

OCTOBER 2008

Khazanah Megatrends Forum 2008

- Firms & Transformation:

*“Where the Tire Hits the Road:
What It Means for Firms”*

Iqbal Khan, Fajr Capital

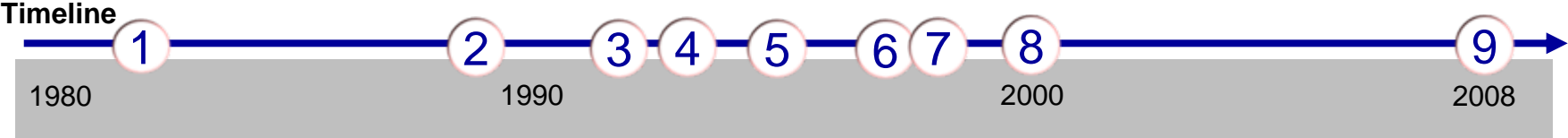
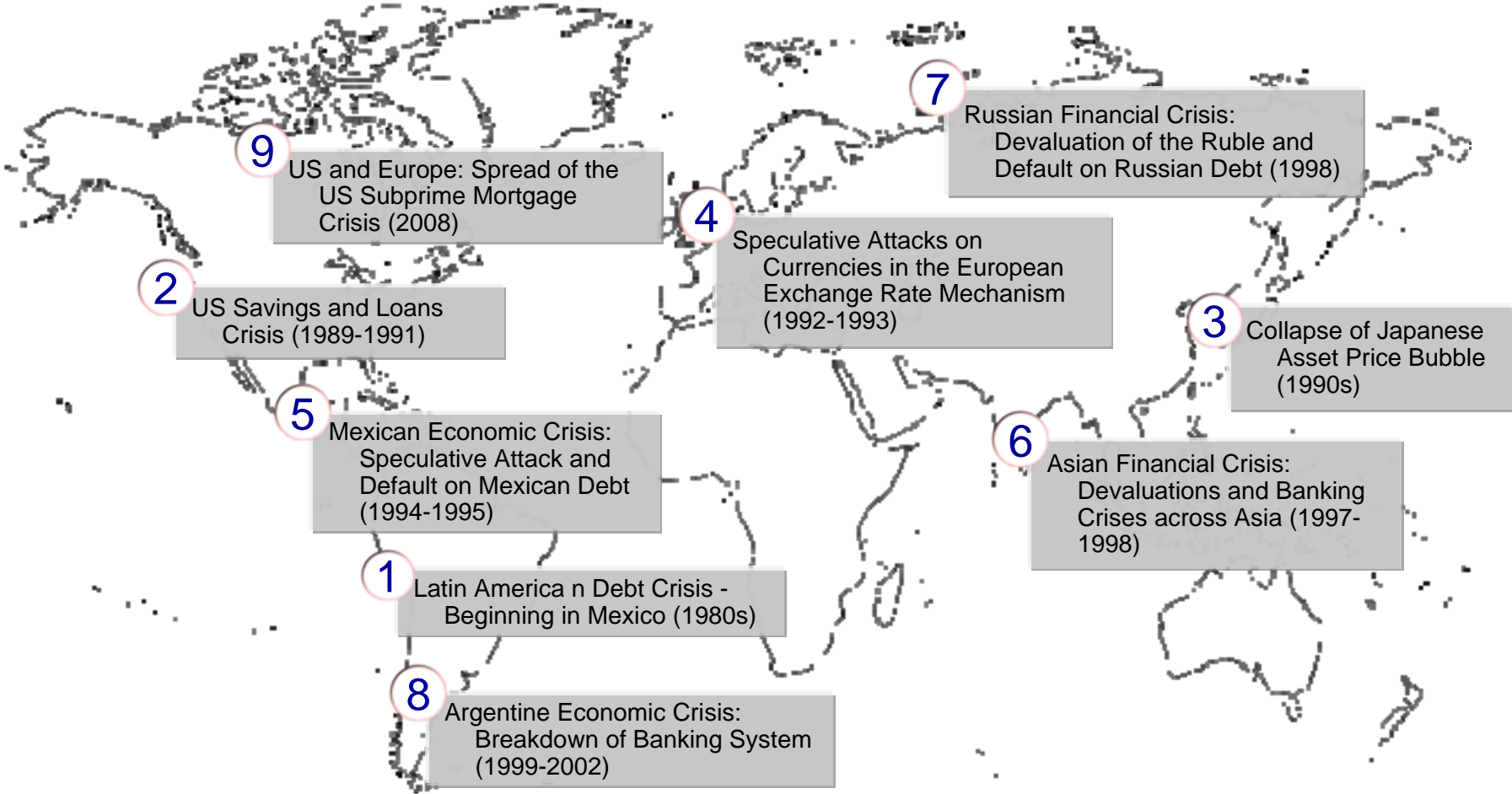
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The global elite is underperforming

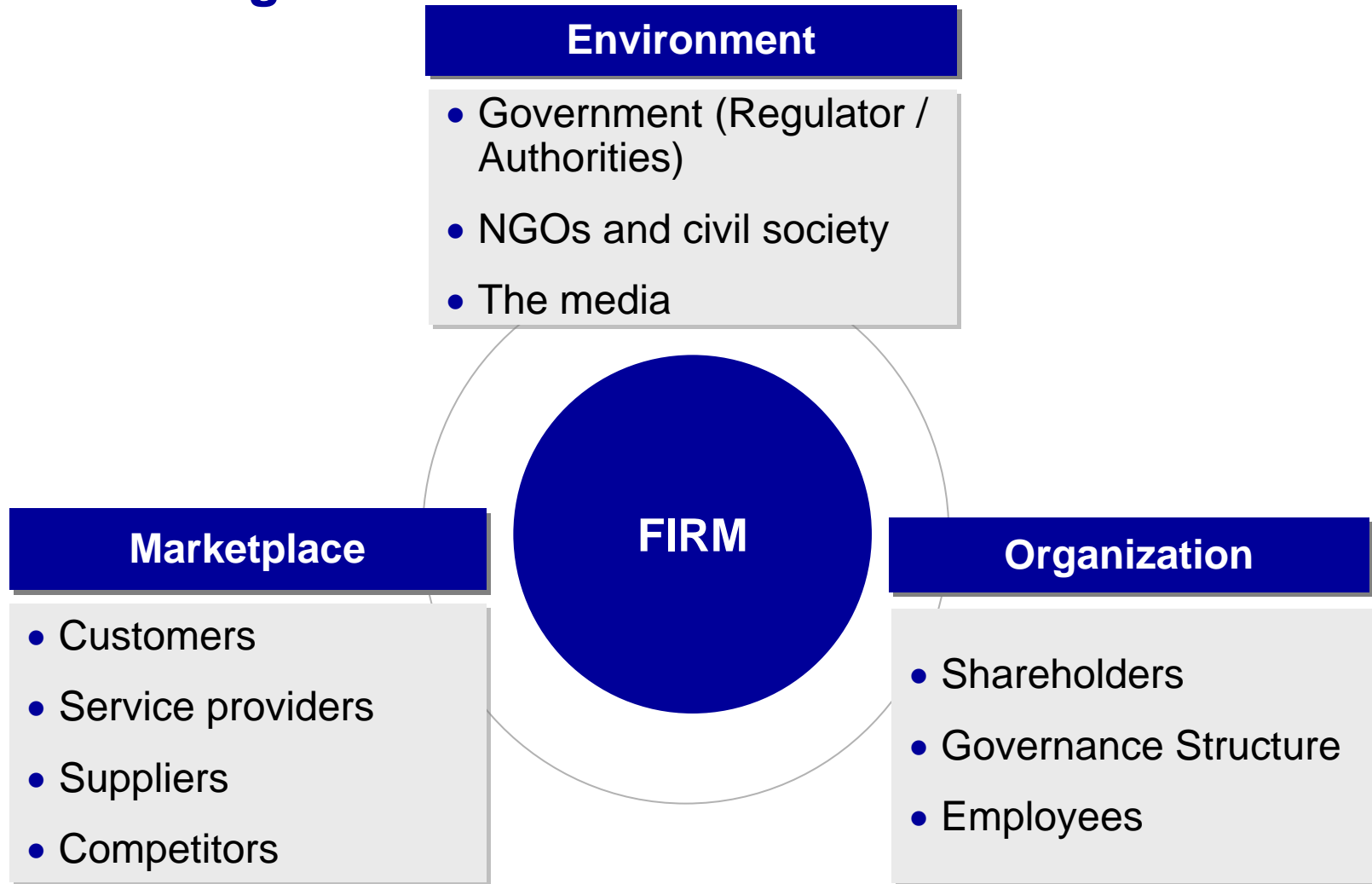
“Seven major crises in 20 years ... that is not good enough.”

(Larry Summers, Former US Secretary of the Treasury)

Major financial crises since 1980



Stakeholders: Their expectations of firms are transforming



Firms must be solution-oriented and agile

Attributes of winning firms (I)

- Stewardship mindset: public-private sector partnership
- CSR leadership and authentic contribution to the community
- Working with NGOs and media
- “Seeing what is next”: the ability to create leading indicators

Attributes of winning firms (II)

- Customer focus and understanding of market needs
 - Customer-facing leadership, not product driven approach
- “Co-opetition” approach and proactive collaboration with competitors
- Market focus and depth, rather than breadth and presence
 - “Vertical” strategies, not “horizontal” strategies
 - Meaningful market share, not “planting the flag”
- Drive towards greater simplicity
 - Progress in thinking is progress towards simplicity
- Far sighted firms will focus on markets of the future
 - Market size, economic strength, and growth prospects

Illustration: Markets of the future in the OIC world

Algeria

- Current Population: 34 million
- Population Growth: 1.22%
- GDP (PPP): USD 225 billion
- GDP per Capita (PPP): USD 6,538
- Known Energy Reserves: 12 billion barrels of oil (~1% of world's reserve)

Saudi Arabia

- Current Population: 28 million
- Population Growth: 2.06%
- GDP (PPP): USD 555 billion
- GDP per Capita (PPP): USD 22,851
- Known Energy Reserves: 260 billion barrels of oil (~25% of world's reserve)

Source: IMF, CIA World Factbook, Oil & Gas Journal

Far-sighted firms will expand into markets with human and financial capital

Attributes of winning firms (III)

- Vigilant corporate governance with high fiduciary standards
 - Embracing shareholder activism as part of model
 - High fiduciary standards as competitive advantage
- Modular organisational structure and fluidity of resources
 - Allocation of resources based on market opportunity
 - Virtualised, highly agile organisation
- Human capital as greatest opportunity... and challenge
 - Talent advantage and enabled organisation typical to sustained success
- Strategic investment in talent
 - Fostering talent in bear market enables future growth
 - HR can cut peripheral expenses but must continue to invest in talent

Some changes are immediate, others are long term

Immediate

- Government intervention in financial services
- Forced de-leveraging of individuals, firms, and governments
- End to “easy” credit
- Transformation of executive compensation model

Long Term

- Regulatory reform of financial services industry
- Greater real economy impact
- Performance measurement based on transparency and value creation
- Inflationary pressures remain on basic necessities

This transformation is both a challenge and an opportunity

THANK YOU