

Megatrends

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The Official Khazanah Megatrends Forum Magazine

Luncheon Address
by Gerard Kleisterlee

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**Special Session on
Institutions**

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**Special Session on
Innovation**
in collaboration with TEDxKL

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The Grand Ballroom, Level 3, Kuala Lumpur Convention Centre

Exploring the Human Dimension to Institutions, Innovation, Inclusion



Special Tribute: Finding Hope in Tragedy

In conflict and disaster,
strength and solidarity are
expressions of humanity **Pg4**



Session 3: Growth and Development

There is an urgent need to
redefine growth and
development beyond
numbers **Pg6**



Session 4: Leadership and People

Courage in leadership can be
found in the deepest
moments of personal
hardship **Pg7**



Day 2 of the Khazanah Megatrends Forum switched tones from Day 1's focus on the technical aspects of productivity-led growth and brought into focus the 'softer', more qualitative facets of economic growth. The diverse range of speakers from policy-makers to entrepreneurs spoke of the human dimension of scaling the efficiency frontier through innovation, institutions and inclusion.

The morning began with a high-energy panel session on Growth and Development. From proclamations that "a tech guy and an app won't save the world" to descriptions of development prospects in an Indonesia at the cusp of leadership change, the panellists presented their views with conviction and elucidated their arguments with examples based on observation and empirical evidence. A recurring theme was caution against the use of metrics such as GDP and GNI as sole measures of a country's progress. It was argued that while GDP and GNI captured the production levels of a country, these figures do not capture other components of

well-being and welfare such as poverty, health and environmental costs.

Minister in the Prime Minister's Department, Senator Dato' Sri Abdul Wahid Omar concurred with this in the Closing Address, saying that "inclusive growth means we should not only focus on income levels but should also look at the overall well-being of Malaysians as a whole." He detailed the government's efforts toward this end in establishing a wellbeing index. Overall, this index has increased from its base year in 2000 to a level of 125.4 in 2012.

The topic of institutions as stewards of inclusion and outcomes of political and social development took centre stage in the Special Session on Institutions. Scott Kalb of the Sovereign Investor Institute described sovereign wealth funds as inclusive institutions, designed to protect the interest of nations for the future. Asserting that the demand for better institutions is an attendant outcome of political maturity, Dato' ...continue on Pg 2

--continued from Pg 1

Saifuddin Abdullah observed that over the course of his involvement in activism and later politics, he noticed that Malaysians have shifted their expectations from the political class, departing from developmental needs such as roads, electricity and water to focus more on issues that are symptomatic of weak institutions, for example corruption, cost of living, cronyism and crime.

In the Special Session on Innovation organised in collaboration with TEDxKL, Anthony Tan, founder and CEO of GrabTaxi, opened his talk by sharing with the audience how he quit his family business to found the company. The impetus to set up GrabTaxi was when a friend visiting from abroad and reeling from a nasty experience with local taxis challenged Anthony to “do something about the taxis in your country,” throwing down a proverbial gauntlet that carved the beginnings of the GrabTaxi story.

Courage was the central theme of the afternoon panel session on Leadership and People. Two of the panellists, Frank Gardner and Tan Sri Dr Jemilah Mahmood were victims of conflict-zone shootings, and both discussed how they bounced back from this adversity. For Gardner, it was a conscious decision not to go down the path of self-pity and despair.

The day concluded with a Special Humanitarian Tribute, an event that was artistically elegant as it was tastefully reflective. The event opened with a string trio performance of an original composition by Nigel Osborne, who also shared his experience carrying out music therapy with children affected by war. Presentations on Viva Palestina, MERCY Malaysia and the United Nations World Humanitarian Summit were joined by a brief description of Yayasan Hasanah, Khazanah’s affiliated foundation that supports initiatives in education, arts and culture and the environment.

As Gerard Kleisterlee highlighted in his Luncheon Address, we live in an increasingly volatile geopolitical climate. Russian imperialism led to the MH17 tragedy, affecting both Malaysia and the Netherlands, while religious extremism is creating growing unrest in the Middle East. The world will need leaders with purpose and courage to step up and navigate this increasingly complex world. This resonated with the audience throughout the Forum and was a message conveyed by the illustrious panel of speakers throughout the two days of thought provoking debate and discussion.

Luncheon Address

Growth and Risks in Uncertain Times

by Gerard Kleisterlee

Chairman, Vodafone Group PLC



Key Risks and Uncertainties

- **Growing social and political tensions.** Rising geopolitical tensions (Russia-Ukraine, rise of Islamic extremists, China-Japan), economic under-performance and worsening inequality are key global risks.
- **Lack of infrastructure investment.** The World Economic Forum estimates that the global investment shortfall of USD1 trillion is the largest in history. In some cases, FDI has not done enough to drive domestic growth or trickled down to laymen.
- **Negative impact of technology on job market.** The digital economy is displacing the semi-skilled workforce (clerks, administrators, supervisors) and disproportionately benefitting the elite minority.

Reasons for Optimism

- **The digital economy creates more value than it destroys.** It has never been easier to bring a product to the global market and to stay close to one’s client base.
- **The nature of employment is changing.** Self-employment has contributed 40% of new jobs in Europe and is increasing in importance. A third of the global workforce is set to work remotely by end 2015 due to the digital revolution.
- **The transformative effect of the digital economy, particularly in emerging markets.** Mobile phone penetration has enabled more people to participate in more economic activities more productively.

Solutions Going Forward

- **Companies need to increasingly justify their contributions made to society at large** rather than just deliver products and services.
- **Innovation in governance:** We need new forms of collaboration to solve complex, global issues such as climate change. We cannot fight crises with the same tools that have led us to these crises.
- **Good institutions are needed to act as a check and balance,** particularly in today’s geopolitical uncertainty.

Special Session

Building the Nation on the Shoulders of Strong Institutions



Aamir A. Rehman



Scott Kalb



Tan Sri Dr Madinah Mohamad



Dato' Saifuddin Abdullah

Foundations for Sound Institutions

- **Integrity of the people** – All decision makers, including politicians and government servants need to have strong values such as integrity.
- **Good governance framework** – Need to include all stakeholders that focus not only on consultations but also the actual decision making. The way we make decisions in a democracy should be reformed. Institutions should withstand the impact of short-term volatility to pursue long-term goals.
- **Promote progressive political thoughts** – Hard questions need to be asked. There is a need for a conscious migration from race-based policies to more need-based policies to be an inclusive institution.
- **However, country experiences have shown that a lot of prosperity is fairly shock driven and not driven by institutional development.** Particularly GCC countries where developments are driven by commodities.

Challenges in Setting up Inclusive Institutions

- **Safeguarding institutions** – The strength of democracy is that it has many voices but this also has risks of being hijacked by vested interest groups. Therefore, safeguarding the institutions from these interest groups is important.
- **Incentivising long-term behaviour** – Institutions should focus on long-term behaviour. Incentivising institutions to 'weather' short term volatility is important to achieve longer term goals. Institutions may not always be able to deliver results within one government term.
- **Governance structures** – There should be emphasis on robust governance structures that are governmentally owned but run professionally.

Evolving Expectations on Institutions

- **Expectations on institutions have changed over the years.** In the case of Malaysia, Malaysians were seen to focus on development issues (such as the building of roads, utilities and bread and butter issues) before the Tenth General Election (GE 10). This has since changed as Malaysian increasingly focus on addressing corruption, the cost of living, cronyism, and crime.



Dato' Dr Ahmad Faizal Mohd Perdaus



Tan Sri Dr Jemilah Mahmood receives a contribution on behalf of the World Humanitarian Summit Secretariat



Dato' Dr Ahmad Faizal Mohd Perdaus receives a contribution on behalf of MERCY Malaysia



The string trio performs Nigel Osborne's 'Peace. Love. Light'



Dato' Dr Musa Mohd Nordin



Hosts Shahira Ahmed Bazari and Imran Ahmad



Dr Nigel Osborne

KMF 2014 Special Tribute: Finding Hope in Tragedy

KMF 2014 ended with a Special Tribute entitled "Finding Hope in Tragedy", which reminded us of various tragedies in recent times – both in Malaysia and the world – and reflected on how we might deal with such situations in a positive way.

The session began with the live recital of a beautiful piece for violin and viola entitled 'Peace. Love. Light', written by Dr Nigel Osborne. This was against the backdrop of some stunning and moving photos of population displacement and human resilience.

Speakers represented various organisations: Dato' Dr Ahmad Faizal Mohd Perdaus, President, MERCY Malaysia; Dato' Musa Mohd Nordin, Chairman, Viva Palestina Malaysia (VPM); and Tan Sri Dr Jemilah Mahmood, Chief, World Humanitarian Summit Secretariat (WHS). Each shared their insights and experiences, with the common message that if we take action, we *can* make a difference. Dr Nigel Osborne presented his work in using music for healing trauma, especially with children.

Shahira Ahmed Bazari spoke about the aspirations and focus areas of Yayasan Hasanah, Khazanah's foundation for CR activities. Tan Sri Dato' Azman Mokhtar and Senator Dato' Sri Abdul Wahid Omar presented notices of contributions to the representatives of VPM, MERCY and WHS.

There was a short video reflecting on the Malaysia Airlines tragedies, Yuna sent a video message from her road trip in the US, and the session ended on an upbeat note with Yuna's music video of 'Langit'.



Reflections on Day 2 by Tan Sri Dato' Azman Hj Mokhtar, Managing Director of Khazanah Nasional Berhad

Compared to yesterday, today's sessions appeared to focus more on the 'soft' side of things, what with the emphasis on feelings, courage and the like...

From the Forum's beginnings all those years ago, we planned to steer the discussion in a certain sequence. The first day would be about more technical, structural matters such as markets

and firms. On the second day, the discussion would be about society followed by people, because leadership is where macro ideas can take flight or fall short. Ultimately, people are the biggest variable in laying out any plan of execution. In our curation of the Forum programme, landing on the topic of people has always been the intention. If this sequence comes across to those in the audience, this would be the reason behind that.

What did you think about the sessions? We had an eclectic bunch today, from robots to quite feisty presentations in the morning.

The special session on innovation was admittedly a mix of presentations at different stages on the 'frontier.' The two professors definitely pushed the frontier, and perhaps many in the audience didn't get a lot of what was said. But that's what

researchers do, they can do anything and experiment but it is the financiers such as Sumant (Mandal) who then figure out how to bring those ideas beyond the lab. Ending with Anthony (Tan) was apt because his story was one of so-called constructive innovation in action, of doing things even in an environment of limitations to the execution of ideas. The artistic decision to not have a narrative voice and to let the audience come to their own conclusions in the style of Tedx worked well, in my opinion.

Gerard (Kleisterlee) gave a very good, and what I'd even call magisterial speech.

Overall, the sessions went very well and capped a great Forum. Now we're left thinking how to raise the bar higher next year!

Session 3

Growth and Development

Scaling the efficiency frontier - how do we go fast and go together?



Shankkar Aiyar



Dr Muhammed Abdul Khalid



Chandran Nair

Beyond GDP and GNI

- **Capitalism needs to loosen its strict allegiance to numbers** – while countries commonly aim for high GDP growth and high GDP per capita, GDP (and GNI) does not capture other aspects of wellbeing and welfare, eg poverty, health, environmental costs.
- **Prices of goods and commodities do not capture negative externalities** – global economic growth driven by consumption has relied on cheap goods, which do not price in externalities such as environmental damage.
- **There need not be a trade-off between growth and inequality** – For example, post-war economic growth in US and Europe was accompanied by reductions in inequality. This was achieved through broad-based growth which created jobs, in addition to measures to redistribute wealth, such as minimum wages.

Paradigm Shifts

- **We need to redefine growth and development beyond numbers** – how do we measure human dignity (and not just inequality)? How do we ensure growth is durable, as well as inclusive?
- **We need to overcome the 'deficit of thought'** – we have to move away from subservience to Homo Economicus and the Western narratives of consumption and capitalism. We need to learn how to organize ourselves according to our limited resources.
- **We need to reject collective racism** in Malaysia as a first step towards inclusive growth.

Political Will and Institutional Change

- **Innovate how institutions work** – recreate a new blueprint for society which involves collaboration, balancing ideas of society and individual rights, and citizen participation in policymaking. Technology can also be used to benefit society, for example In India, registering citizens with new ID numbers facilitates the disbursement of benefit payments.
- **Political will is needed more than ever** – opportunities cannot exist and efficiencies cannot improve without overcoming resistance to change, especially within government.
- **Strengthen accountability for different government agencies through fiscal controls** – challenges of an expanding democracy, eg through decentralisation, can be balanced through better fiscal controls and accountability between central and other layers of government.

Session 4

Leadership and People

Scaling our fears and scaling our hope - the importance of being courageous



Afzal Abdul Rahim



Frank Gardner



Dzameer Dzulkifli

Courage in Responding to Personal Hardship

- **Moments of personal hardship are remarkable tests of one's courage.**
- **When faced with hardship, one reaches a fork.** One path leads to despair and self-pity. But that is pointless and leads nowhere. One can and should choose another path.
- **Belief in one's path.** When forced to rethink one's life decisions, there is comfort in knowing that as long as one follows one's passion, things will be alright.
- **In every hardship, there is ease.** People who have seemingly little often show the most courage. People in conflict situations who are still able to keep clear minds about what is important (family and togetherness) show that we have a lot to be thankful for. This ties in with conviction, the important belief that what we do is not about personal gain or personal fulfillment but about effecting lasting change and societal betterment.

Leadership as a Way to Live Out One's Ideals

- **For many, the sense of purpose stems from beyond monetary gain.** Business can be less about the bottom line and the profit figures, but about proving that the one's plan can be executed well by doing something other than what is customary and what is usually done.
- **Leaders must be clear on why they do what they do.** Founding a humanitarian organisation and then vacating the mantle of leadership is a no-brainer when one knows that one's purpose is not about personal fulfillment alone. Instead it is about building a good and professional institution.

Admire Leaders, but Don't Lionise Them

- **Exalting leaders can be counter productive.** In an age when many (social media-connected) young people feel pressured to speak about and publicise their achievements, excessive adulation of accomplished, successful personalities from one's peer group can set people back and make them feel inadequate and unable to meet perceived standards. This is damaging to their individual paths and plans to pursue their passions, for fear of failure and not measuring up.
- **Success is a slow, cumulative process of small achievements.** The experience of Teach For Malaysia fellows shows that small successes in motivating students and instilling self-confidence in them to stretch the boundaries of their own capability is a prime yet understated example of leadership that deserves respect.

Special Session

Innovation Without Borders

in collaboration with

TEDx KL

= independently organized TED event



Prof Hiroshi Ishiguro



Anthony Tan



Sumant Mandal



Prof Adrian D. Cheek

Innovation requires an interdisciplinary approach

- **Robotics intersects with neuroscience and psychology.** Software to build robots has improved and robots are becoming more “human-like”. Robots can mimic human behaviors (subconscious and reactive movements), have many practical uses and would change our lifestyle completely.
- **In the future, we would have the ability to transmit touch and smell via internet.** Emotion and five senses that are built into today’s technology have the potential to disrupt the way people communicate.

Constructive disruption through technology

- **Leverage on existing infrastructure to disrupt – people, policy and technology.**
- **Network effect** – the more humans touch/connect through technology, the greater the value created by innovation.
- Technology is a tool to innovate where conventional approaches have failed to deliver.
- The best innovation not only brings efficiency, but also solves problems. The most valuable product touches the lives of billions. Silicon Valley has a culture that is hard to replicate because it is not only about innovation, it also has a web of collaborative entrepreneurs.

Technology is neither good nor evil

- **Technology is not good nor evil, it’s the application that makes the difference.**
- Many existing apps are frivolous, however it is undeniable that there are several apps that can make a difference. E.g. mobile payment applications in India promote financial inclusion.
- There is an evolution in learning to create a product. For every Mark Zuckerberg, there is a Sheryl Sandberg and team of workers who are seasoned and experienced.
- 7 Is are required in every innovator: insight, intelligence, initiative taking, inspirational, inclusive, intractable, integrity.
- Technology is a reference or a reflection tool to understand ourselves.