

Globalisation is Dead; it is Hubanomics Today

by
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When you find a new shop, clad in neon-light sign board called "IT Hub" in the city or a mall, named 'Gadget Point', think of the predicament of that so called "leveller" during Rajiv Gandhi era. Things have changed. You are introduced into a major paradigm change. IT is no more the global connect; it is a tool that facilitates 'hubs' of economic activity to function. We speak much less of "rural connectivity today; more so, the catchwords are, "smart cities" and "start-up hubs". What does it all mean?

Emerging Production Structure and trade

Three overarching developments have been cited to be major impacts on the global economy today: 1) the re-shoring of production to the developed markets, from off-shoring, which was characteristic of the active phase of globalization; 2) the growth of the intra-regional trade and hubanomics. What do these changes signify?

While in the first phase of globalization, ie. pre-1990s the substantial differences in labour cost was conceived to be the major driver of off-shoring. The process has been reversed because of the diminishing labour cost differences. Moreover, intra-regional trade growth is happening because of emerging city states. More recently, governments of the advanced Western countries are promoting investment parking in identified growth centres, rather than investments abroad. Another reason for promotion of investment parking, is the enhanced quality consciousness of the home countries. Such hubs have emerged in different parts of the world, such as Silicon Valley, Chile etc.

Another line of argument relates to enhanced customization of products. The argument is that customization must be done close to the market, or else the benefits are lowered by slow delivery times and extra cost.

Hubanomics : The Emerging Global Paradigm

What is the emerging scene in global trade and investment today? An understanding of this emerging scene is critical for having a comprehensive view of the prospects of SMEs, as also of their economic surroundings. According to Adam Burns, a dynamic mix of re-shoring, intra regional trade, and a new paradigm called "hubanomics", form the emerging global business model today. The conclusion by Adam Burns is based on the phenomenal growth of knowledge companies like Google, Apple, Facebook and Amazon during the last two decades. Such companies created a technology wave and competitive landscape, which according to Burns, forms the next stage of the Industrial revolution.

The above line of argument indicates that, beyond the 'New Competition' and its strategic corollary called 'flexible specialization', globalization is becoming increasingly choosy on the

flow of investments and location decisions. Rather than looking for the cheapest of destinations, investments increasingly tempt to get located in some 'regional hubs' having more than one advantage than just "cheap labour".. The unifying factor for such regional convergences is knowledge and skills. Therefore, regional trade hubs, creativity hubs, innovation hubs, and manufacturing hubs, all capitalized on the power of specialized, clustered knowledge and talent. More than simple "supply and demand", hubanomics is the new phase of globalization.

Hubbing Strategies

Within the emerging paradigm, as above, global corporations themselves have their particular strategies. For example, Diageo, the world's largest producer of spirits, has its own logistic hubs, where the Company does customization, centralizes its inventories, and reduces its stock holding. Astra Zeneca, the pharmaceutical giant, claims to have three types of manufacturing facility: 1) Global Sites from where products are launched all over the world; 2) Regional Hubs in China, America, and Europe, from where operations take place once a particular scale is reached; and 3) Market Access Sites, meant essentially for overcoming specific regulations and rigidities in particular countries.

The experience as we have in 2016, is one where every business has a tendency of operation based on a hub. The operational strategy involves three stages: 1) harmonization; 2) standardization; and 3) movement to the hub. For most multinational companies, their business strategy proceeds on such a three stage approach.

The Global Trends Report 2014, (**Malnight and Keys, 2014**) proposed the term 'hubanomics' as a trend characterizing the global business in the future. This theory argues that global business will be increasingly distributed both in terms of production and consumption. This implies that, there need to be new business models to deliver local value through such hubified activity.

The notion of a 'hub' is a key delivery and conceptual model that will assist the development and delivery of a company's global engagement plan and its ambitions. According to Andrew Coulsun, CEO, Dimensions Data, ' what we provide is not totally unique, so what we do, do it, make the critical difference'.

New Economy 'Flexible Specialisation'

As production and consumption get increasingly more distributed, the regional hubs will characterize the next wave of globalization. These hubs will specialize to support the needs of growing regional trade, emerging city states, online communities of choice, and the next generation of flexible workers and entrepreneurs. From the point of view of development of enterprise and entrepreneurship, this emerging trend has much significance. The concept of 'hub' is that of a vibrant centre of knowledge, art, science, politics, technology, religion, skills, exploration, and economic growth that would lead to the development of hinterland around them.

The world economy is turning to be increasingly multi polar rather than as power blocks. A major facilitator of such a trend has been the enhanced role of the new economy, facilitated by the micro electronics revolution. Multiple mega cities are going in many countries. R&D hubs are sprouting globally, which in turn move closer to the needs of different markets. On lines of the Silicon Valley, several such models have been replicated around the world. This is the essence of the theory of hubanomics.

From the point of view of public policy, there are several challenges and opportunities offered by hubanomics. The challenge for businesses, governments, and communities is to develop new ways to tap into the power of specialized and clustered knowledge and talent, to position themselves for success and long-term advantages. It also implies that new models of business and governance need to be developed in tune with the emerging paradigm, in such a way that global assets and hub's strength can contribute to deliver local value.

Lessons for India's Manufacturing Ambitions

Against the emerging paradigm at the global level, India's experience stands out. In the global geo- political formation, India adorns a significant place as leader of the BRICS group. While half of the world's population lives in cities today, and which again is estimated to increase up to 70% by 2050, according to the WHO, India would continue to have a significant share of the global pie. In the world of hubanomics, urban hubs have become playgrounds where clusters of specialized talents, skills, and knowledge congregate, attracting more and more people and businesses, as they reach critical mass. While in the 1970, there were just two megacities (Tokyo and New York), with ten million or more inhabitants, today there are 23 mega cities accounting for 9.9% of the world's urban population. While Asia has the largest number of mega cities, thirteen in 2011, India along with China are moving fast to grab a leading position in this regard.

India's fast urbanization process has been augmented by public policy. The country has launched a massive program of developing 100 Smart Cities. While the Smart Cities program in India is ambitious, it is important to critically analyze the components of the Program. While the program involves a significant thrust on infrastructure and quality of life, especially with focus on connectivity, there still remains doubts on the perspective relating to the role of businesses. Do we have a vision of congregation of businesses, both in terms of their potential, on the one hand, and carrying capacity of the cities on the other ? Tokyo is by far the leading hub with more than 600 large companies, Does India have a picture of a similar business spectrum in the urban spatial context ? This is a critical question that needs concrete analysis from the point of view of policies and strategies.

India's industrialization perspective, since Independence, has been focused on a two-pronged approach: 1) providing employment opportunities; and 2) taking such opportunities, to the extent possible, to the villages, in such a way that industry can be used as a tool for achieving equity objectives. This kind of an approach has significantly contributed to the growth of a large number of semi-urban centres, which provide a

significant space of SMEs in the country. This raises, some fundamental questions on the role and potential of SMEs in the context of the 'Smart Cities' project.

Urban Planning Means only Spatial Planning !

Conventionally, in many countries, as also in India, the task of urban development and planning is a subject that has been handled by urban planners. The tools and techniques of urban planning involved essentially the aspect of space utilisation, rather than functional spacing. This implies that the subject of planning infrastructure and settlements were the essential concerns of urban planners, whereas, the task of activities relating to local economic development were left to the bureaucrats. Nowhere in urban planning exercises, aspects related to Economic Governance appeared as a serious subject.

Given this historical context, it is important to examine the constraints and opportunities of SME development in the context of urbanisation in India. The urban space management involves not only settlements, but also economic activities that can sustain the people of these settlements. The urban space is inhabited by both the rich and the poor, having their specific approaches and perspectives on income opportunities. In the case of wage earners, the state has only the limited responsibility of providing infrastructure. However, in the case of the self employed, it is necessary that the state has to provide the necessary ecosystem for enterprise and entrepreneurship to sprout and grow. This is because, self employed has a potential of contributing to the local economy incrementally and sustainably.

The above discussion leads us to the need for an Urban Development policy and strategies that takes care of facilitating an environment for sustainable enterprise development. Under the paradigm of 'hubanomics', it is important that the urban space is constantly modernized and maintained with an appropriate infrastructure and environment for the growth of economic activities as well. As per the existing Urban Development policy in India, the urban space is largely earmarked for human habitation, and not for entrepreneurial activities. In fact, the process of urbanization in India has been the outcome of sporadic clusters of habitations, gradually turning into an extended city space. This implies that, the industrial settlements, such as, Industrial Estates and Clusters, that were earlier located in the rural areas, over time, became part of the city or the urban agglomeration by an annexation process. Urban Development policy was often tuned in such a way that, over time, many of these industrial settlements were evicted, and were forced to move towards the periphery i.e. mostly semi- urban areas. This, naturally implied chaotic urban planning, which was often difficult to be reversed.

Beyond urbanisation, there is also a need for protecting and preserving the agricultural space, that can meet the food related requirements of the urban population. It is important that the land policy of the country is tuned to this, ensuring connectivity between the urban and rural areas. Between the urban hubs, on the one hand, and the agricultural space, on the other, the opportunities of connecting hubs, small and large, on a wheel and spokes style, need to be explored. These Industrial Corridors are an important infrastructural tool for securing hubonomic advantages.

'Make in India' is a highly visible national campaign mode initiative which needs to be translated into action at two levels: on the one hand, there is need for attracting foreign investments into the country. While foreign investments are likely to make a visible impact, those large enterprises also need subcontracting linkages and service delivery, which has to come from the SME sector. It is important to have a prior knowledge of the SMEs and their capabilities, while planning for the proposed Smart Cities that would attract such investments. The implication is that, unlike the present pattern of urban planning, there is need for a focus on effective economic governance alongside. The techno-spatial aspects of SME growth in India, therefore, necessitates a closer understanding and review. It is against this context that India's SME growth experience need to be understood.

For SMEs, the emerging paradigm offers both opportunities and threats. On the opportunity side, there is a possibility of reaping benefits through spill over effect of the hubs. Governments will have to increasingly play a catalytic role in helping SMEs to tap such benefits. Strengthening business development services, and creation of a social capital base can help to improve the situation. On the side of threats, knowledge remains too difficult to be accessed by the SMEs. Technologies become increasingly disruptive so that, by the time a new technology is adapted it becomes obsolete.

Hubs and the Periphery : Peri-Urbanism.

Cities have always dominated India's settlement patterns and its economy. This is evidenced by the continued drift of capital and labour to the faster moving urban environments from villages, far and near. The nature and physical manifestation of regions continue to change. In spite all that, peri-urban expansion theories prove inadequate to explain the changing patterns; however, peri-urban regions of almost every city, especially the metropolis, are now gaining relative importance and adding new dimensions to the region as a whole. The developmental approaches bring into question locational trade-offs and interactions between existing and emerging nodes, as they evolve. A realistic definition of what constitutes 'peri-urban' areas in such a spatial layout is difficult to establish. As a practical approach, the concept needs to go beyond the traditional definition of simply being the edge of existing development stretching out from a single node and rather to describe it as the balance of any region outside the existing principal centre. As such, the dynamic mixture of residential and commuter zones can come together with the recently created 'activity nodes' which is quite different from the traditional centre. Each region is different and presents different characteristics, which depend on the extent of amalgamation of the cultural and economic backgrounds of the adjoining urban and rural areas. Peculiarly enough, peri-urban development as a definite planning process receives less importance compared to the urban and rural development exercises. This mezzanine floor derives its importance not merely as a buffer zone, but also as strong economic link between the two. While, on the one hand, the peri-urban areas pose as potential add-ons to the proximate urban areas, mostly for revenue consideration of the town municipalities and on the other as the nearest dump yard for the labour and municipal waste. The urban spill over has been creating haphazard and unplanned development as a consequence of migration of people from both sides, particularly those who could not find affordable domicile in the cities, and rarely those who wish to escape from the city's pollution. Some States in India have

ventured into relocating urban activities to the peripheral regions, though with insignificant success. The prime reason for the apparent failure is inadequacy of incentives for such relocation.

Peri-urban Business Opportunities

The major industrial units in India, traditionally, were established outside the then city limits have over the decades grown into urban centres and most of them got merged with the nearby urban areas, also giving rise to newer peri-urban areas. Population residing in urban areas in India, according to 1901 census, was 11.4%. This count increased to 28.53% by 2001 census, and 31.16% in 2011. According to a survey by UN State of the World Population report in 2007, by 2030, 40.76% of country's population is expected to reside in urban areas. Most of the research on economic development anchors on the premise that urbanization is the key for reconstructing the entire economy, as it changes the sectoral composition of output, income and employment and that progress more or less depends upon the advancement of urban economy, which rides on the expansion of industrialization in the country. The peri-urban space and its enormous potential to contribute to the economy and welfare of the country receives very little attention.

While relocating large industrial units from their present stations in the cities is not always a practical solution; incentivising start-ups in the rural and peri-urban areas should fetch good results. What the start-ups are looking for is not a fractional financial support, it is more of infrastructural support and commutation facilities. Though administrative and marketing activities can be carried out remotely with ICT facilities actual product delivery needs efficient physical communication system.

While locating industrial and commercial units in the rural environment could have been ideal as a spatial distribution strategy, the discouraging progress so far made in this direction, coupled with the comparative remoteness of the villages from the cities in relation to the proximity of the peri-urban areas, it would be more workable as a non-farm solution if peri-urban destinations are given their due place in the economic development. This would eventually lead to urbanization and smooth annexation with neighbouring cities and towns, subject to the city size constraints. The resultant effect could be gradual urbanization of the rural areas enabling maintenance of the rustic character, at the same time making available urban facilities close by.

Recognizing these needs and constraints, ISED-Small Enterprise (ISED-SEO) Observatory conducted researches to identify a few activities which the Start-ups may be encouraged to establish in the pre-urban areas. Basic criteria for search were (1) the need for clean pollution free surroundings; (2) easy access to delivery destinations; (3) reduction of spatial congestion and (4) ease of providing the essential infrastructure. The following are a few examples of items identified by the Observatory: (a) gold, silver and artificial jewelry workshops; (b) automobile and auto rikshaw workshops for major repairs including spray painting and upholstery work; (c) metal fabrication and other construction materials including marble cutting, wood processing and prefabrication; (d) commercial food processing, including grain milling and pulverising, other than mini units; (e) Food trucks.

While the other forms of activities are already well known, we would like to elaborate on the Food Truck Business which is just making an entry into our eating out culture. This calls for two simultaneous strategies in relation to production activities and a distribution system.

The Concept of 'Common Kitchen'

This is a new concept which has very recently entered the Indian food distribution scene. We are already familiar with the 'Dubbawala system' of meal distribution in Mumbai and the 'Moira' (Sweet meat) shops of Kolkata. In the yester years, food such as lunch and breakfast items and sweet meat used to be prepared at restaurants and moira (halwayee) outfits, including wayside dhabas and similar joints, all over India, which in particular, catered to the people of the lower middle class, work men and travellers. Most of the items were made instantly. This culture is now giving way to a system of mass production at homes or large kitchens and distribution through delivery networks. Even items like Biryani, baked items like cakes and pastry and traditional sweet meat which were once famous for their quality related to particular chefs at specific bakeries and restaurants, have ceased to be so and have gone into distribution chains. Both individual cooking and mass cooking systems are susceptible to public health issues and non-standard qualities. Municipal regulations concerning hygiene and pollution do not penetrate into households operations.

The ISED-SEO found commercial kitchens as a healthy alternative. The system can be envisaged to work at two levels; first, enterprises undertaking production of food items and delivering them to the eateries and the so called bakeries (ironically they do not bake any longer); second, establishing common kitchen facilities which can be rented out to intending food makers on a time share basis, in order to keep costs low, where full time use of kitchen is not demanded.

The Food Trucks - Business

Transport, delivery and dispensation of food, hygienically and without loss of quality or taste, is important in the culinary business. As it is observed everywhere in India, where there is a gathering of people, say factories, schools, officers, tourist spots, bus stations, railway and metro stations, food stalls of various kinds work. Common characteristics of these outlets are: (1) The food is not prepared instantly on demand, except tea or some snacks; (2) the serving utensils are far from being clean; (3) the food tends to be cold, lack lustre and contaminated (only the high level of immunity of the Indian body temporarily withstands them) (4) there is no standardisation of quality, quantity or price either of the food and its ingredients or where and how it is served; and (5) occasionally stale. Street food vendors invariably use equally unclean push carts to carry their products and to dispense them from. While food regulations, in respect of the packaged items prescribe exhibition of ingredients, dates of manufacture and of expiry, calorific values and MRP on every packet, including the premises where they are processed or made, prepared food sold in the open does not have any restrictions. On the one hand this discourages health conscious people from using the services, while on the other, others are forced to accept whatever is provided out of sheer necessity. Food trucks offer an alternative, firstly by ensuring that food is packed in deliverable units, Secondly the packets are transported in trucks fitted

with heating arrangements in order to maintain quality. The food trucks are generally specially designed for storage in transit, and to be used as vending stations. They are parked in convenient places where the individually packed parcels can be picked up by the customers. The trucks will have in-built food warming and chilling devices. They will also have a waste collection system whereby the garbage is taken back to the common facility for disposal.

The twin system of Common Commercial Kitchen and Food Trucks can be seen as a logical extension of the 'cluster approach', which is a collective efficiency approach. As the peri-urban areas could offer sufficient, cheaper than the city land space, large enough kitchens can be established with multiple, individually accessible, facilities for storage of food articles, cold rooms for perishables, pre-cooking commercial size preparatory equipment, and cooking media, besides providing common purchase of ingredients or establishment of contributed commissaries for groceries and other requirements. One of the very common issues raised by the moiras had been the lack of facilities for hygienic packing, most of them resorting to plastic bags and used news paper, both of which may carry chemical and biological contaminants. Common Commercial Kitchen, when properly organized, can provide mechanised packaging facilities which can be shared by the users.

Other common facilities can, and shall, include facilities for incineration or conversion of the waste into power for the kitchen; vehicle parking yard with facilities for cleaning, washing and light maintenance; solar panels for power generation for the kitchen, vehicle parking yard, and the adjoining human settlements. The common commercial kitchens when established on larger or contiguous area will automatically open up opportunities for the surplus rural workforce who would otherwise throng about the city for work. There will be a relocation of the people already in the food business in the cities, including the cooks, kitchen help, delivery personnel, drivers, cleaners, and even street vendors, if encouraged with decent work and accommodation. This, in turn, will call for developing the surrounds as residential areas in order to rehabilitate the displaced population.

The Common Commercial Kitchens can be used as demonstration and hands-on training centres by Catering schools, mass production facilities for schools, colleges, charities, festivals and marriages by chefs and sponsors much economically. Such uses may also provide additional revenue to the Kitchen.

The advantages arising out of the system can be listed as (1) relieving the city from the pollution and haphazard and unhygienic activities ; (2) make clean and healthy food available to the people; (3) build a health-conscious population; (4) encourage a culture of healthy eating out at affordable cost; (5) development of properly planned residential and consequential commercial areas into viable townships and (6) above all development of a unique non-farm business culture which will encourage local economic development on one hand and provide entrepreneurship opportunities to the rural population.

The Observatory has initiated a comprehensive study to develop a viable food truck business and its cost benefit analysis which can be used as a model by the intending development agencies and entrepreneurs / start ups. More details: Business Development Services Unit , Institute of Small Enterprises and Development (info@isedonline.org).

Implications for Public Policy

The emerging paradigm of 'Hubanomics' has significant implications for public policy in India. First, the 'rural' versus 'urban' focus of public policy need to be reinterpreted. Secondly, the employment orientation of policy need a reorientation in favour of the multiplier effect of employment, rather than tagging employment with other objectives, such as 'rural development' and 'gender'. Thirdly, the focus of policy, hereafter, need to be on tapping the 'time' advantages, where disruptive technologies lead to the phenomenon of 'redundant labour' day by day.

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