



The Power of Repeatability:

Sustaining Advantage in a World of Faster Change

Khazanah Megatrends Forum
Kuala Lumpur, October 2012

The Big Shift – what does it mean for strategy?

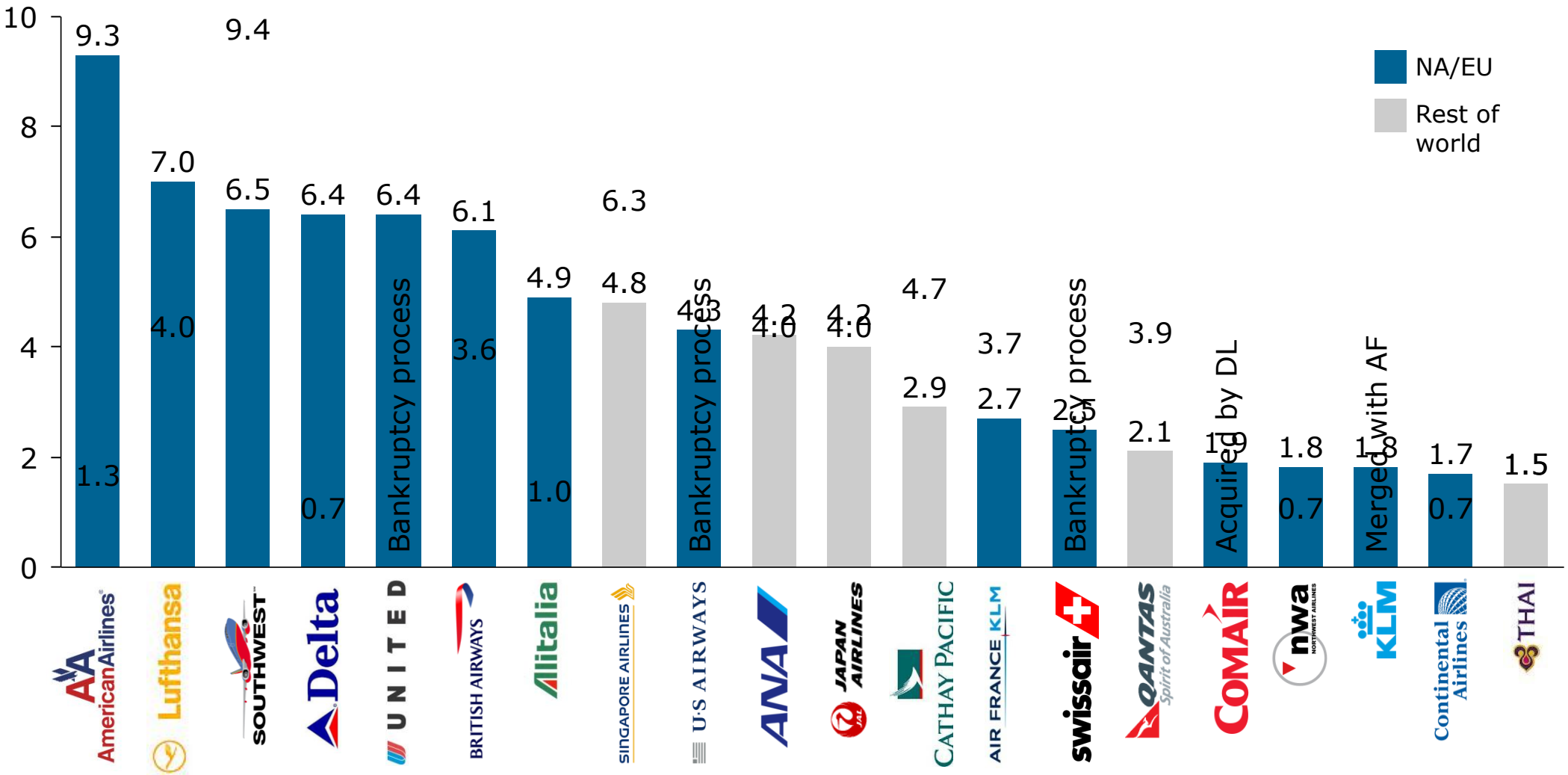
- ❖ Increased turbulence
- ❖ New competitors
- ❖ More complexity
- ❖ Changing rules of the game



How to sustainably create value in a shifting world?

Change in world order: top 20 airline groups

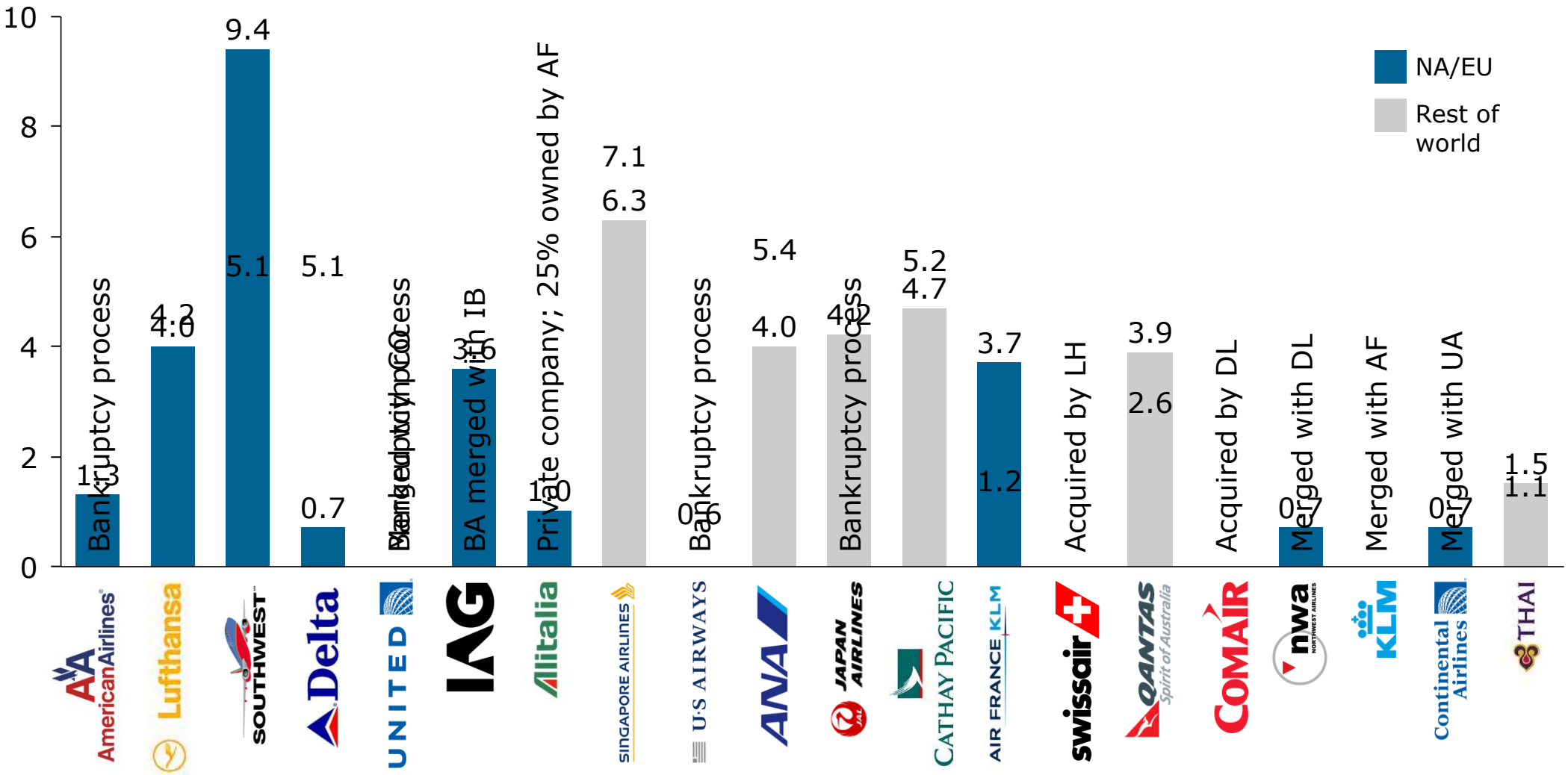
Market cap (€B) as of 1 Jan 2009



Note: AMR is parent company of American Airlines, Sairgroup of swissair
 Sources: Capital IQ, Bloomberg, Datastream, Analyst Reports, ECB

Change in world order: top 20 airline groups

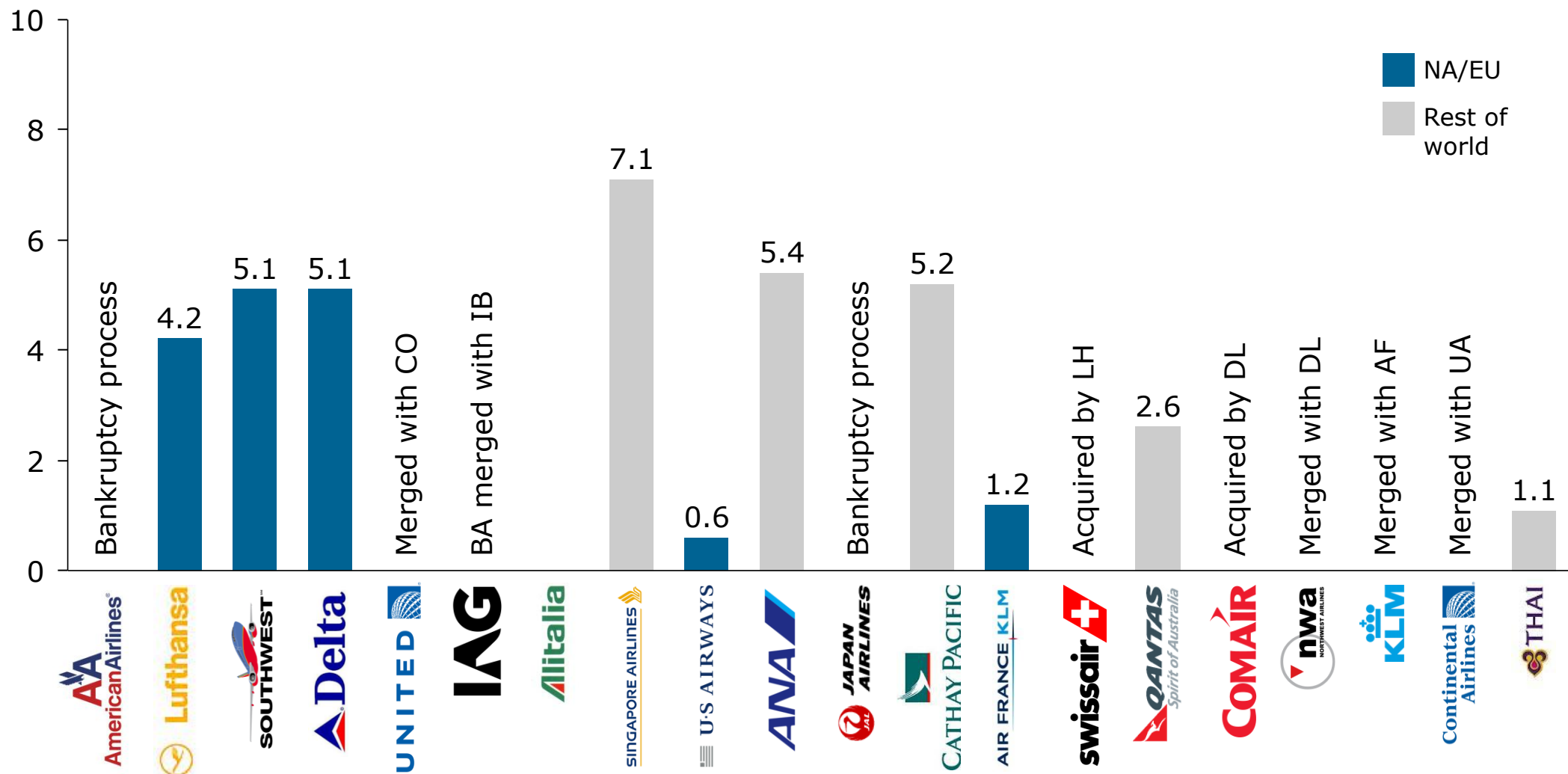
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Change in world order: top 20 airline groups

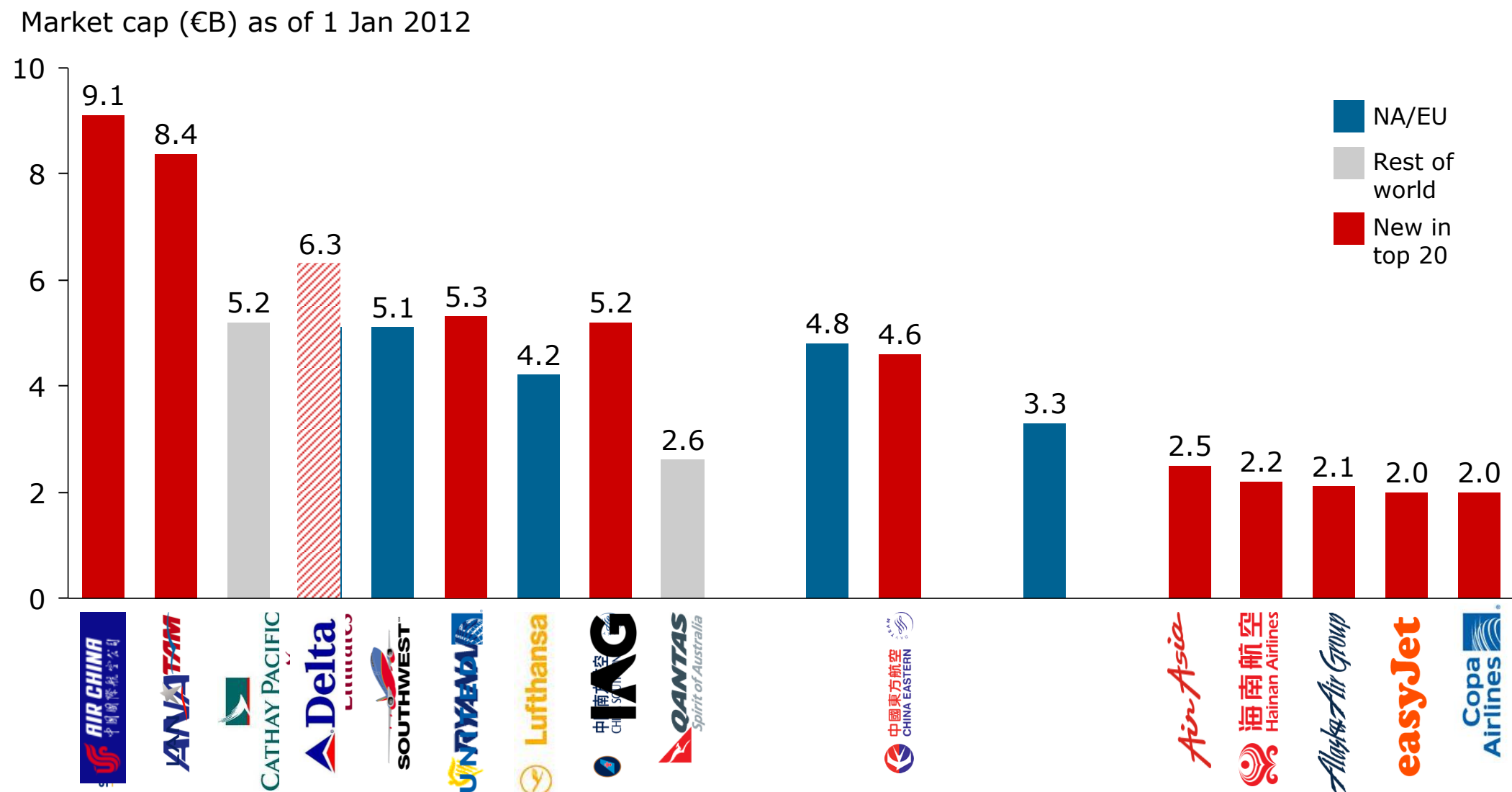
Market cap (€B) as of 1 Jan 2012



Sources: Capital IQ, Bloomberg, Datastream, Analyst Reports, ECB



Change in world order: top 20 airline groups



Note: Market value of Emirates estimated, LAN/TAM shown as combined entity

Sources: Capital IQ, Bloomberg, Datastream, Analyst Reports, ECB



Recap: Eight country bailouts and bank bailouts in 12 countries in Europe since September 2008

SEPT 2012

2008

2009

2010

2011

2012

SIZE OF BAILOUT (€B)

COUNTRY

397

- Hungary: 20
- Iceland: 3
- Latvia: 8
- Romania: 20
- Greece: 100*
- Ireland: 35*
- Belarus: 2
- Portugal: 66*
- Greece: 130*
- Cyprus: 7*
- Spain: 0*
- Hungary: ?

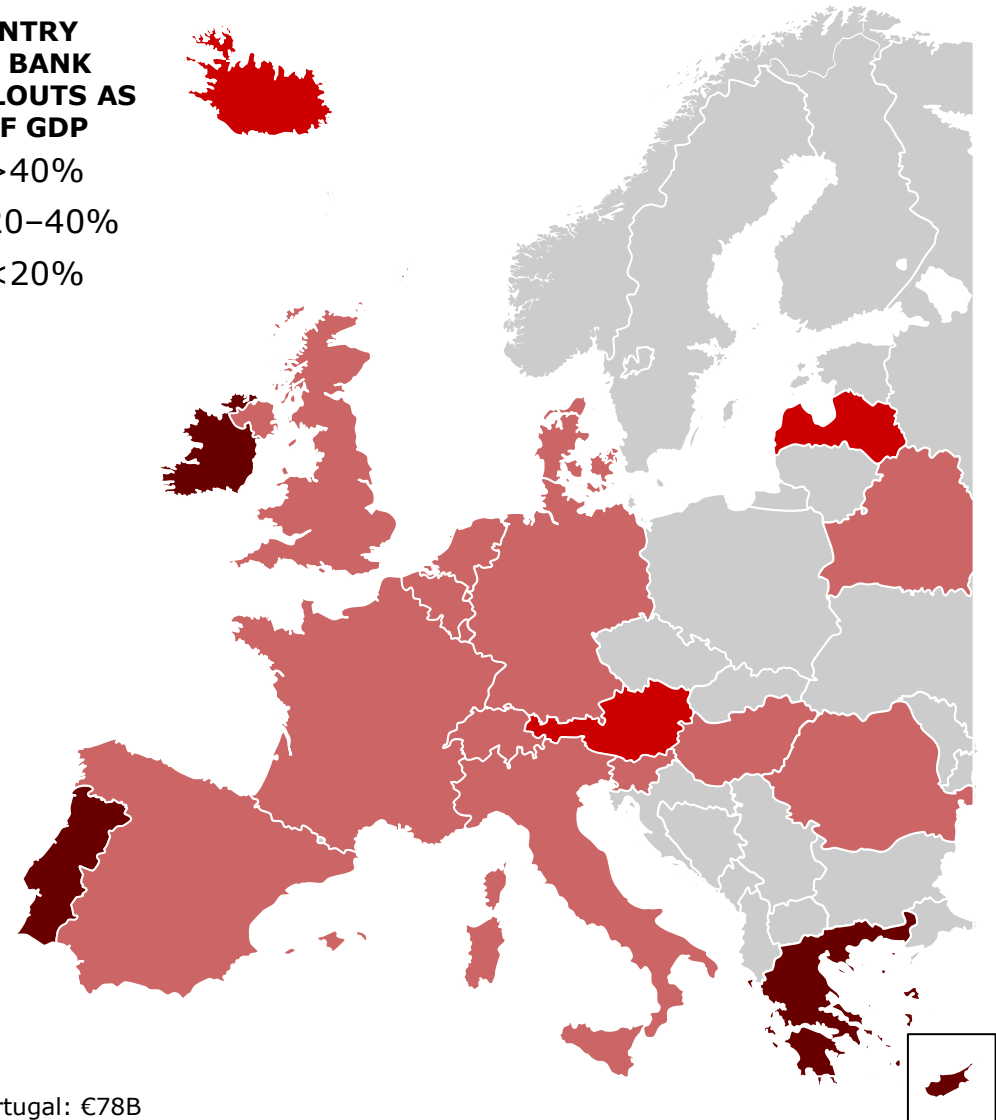
BANK

457

- RBS: 50, NR: 37, Lloyds: 25
- Dexia: 6, KBC: 6, Fortis: 11
- ING Group: 10
- UBS: 4
- Commerzbank: 18, BayernLB: 10, LBBW: 5
- BNP Paribas: 5
- Anglo: 26, AIB: 13, BoI: 6, INBS: 5
- Portugal: 12
- Spanish Cajas: 13
- Denmark: 52**
- Dexia: 4
- FHB: 0.5
- Cyprus Popular Bank: 2
- Bankia: 19
- NBG: 7, Piraeus: 5, Eurobank EFG: 4, Alpha Bank: 2
- NLB: 0.25
- Austrian Banks: 3
- Spanish Banks (excl. Bankia): 81
- Cyprus banks: 4
- MPS: 2

COUNTRY AND BANK BAILOUTS AS % OF GDP

- >40%
- 20-40%
- <20%



* Value of country bailout; total bailout (including banks) Greece: €110B, Ireland: €85B, Portugal: €78B

** €52B liquidity made available by the Danish government – to banks and businesses

Note: Bank total also includes €12B for Portugal and €10B for Greece; Bank bailouts below €4B not included;

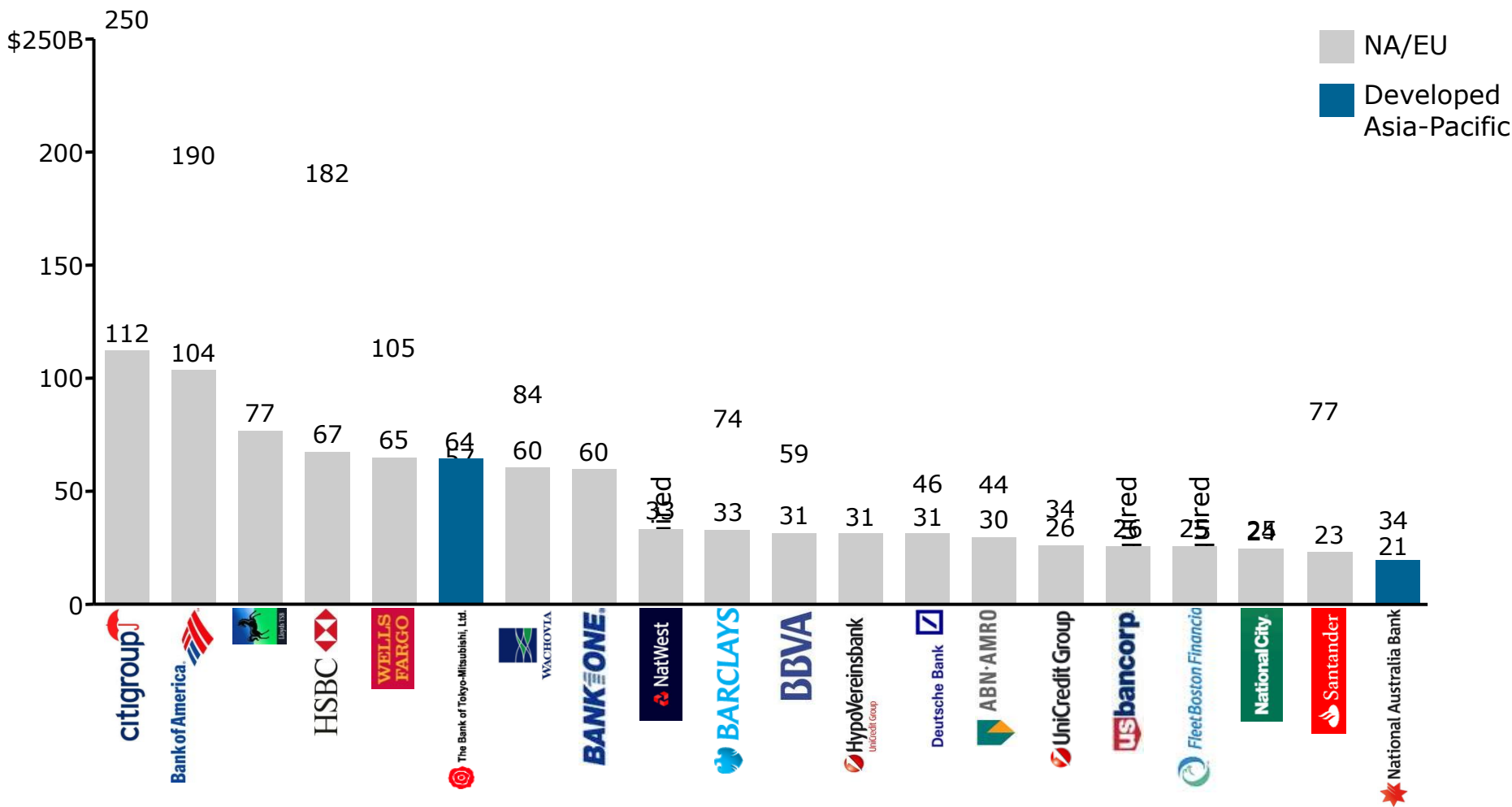
Source: Eurofound FS Challenges and Prospects, Oct 10; EU Business; Financial Times; EIU data services; OANDA; The Telegraph



Change in world order

Top 20 Commercial banks

Market capitalization as of 1 January 2009

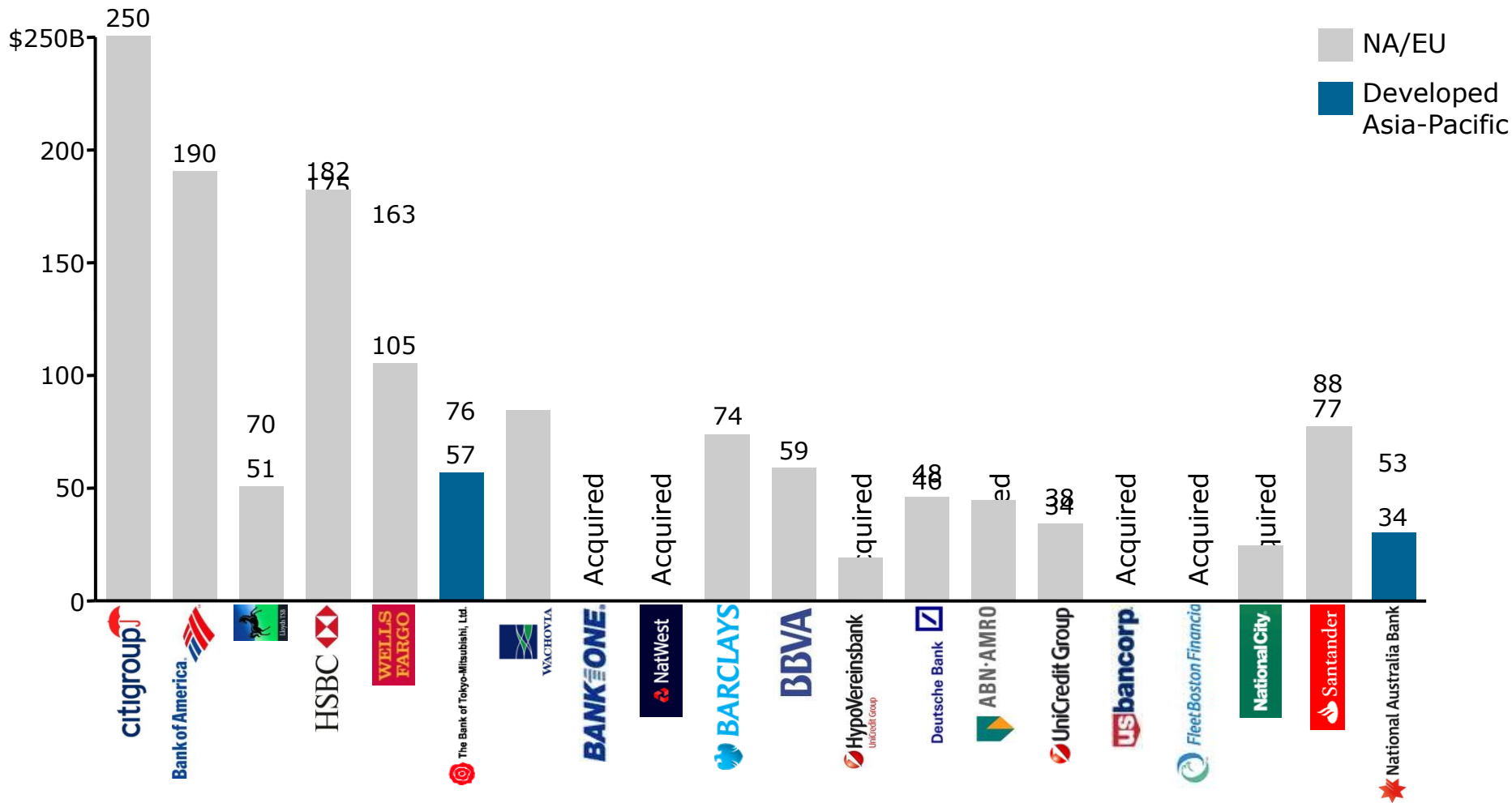


Note: Commercial banks displayed, investment banks and other diversified banks like JP Morgan Chase out of scope
 Source: Capital IQ; Bloomberg

Change in world order

Top 20 Commercial banks

Market capitalization as of 1 January 2005



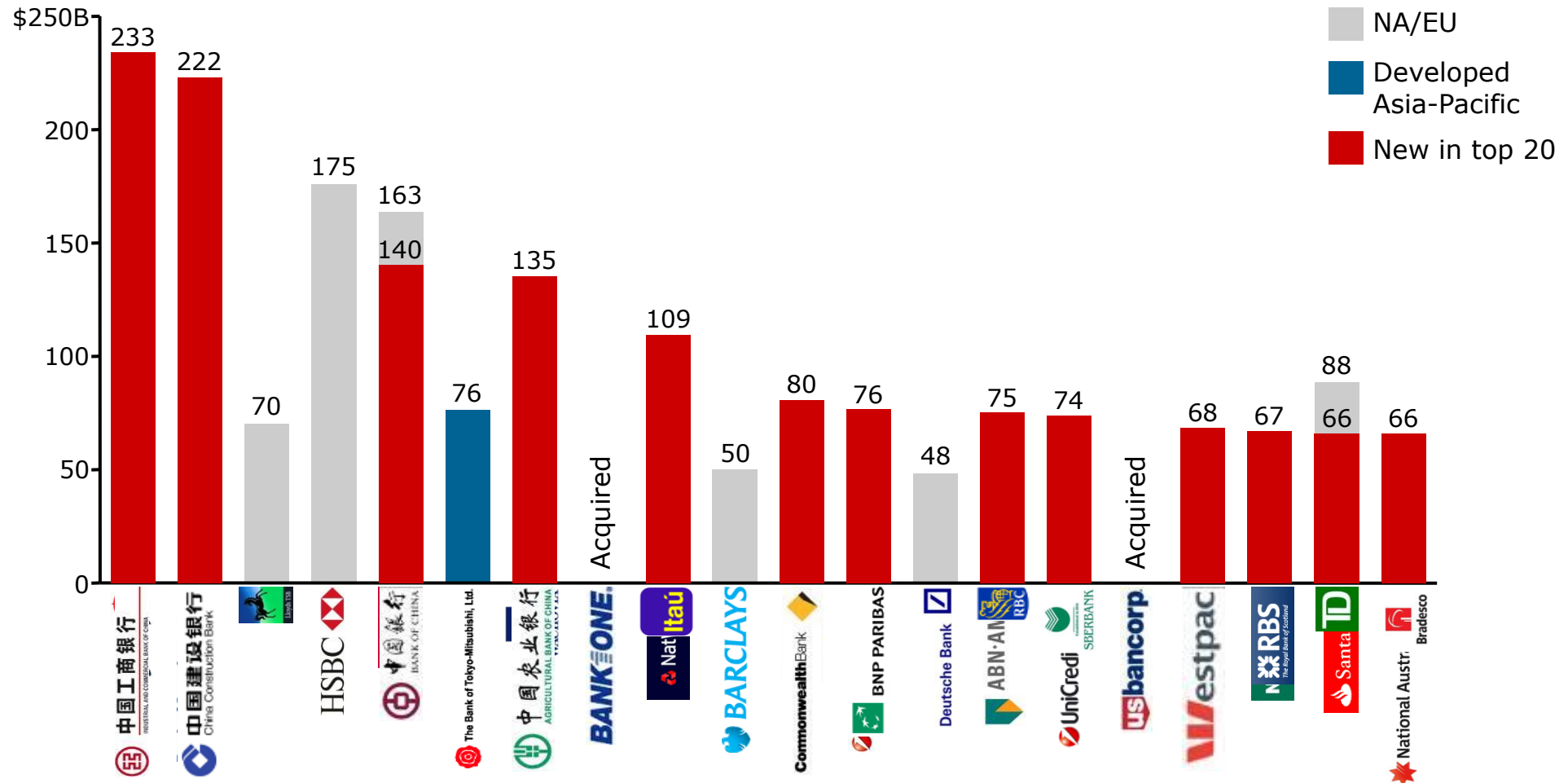
Note: Commercial banks displayed, investment banks and other diversified banks like JP Morgan Chase out of scope
 Source: Capital IQ; Bloomberg



Change in world order

Top 20 Commercial banks

Market capitalization as of 1 January 2011

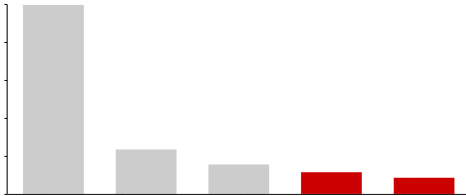


Note: Commercial banks displayed, investment banks and other diversified banks like JP Morgan Chase out of scope

Source: Capital IQ; Bloomberg



Fewer companies than ever have enduring success

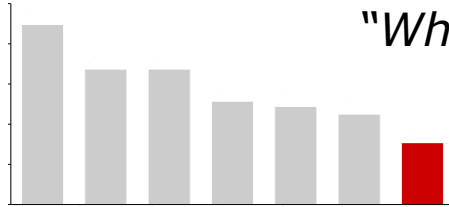


Note: Earning cost of capital defined as above average total shareholder return
Note: 5.5% required growth rate is CAGR in real terms (i.e. after correction for inflation)
Note: Analysis of 2,000+ companies in 12 developed and emerging economies
Source: Worldscope Database; Bain Analysis



Internal complexity is the silent killer of growth

Increasingly complex
growth patterns



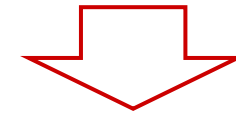
"What are the key internal or external barriers that hold back growth for your business?"



Complexity is a “silent killer of profitable growth”



- Harder to perceive
- Slower to decide
- Cumbersome to mobilize
- Disadvantaged at learning
- Challenged to adapt



**Simpler companies
(repeatable models)
becoming more
advantaged**

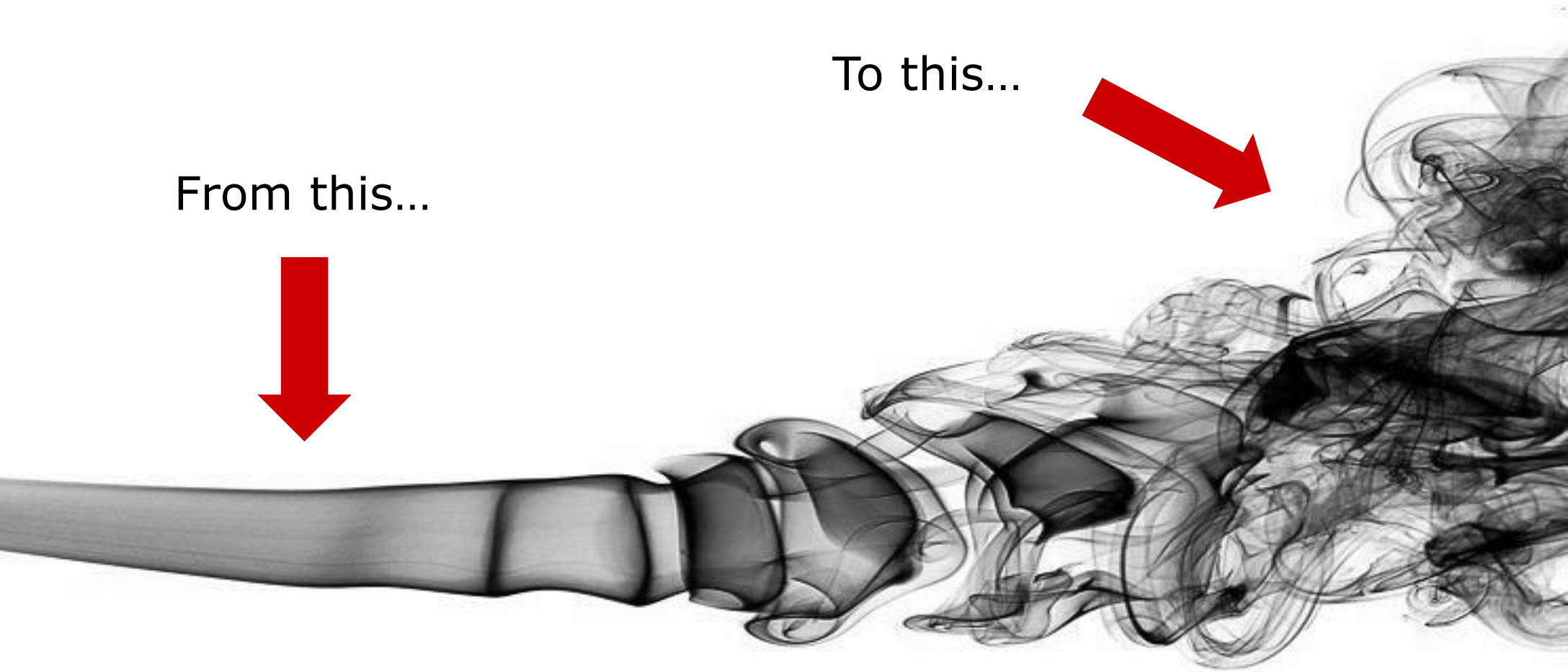
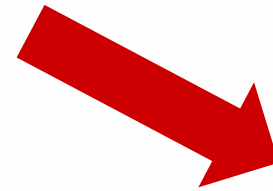


The nature of business strategy is changing

From this...

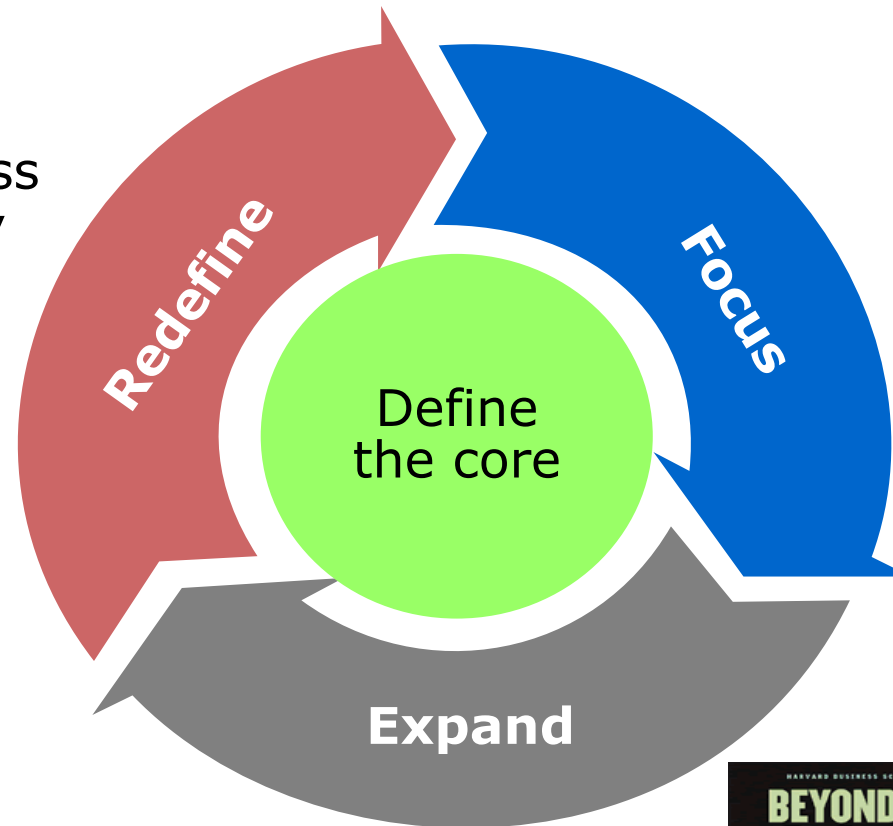
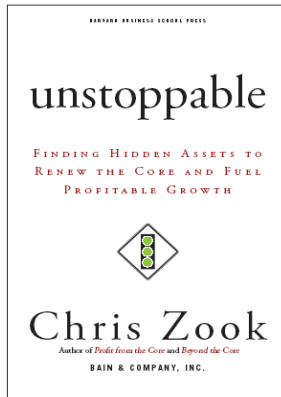


To this...

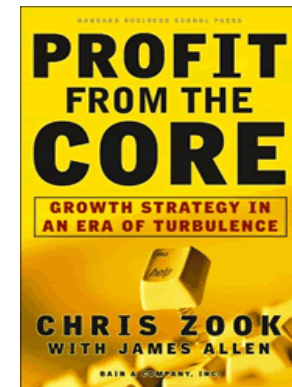


Bain “Ten Year” Growth Project

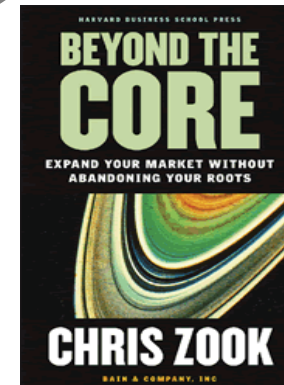
Redefining the business model fundamentally



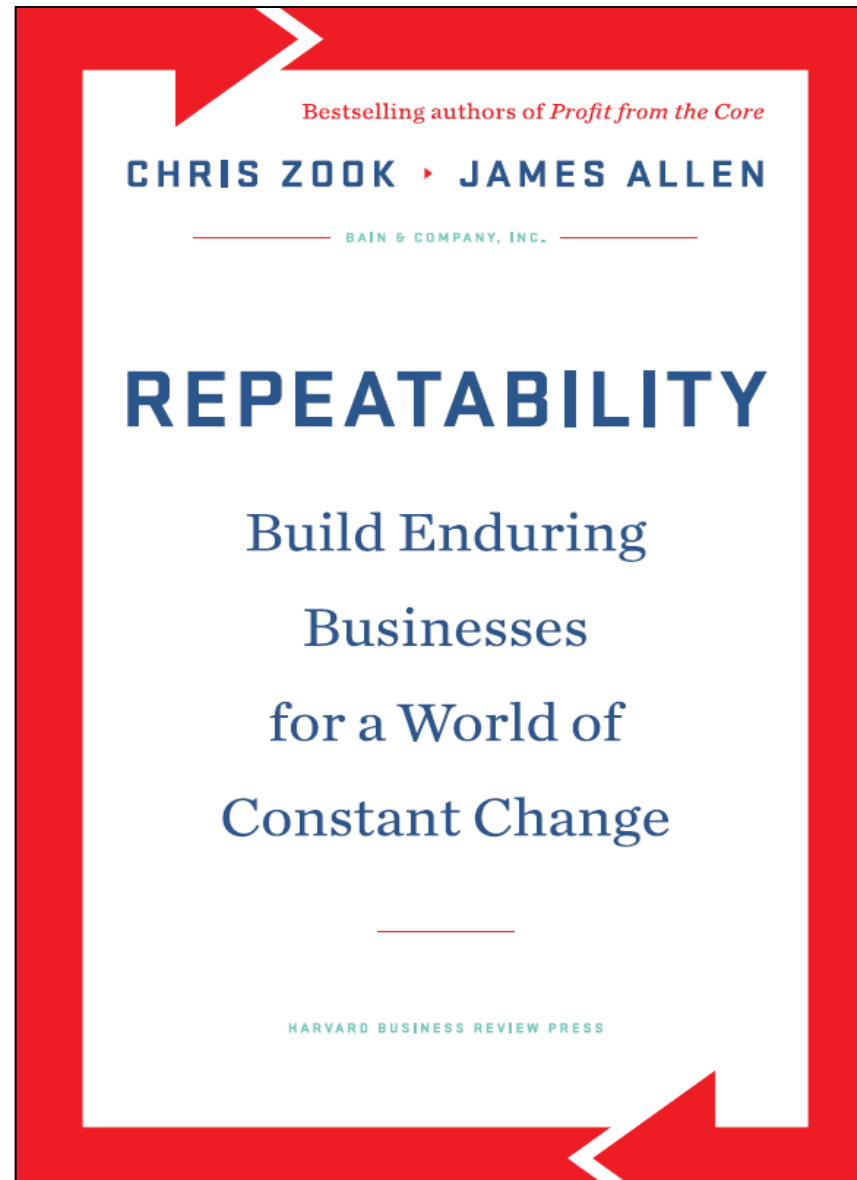
Driving full potential from the core



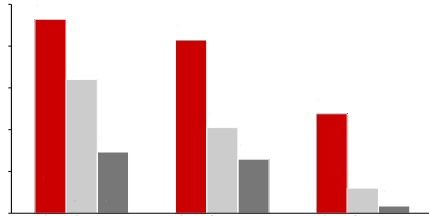
Expanding into adjacencies with a repeatable formula



Building Businesses that can Adapt and Endure



Three design principles drive enduring results



Source: Bain survey of 200 companies

Note: Company performance combines organic revenue growth, profitability (e.g. Return on Capital), and TSR vs. competitors on a scale of 1-5 (1 = much lower, 5 = much higher); adherence to design principles also scored on a scale of 1-5 (5 = completely agree)



The background of the slide features a series of concentric circles in shades of gray, creating a hypnotic, tunnel-like effect. A solid red rectangular box is positioned on the left side, containing white text. The box has a small, irregular notch on its right edge.

Focused

- Simplicity of concept
- Strength of differentiation
- Model to repeat

The background of the slide is a dark gray gradient with a complex pattern of thin, white, intersecting lines. These lines are scattered across the entire frame, creating a sense of a network or a web. In the center of the image, there is a bright white point from which many lines radiate outwards, resembling a starburst or a central node in a network. A solid red rectangular box is positioned in the upper left quadrant, containing white text.

Hard-wired

- Clear “Non-negotiable” Principles that Translate to Front Line Routines

Adaptable

- Learning/feedback systems a competitive weapon (better, faster insight to decision cycle)

Three Thoughts for Managing in a Faster World

- ❖ Complexity is the silent killer of growth and creates tired leaders disconnected from the front line
- ❖ Strategic and operational simplicity is a growing source of competitive advantage
 - “Cold truth of hot markets” – it is “about the company” first
 - Continuous improvement, learning is a competitive weapon
- ❖ The use of Repeatable Models simplifies business, creating energy and speed. It links strategy to the front line and to core customers, increasing ability to adapt
 - Companies that adhere to the “design principles” of Great Repeatable Models perform 2-3X better for 4-6X longer



Thank you and best wishes for repeatable success

