditions over the full cycle of care, and the creation of integrated practice units that provide seamless care to patients.

Traditional healthcare reform requires a top-down approach that depends on agreement among political parties and coordination among all players in the healthcare system. In contrast,

“Innovations similar to those pioneered in India are already working in the United States within the current regulatory environment by attacking the core problems of US healthcare..."

bottom-up innovations don't require large-scale reform; instead, they rely on smaller, more localized efforts that can be driven by individual health-care players, new entrants, and startups.

Disruptive business models in the healthcare industry founded on the principles of value-based competition are being driven by entrepreneurs and intrapreneurs who are developing new ways of delivering value to patients. They include organizing care by medical condition, delivering care through integrated practice units, using careful cost accounting and bundled payment systems, concentrating high-cost resources in centers of excellence, utilizing purpose-built IT platforms, and emphasizing prevention over treatment.

Innovations similar to those pioneered in India are already working in the United States within the current regulatory environment by attacking the core problems of US healthcare, namely cost, quality, and access. Examples include both established healthcare players and new entrants, such as:

- UMMC's telehealth model, which has been scaled geographically across Mississippi, across many specialties, and across hospitals, schools, correctional institutions, and homes.
- Ascension, which has saved hundreds of millions of dollars by leveraging scale and improving processes across national networks.
- Iora, which has taken its business model of doubling down on primary care to eight US states and aims to have one to two million patients within a decade.
- HCCI, which seeks to provide better access to healthcare for all Americans, particularly those who are underinsured or uninsured, by using technology and data to reduce costs and eliminate waste.

Innovations like these will hopefully trigger reactions in others, leading to a tipping point when the status quo becomes unsustainable, and the transformation of US healthcare becomes a sudden reality.

Original Works

Govindarajan, V., & Ramamurti, R. (2018). Reverse innovation in health care: How to make value-based delivery work. *Harvard Business Press.*

Govindarajan, V., & Ramamurti, R. (2013). Delivering world-class health care, affordably. *Harvard Business Review*, 91(11): 117-122.

Govindarajan, V., & Ramamurti, R. (2018). Transforming health care from the ground up. *Harvard Business Review*, 96(4): 96-104.

Location Effects of the UN Environment Programme (UNEP) in Nairobi, Kenya: Challenges and Opportunities

The Idea in Brief

In 1972, Nairobi, Kenya became the first developing country to host the headquarters of a UN organization, the UN Environment Programme (UNEP). UNEP's presence in Nairobi has increased Kenya's global governance stature. However, it has not fulfilled the promise of promoting greater input from developing countries. The location has posed challenges to UNEP, including security concerns, recruitment and retention of staff, communication and infrastructure difficulties, and the need for resources. Professor Ivanova's recent book about UNEP's first 50 years identifies practical ways for improving its effectiveness as a premier multilateral institution for addressing the grand environmental challenges of our time.

Kenya and UNEP

Kenya's bid for the new UN environmental body sought to bring equity and justice to the location rationale for UN bodies. The success of the initiative resulted in the first international organization to be headquartered in the Global South and was seen as a way for Kenya (and other developing countries) to gain more influence in the UN system. UNEP was created in 1972, just nine years after Kenya gained independence. At the time, the country was experiencing strong economic growth, foreign investment, and improved access to education and healthcare. Kenya also boasted a range of attractive landscapes from coastlines to snow-capped mountains, making it a desirable destination.

Since then, the country has continued to strengthen its economy, has become an attractive investment and trade destination, and advanced its human-capital base. However, Kenya has also

Interested in learning more about this work?
Contact Professor Ivanova at m.ivanova@northeastern.edu

been marred by security concerns and corruption, which hurt the country's attractiveness as a UN headquarters duty station.

Operational Challenges

From its inception, UNEP has faced operational challenges, many due to communication difficulties with the UN centers of power such as New York and Geneva, and with the capitals of major financial donors. In the first decades of UNEP's existence, distance did impact communication, a challenge that has now largely been overcome.

Originally, developing countries supported Kenya's proposal to host UNEP though many recognized that accessibility would not be simple or easy. Indeed, many developing countries still lack diplomatic missions in Nairobi, making it expensive and difficult for them to engage with UNEP. The lack of regular airport connections within Africa, coupled with restrictive immigration conditions, has made it difficult for developing countries to attend meetings. Recognizing the need for improved infrastructure and communications and leveraging the influence of the capital, Nairobi is becoming a high-technology, high-innovation city, which could attract more investment when its political and economic climate become more predictable and trustworthy.

The Impact on Kenya

Hosting an international organization is an honor for any city, and many cities vied to become the headquarters of the newly created United Nations after World War II. The decision of where to locate the UN headquarters was complex. While governments selected New York City for the UN headquarters, they also created UN offices in Geneva, Vienna, and Nairobi. International organizations play vital role in the local economies and have had positive impacts on their host cities. This relationship can be two-way, with host cities also shaping the manner in which an International Organization is set up and the culture it adopts.

Nairobi has become a center of gravity in East Africa due to the significant UN presence and proximity to the African Union in Addis Ababa. Seventy-five foreign missions and twenty-three international organizations are based in the Kenyan capital, influencing the nation's politics, policies, and economy. Kenya has also become an economic powerhouse in Africa, with significant global investment occurring in the capital city and rapid development of various high-tech sectors. The rapid rise, however, is also causing rising inflation for Kenyan citizens, crippling traffic while public transport remains inadequate public transport, and air pollution from the construction of new highways across the expanding metropolis. This is a very different Nairobi than the one where UNEP first settled in 1972.

In essence, the UN's presence has empowered Kenya politically, helping it become a leader in championing key causes. Kenya's ratification of multiple multilateral environmental agreements is partially due to UNEP's presence and influence. Kenya has also grown into the largest humanitarian hub in the region because of the UN's presence, and it has assumed a leadership role in creating the African regional governance architecture. UNEP's eco-friendly headquarters, opened in 2011, offer a showcase for sustainability in Africa.

Policy Implications: UNEP at the Crossroads

To date, however, UNEP's effectiveness continues to be hindered by its small staff and limited resources, as well as by constrained diplomatic representation of member states in Nairobi. As the environmental field has expanded, UNEP has become a competitor to other multilateral initiatives in this area rather than the coordinator it was originally designed to be. To address this, the institution must be supported to expand its resources and staffing levels. Additionally, UNEP's connectivity must improve by increasing its systematic engagement with both member states and civil society.

Important measures to this end would be to increase diplomatic representation beyond the 40 percent of UN member states currently represented in Nairobi and to create consistent connectivity with scholars and activists across the continent and beyond.

Location will remain a core factor in attracting staff and shaping infrastructure and representation. Nairobi can and should become an even more important hotspot of international environmental activity, where convening countries and conventions at the United Nations Environment Assembly take stock and plan action by mobilizing technologies for participants, establishing an online platform for global collaboration, and increasing diplomatic representation in the city. As the anchor institution for the global environment, UNEP must craft a space for influencers to consult and cooperate, to construct new coalitions, and to chart a collectively owned trajectory for sustainability. When UNEP becomes the convener, catalyst, and champion of the Earth it was designed to be, the planet and its inhabitants will be better off.

"Location will remain a core factor in attracting staff and shaping infrastructure and representation."

Original Works

Ivanova, M. (2021). *The Untold Story of the World's Leading Environmental Institution: UNEP at Fifty*. MIT Press.

Ivanova, M. (2021). At 50, the UN Environment Programme must lead again. *Nature*, 590 (7846): 365-366.

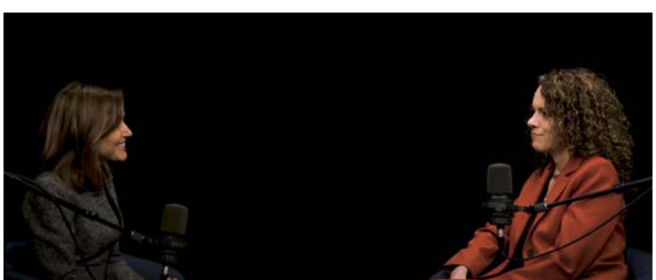
Ivanova, M., & Lele, S. (2022). Fifty years after UN environment summit, researchers renew call for action. *Nature*, 606 (7912): 30-30.

Recent Highlights at the Center for Emerging Markets

Vimal Kapur, Honeywell CEO, speaks during a virtual talk | 3.16.23

Srinivasan Family Award Recipient, Zachary Hoglund, presents on his organization at a campus global health conference.

5th Greater Boston Corporate Governance Workshop | 5.12.23



CEM faculty fellows, Paula Caligiuri and Valentina Marano, speak on International Business Today

The Center for Emerging Markets (CEM) at Northeastern University operates in three distinct areas, including a robust research agenda; educational activities for the next generation of leaders; and significant work to influence business practitioners. Here are some highlights from our work in Spring 2023!

Talk with Honeywell's CEO - Vimal Kapur

On March 16, 2023, CEM welcomed Honeywell's CEO, Vimal Kapur, and over 100 participants for a virtual talk on Honeywell's Global Strategy and High-Growth Emerging Markets, as part of its Vivek and Vandana Sharma India Initiative.

New Srinivasan Family Award Recipients

Through a gift from Venkat and Pratima Srinivasan, CEM provided grants to four Northeastern students aiming to address pressing global health and educational challenges in Ghana, Kenya, and Nepal. This is the third student grant cycle CEM has hosted.

Spring '23 Nardone Family Seminar Series

CEM welcomed nine academic speakers during the Spring 2023 Nardone Family Seminar Series, made possible by a gift from David R. Nardone, to share insights on topics from firm valuation to corporate sustainability.

5th Greater Boston Corporate Governance Workshop

On May 12, 2023, CEM sponsored the 5th Greater Boston Corporate Governance Workshop and welcomed over 30 academics representing 14 countries to share thought-provoking research and engage in interdisciplinary discussions on their work.

Faculty Fellows Featured on International Business Today Podcast

Eight CEM Faculty Fellows shared their cutting-edge research on International Business Today, a top-rated podcast in international business started by Northeastern's International Business & Strategy Group this winter.

309 Hayden Hall
Northeastern University
360 Huntington Avenue
Boston, Massachusetts 02115

cem@northeastern.edu
damore-mckim.northeastern.edu/emerging-markets/

Northeastern University
Center for Emerging Markets