



LEVELLING THE PLAYING FIELD: HOW INFORMATION TECHNOLOGY CAN HELP

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Sri Lanka, like its fellow island nations Singapore and Hong Kong, is advantageously placed on the traditional trade routes of the Asian continent. For centuries it has been a hub for shipping, tea and spices. However, it has not achieved the financial success enjoyed by its two fellow islands, which have since evolved into global powerhouses, regardless of their inferiority in area, natural resources and supply of labour. Obviously, the lack of these traditional success factors has not been a deterrent to their growth and world-wide acceptance as great places to do business in. If Sri Lanka is to capture even a small part of this recognition, we must identify the actual critical factors contributing to success in the international financial arena, and then attempt to use emerging and non-traditional technologies to leapfrog over the usual means to secure them, and so steal a march on the established players.

Financial Hubs Of The World

The ubiquitous online encyclopaedia, Wikipedia, defines a Financial Centre thus:

“A financial centre is a global city that is a company and business hub, as well as being home to many world famous banks and/or stock exchanges.”

(http://en.wikipedia.org/wiki/Financial_hub)

Currently, the top 5 financial hubs as per the Global Financial Centres Index (GFCI) (<http://www.zyen.com/long-finance/global-financial-centres-index-gfci.html>) are London, New York City, Hong Kong, Singapore and Tokyo. Closer to home, India can boast of Mumbai, New Delhi and Bangalore. In comparison, Sri Lanka only features in the financial pages as a cheap destination for conventions.

“Cost remains the biggest advantage for Sri Lankan tourism industry

Sri Lankan tourism industry had a distinct advantage over its neighbours in terms of cost of tourism services. The cost of tourism related services such as travel accommodation, transportation and car rental remained one of the cheapest in the region due to depressed demand for tourism activities in the country. Provided security is not an issue, the lower cost will attract tourists from price conscious countries such as India and Pakistan.”

(Euromonitor International - Travel and Tourism http://www.euromonitor.com/Travel_And_Tourism_in_Sri_Lanka)



The GFCI takes into account factors such as the capability and availability of a *skilled* workforce, the quality of business education in the country and the flexibility of the labour market – an area which Sri Lanka needs to rethink. Its Business Environment assessment takes into account factors such as the general ease of doing business – a subject which has drawn much comment. Levels of regulation and taxation, economic freedom and corruption also feature in this assessment. The Financial Market is assessed in terms of the volumes and values of the various stocks and bonds being traded and the clustering of financial service providers in the target area. Infrastructure factors such as real estate prices, availability of public transport, access to air and sea routes and other amenities are also evaluated. Economic factors affecting the General Competitiveness of the candidate hub, such as cost of living, quality of life, and economic sentiment, round out the criteria used in the ranking scheme.

Factors Favouring Establishment Of Financial Hubs

Z/Yen, the compilers of the GFCI, measure the suitability of a financial centre using a scheme involving three mutually perpendicular axes: Connectivity, Diversity and Speciality. Fortunate historical accidents and some technological advantages can also have a positive bearing on acceptance in the financial world.

- Connectivity - a measure of how well a Financial Centre is known and accepted around the world, and how well connected it is.
- Diversity - the range of industry sectors that exist in any financial centre. A highly diversified industrial ecology is considered to be advantageous in a financial hub.
- Speciality - this is a measurement of how deep and focussed industry segments have become. Their quality is also considered.

(http://www.zyen.com/index.php?option=com_content&view=article&id=23&Itemid=29)

As can be expected, the highest-ranked financial hubs are associated with a spectrum of industry which is both wide and deep. They boast excellent connectivity and are generally accepted as being the leaders of the financial world, although their relative ranking may be the subject of some debate.

Historical factors

Being a historical trading post with a monopoly on access to the vast Chinese market helped Hong Kong to evolve into a financial powerhouse, and being the capital cities of the countries with the biggest economic clout in the world seem to have been equally advantageous to London, New York City and Tokyo as well. However, cornering the market in tea, cinnamon and rubber seems to have only resulted in Sri Lanka (Ceylon then) becoming the target of a series of rapacious invaders, whose only interest seems to have been in how much of the country's wealth they could extract before being displaced by the next in line. Even owning one of the



finest harbours in Asia does not seem to have benefited this country much in its quest to be recognized as a local hub, although much shipping is serviced by the relatively small port of Colombo.

Technological Excellence

The traditional advantages of established business centres also apply – freely available and reliable public amenities, power, communications and public transport infrastructure, ready access to air and sea transport - along with any local speciality in the way of glamorous new niche industries and business-friendly regulations and concessions. Inhabitants of all the established hubs take the first few factors for granted, and these cannot be bettered for all practical purposes. This leaves the putative hub with the options of developing some local advantage not found elsewhere, or by bribing investors by relaxing regulations and offering concessions deep enough to excuse any other shortcomings that would work against it – a risky business, as lack of regulation has a tendency to lead to unpleasant consequences, and bribery often leaves the briber with too small an income to remedy the underlying ills that made it necessary in the first place.

Leapfrogging The Established Players

All the established financial centres have something in common – they all have significant supplies of wealth close at hand, the management of which have spawned entire eco-cultures of management and brokering systems. Indeed, the Qatar Financial Centre invites financial service institutions and corporates to *“share in the wealth of Qatar”*.

(Qatar Financial Center, <http://qatarembassy.net/Qatar%20Financial%20Center.asp>)

It would appear that we need to identify a suitable get-rich quick scheme of our own in order to qualify for the club.

Niche Industries

Needless to say, our search for financial gains has to take an ‘out of the box’ approach if we are to make significant gains against the field. Several niche industries do exist, which, although requiring substantial investment in facilities and training have the potential to yield large dividends.

- Nanotech – although seemingly an unlikely candidate for exploitation, this field is in fact favoured by the Government of Sri Lanka and in particular by the Ministry of Technology and Research. Indeed, the Minister is fond of quoting several success stories arising from applied nanotechnology – extraction of Titanium Dioxide from ilmenite is a favourite –
“Sri Lanka earns USD 8 million by exporting 80000 MT of Ilmenite from our deposits in Pulmoddai. Convert that into Titanium Dioxide and Sri Lanka can earn USD 124 million. Convert Titanium Dioxide to Nano Titanium Dioxide and you can earn 70-100 USD per gram!”



(SLINTEC website, <http://www.susnanotec.lk/2009/11/slintec-steps-in-to-take-sl-to-the-future-of-research-development-and-deployment/>)

- Genetech – another dark horse in the non-traditional technology race. It does not require acres of land, is non-polluting and has the potential to earn both by providing services as well as by providing training – which in turn provides a source of recruits of known quality at no cost.
- Clinical trial outsourcing – while some may harbour qualms at making money by experimenting on human subjects, this is a vital stage in the approval process for new drugs, and many life-saving cures have been found this way.
- Astrotourism? – and why not? The Spaceship One commercial orbiter is nearing trials, bringing the era of space tourism as foreseen by Clarke and others, one step closer. Most ‘developed’ nations have an aversion to playing host to novel types of transport (as demonstrated in the case of Concorde and others) so our less populated and flat dry zone may be a prime choice, with links into our already developing hospitality industry rounding out the ultimate luxury experience.

All the above, and indeed, most new technologies today, are heavily dependent on information and communications technology for their operation. There is no doubt that each of these fields will build around themselves a cocoon of supporting IT services tailored specifically for their requirements. A similar phenomenon is to be seen today with the boom in modern hospitals and their associated retinue of advanced bio-medical engineering and computing personnel. It is plausible to expect such specialisations to spring up around the new disciplines, and also supporting a more focussed and globally linked tourism industry as well, with resort-wide booking systems linking into international transport links and leisure planning systems.

Concessions

The best minds of both marketing agencies and their government counterparts tend to agree when it comes to inducing investment in a target area – regardless of whether it be industrial capacity or groceries. Discounts, rebates, concessions and one-stop-shops are the order of the day.

Given that these strategies are based on established marketing principles, the only real concern is how deep the discount offered, and how it is to be financed.

Providing the required infrastructure availability while absorbing the financial impact of reducing the charges which would normally be levied to support the same would strain the infrastructure unless effective measures are taken to improve its efficiency by the requisite amount. This restructuring will vary according to the sphere under consideration, but in most cases, the solution(s) will involve some degree of improvement in the information processing currently



being employed. Due to the rapid progress seen in this field, a certain amount of improvement is virtually guaranteed, especially if the processes are being reviewed after an appreciable length of time.

Ease of Doing Business

According to the *'Doing Business Project'* of the World Bank, Sri Lanka is ranked 3rd in South Asia after Pakistan and Maldives. However, our rankings on obtaining construction permits and paying taxes is close to bottom, and should figure high on the list of things needing attention.

Unfortunately, our ranking on the global index is 105th out of 183.

(<http://www.doingbusiness.org/economyrankings>)

Infrastructure Development

Effecting the improvements in support services demanded by modern industry and finance will also require heavy investments if the traditional approach is followed. As this a luxury not available to us in this exercise, more effective techniques have to be employed. Again, in many cases, this will involve heavy involvement of modern technology, which usually requires underpinnings of IT to make it all work together.

Capacity Development

At a time when the country is desperately in need of more and more trained personnel in many areas (and, for a change, due to local expansion and not merely to replace the losses to the ever-present brain-drain), it is a pity that the nation's tertiary education system and professional institutes are not displaying the type of ramping-up that will be required to meet the demand. Both in quantity and in choice of disciplines, our institutes are struggling to keep up with both the numbers and the subjects required. In a day and age where private tutories have embraced multi-floor lecture theatres with virtual tutors interacting with students via audio-visual links, it is disheartening to see the universities squandering their scarce expert resources in small lecture halls, faithfully following lecture notes unchanged for years.

Tele Presence

A quick and dirty solution to the dearth of expert teachers would be to repeat the material in real time to several selected extension institutes in all corners of the country simultaneously. Although there would inevitably be some loss in quality of education, this would not be critical for many areas of study where the students need to be introduced to the subject matter without significant interaction with the teacher – which is not particularly encouraged by traditional professors, in any case. The quality of the experience can be significantly improved by making the process two-way, and the required systems are in fact in use in many remote areas of the world, where there is no other option for supplying educational services to isolated communities – on small



islands, isolated villages and the like. The required technology is available and needs only to be utilised.

Re-orienting Training Facilities

A more significant challenge is the current practice of selecting students for various streams of study based not on their aptitudes or preference, but on the basis of a general examination whose main purpose is to limit the number of entrants to the education system – a sort of analogue to the arrangement of keys on the typewriter keyboard, which was selected, so we are told, to purposely slow down the typist's speed so the mechanism would not jam. We now need to re-think our approach to the education process, making the basis of selection of subjects more rational and goal oriented, and the entire process of implanting a useful and effective education in each young person's mind made both more streamlined and efficient. Keeping track of each child's aptitudes along his or her school career would assist in determining what would be the most appropriate future training to be given, as long as it is retained in a central database which can be queried as to each child's progress at any time, and which can also give feedback on what training facilities would be required to service their needs in the future.

Working Towards The Future

Needless to say, predicting the future is a dark art that many have failed at. In most cases, we find, in hindsight, our oracles have been lacking in imagination and blinkered by the preconceptions of their time. This is perhaps inevitable, and both science and Mother Nature have a way of throwing up jokers and wild cards which can totally alter the course of the game. However, technological progress has accelerated to the point that experimental systems are finding themselves in the marketplace in a few years.

Can A Virtual Hub Work?

Taking the concept of competing by thinking 'out of the box' to its logical extreme, we can conceive of bypassing all the traditional pre-requisites of an emerging financial hub altogether, and extend the concept of a virtual workplace to that of a 'virtual hub'.

Do we really need a large pool of trained professionals commuting into the city of our choice when they can make their talents available over the global network just as effectively, and for more efficiently? Being able to service a number of virtual employers in parallel will enable them to offer their services at far more competitive rates, and customers will in turn be able to afford a far higher level of expertise than they would have otherwise been able to. This would be just an extension of telecommuting, which has been promoted for a number of years now, albeit on a mass scale. This would require widespread and reliable communications facilities to be available world-wide, and we can see this coming about as we speak. Just as the internet suddenly jumped from being a network of universities and government institutions to a pervasive fabric



connecting televisions, refrigerators and vehicles as well as nearly every computer and mobile phone on the planet, we will probably take for granted that every person on, and off, this earth can be contactable from anywhere. Even now, providing this type of connectivity to a person with valuable skills can be more cost effective than paying for his transport and physical attendance at a remote location.

The Level Field

According to **Thomas L. Friedman**, the entire world is in the process of being levelled, so there should be no difficulty in conceiving of a financial arena flat enough for a new entrant to “... *service virtually any supply chain from one corner of the flat earth to the other*”
(The World Is Flat 3.0: A Brief History of the Twenty-first Century)

In the short to medium term, it appears that we can state with confidence that the inevitable adoption of information and communication technology on a global scale will enable Sri Lankan expertise to participate and significantly shape the structure of world financial matters – the establishment of Sri Lanka as a strong brand name in the relevant markets will ensure that regional business will gravitate towards us to form a cohesive hub.

In the long term, however, it seems inevitable that the flattening process will progress to its logical conclusion and the financial world will become truly level, with power and significance devolving to the smallest units, which in turn would link up to form a flat and uniform single hub of global proportions.