

A Paradigm Shift in Civilizational Relationships: Banyan Tree Chairman

The world is witnessing a paradigm shift in civilization relationships between East and West towards the equalization of the global power balance. This was the message conveyed by **Mr. Ho Kwon Ping**, Executive Chairman of Singapore's Banyan Tree Group in his Keynote Address at this year's Chinatrust Economic Forum held in Taipei, Taiwan on October 5, 2009. The Forum focused on the theme – "The Future of Capitalism: a Paradigm Shift in a New Asian Civilization"

The China Example

Mr. Ho said that China's rapid and sustainable economic development, coupled with the rise of the middle class and the intelligentsia, is the best example of a modernizing civilization doing so outside Western socio-political norms.

Against the backdrop of globalization and technological advances, non-Western cultures and societies are increasingly strident about asserting their own identities, striving for their place in the sun. The challenge facing all of us is to overcome hubris to manage enormous mindset differences in a world more physically integrated than ever before," Mr. Ho stated.

Communitarian Capitalism

Chairman Ho observed that as East Asia emerges as a major economic region, it should forge a new kind of capitalism rooted in its own traditional value systems, different from the Anglo-American variant and its highly skewed risk-reward system. "Communitarian Capitalism" can be an Asian form of ethical wealth creation, at its heart the shared sense of prosperity that puts community interests before profit, he said. While there are criticisms of such capitalism, the flaws only make more urgent the need for Asian thought leaders to engage in debate as to what a neo-Confucian, communitarian capitalism actually means.



Asian Dilemma

At the same time, China's growth has resulted in The Asian Dilemma, which sees the cause of Asia's civilizational ascent to be also our biggest challenge. Mr. Ho further noted "Not only has China embraced every level of high-volume manufacturing, it also has ambitions to be a major R & D centre, and is developing the necessary brainpower, as well as intellectual and research infrastructure, for this undertaking. Despite problems of transition, there is no question that China will become within the next decade, a global economic and political power with impact on every single company in the world."

Asian Long-term Challenge

The dilemma for Asian companies is that they will be both threatened by, as well as benefit from, China's growth. The Chinese demand for raw materials, for intermediate and final production in a procedure, is almost insatiable, and probably everyone has benefited from the Chinese market.

According to Morgan Stanley, China's high-volume and low-valued production is in fact a threat to the manufacturers in the region. Morgan Stanley estimated this phenomenon has caused the annual growth rate of Southeast Asian countries (Taiwan included) to reduce 3 to 3.5 percent. This trend will continue for the foreseeable future.

It is therefore up to Asian companies to confront the challenge, and the opportunity, to develop into global niche player that does not play to Chinese companies' core competencies in conquering the domestic market. "We must look beyond cost advantages

and quickly create brand capital to own our customers, in order to remain competitive and attain long term sustainability," he said.

According to Mr. Ho, for Asian companies to enter the Chinese market, they must face strong competition from the local Chinese companies. Thus, Mr. Ho suggested that Asian companies must be created based on the global market positioning. International branding must be build to capture the global market so as to maintain competitiveness and achieve sustainable management.

The Banyan Tree Group

Singapore's Banyan Tree Group, a listed company and worth about US\$1.2 billion, currently operates 35 five-star resort hotels, 70 spas and retail galleries in all continents other than South America and the Antarctica. The company currently employs about 10,000 people from 50 nationalities and 10 senior executives from six different countries. Since its inception in 1990, the company has received more than 450 international awards.

Mr. Ho said that prior to adopting a brand name, his family business he took over was basically a contract manufacturer or trading agency.

Mr. Ho realized that he had to possess a proprietary advantage, and since he was not technologically inclined, the only alternative was to build a brand which was not only sustainable, but could grow beyond Asia in the global market.

Through the experience of Banyan Tree, the Executive Chairman learned the following strategies:

1. A successful brand is a prerequisite for success.
2. Building a global brand, not just a regional brand, is a must.
3. A global brand must be global in culture and mindset.
4. The sustainability of a brand depends on customer loyalty, rather than the price to achieve its competitive niche.