

the 6th WIEF

With the world finally seeing the light at the end of the tunnel of the worst financial crisis in decades, it is imperative for the echelons of businesses to seek for new directions.

“The New Game Plan: Thriving in a Post-Crisis World” forum attempted to achieve just that by getting insights from some of the brightest minds on the planet on solutions to deep-rooted problems in our post-crisis world.

TAN SRI AZMAN MOKHTAR
Managing Director
Khazanah Nasional Berhad, Malaysia

To be frank, I'm not sure whether we are already in the post crisis world, but let's assume we are. Obviously, the overall growth has been slow.

When we talk about the new game plan, one has to go back to basics. The new game plan has to take into account some of the seismic shifts as a result of the short “heart attack” that the world has last year. One of it is the greater pronunciation between those who have capital and less capital.

Recently, there was a gathering of central bankers and corporate fund managers in which Khazanah participated and the lessons of the crisis learnt from the gathering are as follows:

- The real economy is more important than the financial economy
- From an investment standpoint, a bird in hand is more important than the bird in the bush. Even then, birds in hand are not created equal. Those that lay eggs are worth more. In addition, cash is king and hopefully in the right currency.
- The function of money is as a medium of exchange, and one is not supposed to make money on money.
- With regards to the fundamentalism between state capitalism and market capitalism, both ends should be rejected. The answer is somewhere in between because both states and market can fail, as very spectacularly we saw in 08/09.
- We are all human, and as human beings we

are prone to being forgetful and excessive.

To thrive, one has to survive. The fact that many in the OIC world are following the principles of shariah, which generally is conservative banking, should put us in a good position. It is also crucial to have big pools of wealth in capital and strong demographics.

If Islamic finance is the basis of our financing equation, then it should cater for the infrastructure needs of the middle class population which is rising. Being in the right neighbourhood also has its privileges. Take Malaysia for instance. Our country is well connected with North Asia, South Asia, within South East Asia and the Middle East. Therefore, in terms of geographical alpha of investing, Malaysia is the place to be.

If we look at sectoral alpha, clearly infrastructure is prime, but we also see an 'A' alpha, which is a mergers & acquisitions alpha.



“ I remember fighting with the EPL to sponsor the red card. So when Wayne Rooney is sent off, you can see the red card with the AirAsia.com logo on it. ”

- Dato Sri Dr. Tony Fernandes

Thriving in a Post-Crisis World

By Priya Rama

Country consolidation is very interesting during these seismic times. When consolidated, the dynamics of say a 5-player market suddenly becomes a 3-player market. Changes are dramatic. This phenomena is seen everywhere nowadays.

Furthermore, collaboration is the name of the game today. Intermediation is a sham, something that the 2008/2009 crisis had shown. As such, long term capital holders like ourselves, not just sovereign fund managers but also the likes of pension funds from Canada, are beginning to align together and investing more directly into the real sector.

Speaking of Malaysia, it was relatively easier to handle the recent crisis as we had already experienced a similar crisis earlier.

How we survived the Asian Financial Crisis and thrived was by introducing capital controls, which IMF has acknowledged as the way forward, albeit grudgingly. Even Germany has declared that capital control is good. Our cost of financial sector restructuring is at 2.6% of the GDP, which is a world record. The norm was 20% to 30% in countries thriving strongly like Korea and Indonesia.

In summary, what's happening globally results in problems that are serious. As such, we need a global solution like a collective action and international financial architecture, which is easily talked about but not easily implemented. Hence, I believe people will continue to talk global and regional but tend to act local and bilateral.

LEADERS

Tips

1. Real leadership means leading yourself.
2. Don't be a monarch.
3. Be open to new ways of doing things.
4. Establish a genuine sense of commitment.
5. Finish the job.
6. Show genuine appreciation.
7. Know that leadership skills come from learning, too.

John Nugee
Senior Managing Director
Official Institutions Group
State Street Global Advisors Limited, US



To prosper in the new world order, the first thing we have to do is to reflect on the errors of the past and not repeat them.

The three errors that I have observed occurring in the financial industry are:

Firstly, there is a huge gap between finance and its complex structures and the real world. Some of the more complex structures have in actual fact highly defaulted from reality. Sound finance needs grounding in real economic activity, a lesson which Islamic finance has never forgotten and has at its heart.

Secondly, there is a great gap between finance and its customers. Of course finance is a profit making activity,

so it's not wrong to earn a fee for the service we provide to our clients. But I think finance in some quarters got the balance wrong between making money for their customers and making money out of them. That balance must be restored.

Lastly, there is also a big gap between finance and society. Finance is based on trust. It doesn't work without trust, but in many countries, particularly in the old world, that trust has completely evaporated. Society has watched aghast at an industry that has basically ran out of control and has reacted with mounting anger at the enormous cost of clearing up the resulting mess. This needs to be put right before financial industries can look forward.

Financial players need a stronger grounding in the real world and identify the real needs of its clients. Finance needs a better appreciation of the meaning of the phrase "putting the customer first". We need to remember who it serves. Yes, we are a service industry but not a self service industry.

Above all, financial industries need to rebuild and earn afresh the trust of society. This won't be easy, for it will require great humility and admission of past mistakes. Without trust, the financial industry cannot operate and without a vibrant financial sector, society cannot develop.