

Anti Social Media

Advancement in technology has resulted in a loss of contact with the physical world – particularly with the younger generation. The more social we become, the more anti-social we also become as there is much less touch and real interaction.

>Page 2

Steering Through Unknown Unknowns: A Systemic Framework

In a state of the world with greater complexities, particularly a changing state of the world, it is critical to "know that you don't know," as it is not what we know but what we do not know which we must address.

>Page 2

What is Wrong with the World Today?

There are 3 main assumptions upon which modern society is built and if these assumptions prove to be incorrect, there could be serious troubles for society.

>Page 2



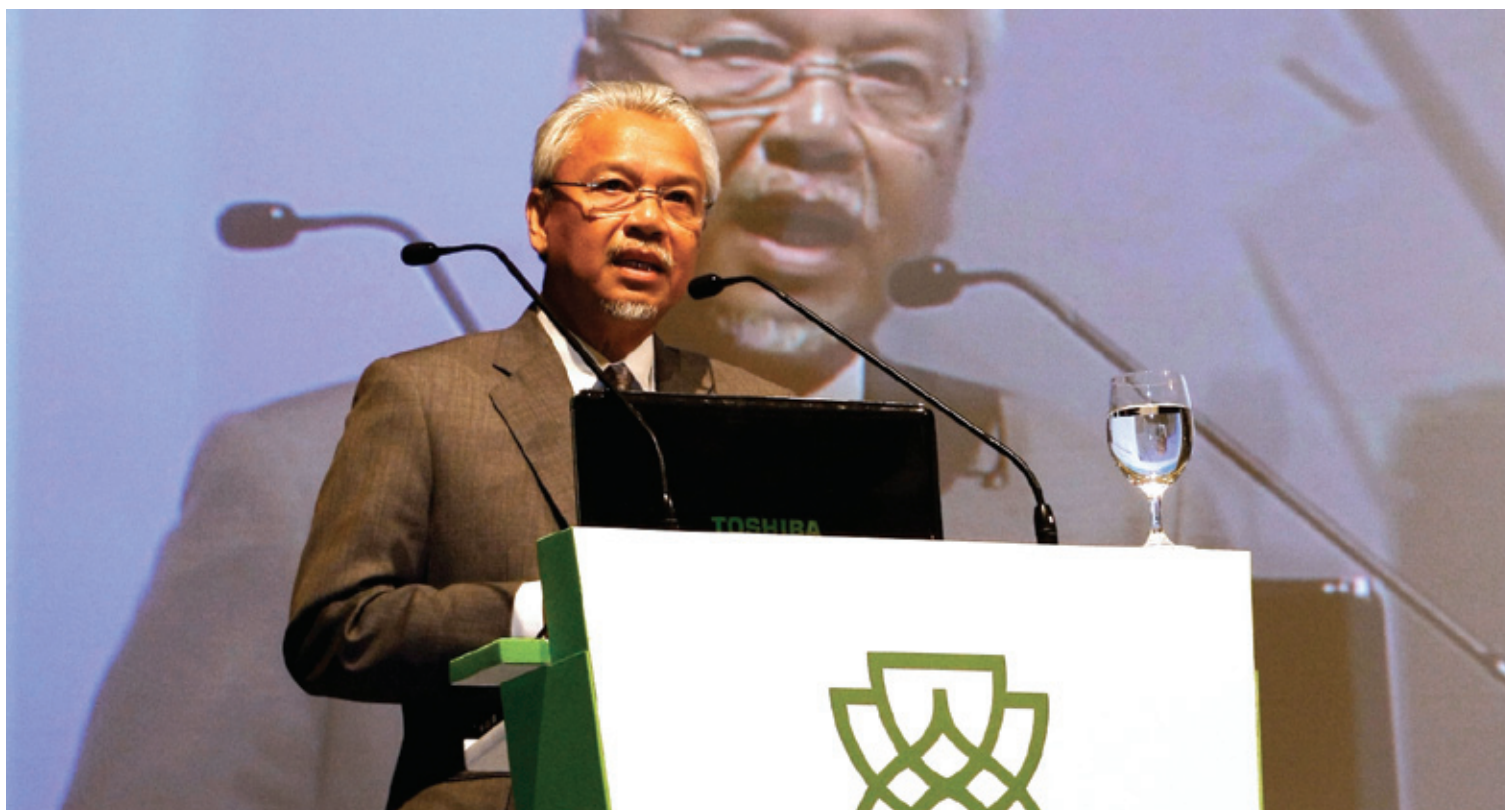
KHAZANAH
NASIONAL

KHAZANAH
MEGATRENDS
FORUM 2012

THE BIG SHIFT

Traversing the Complexities of a New World

1 & 2 October 2012



OUR NEW HOPE

THE RISE OF MALAYSIA'S BABY BOOMERS

In Greek mythology, Pandora, a daughter of Zeus, Lord of the Heavens, was given a box by Zeus who told her never to open it. Driven by her curiosity, given to her by the Greek gods, Pandora stole the key to the box and opened it.

From it came all the evils of the world, from disease to hate to envy, escaped to the world to torment humanity, never to be caged again. Yet, there was one other ingredient that also escaped the box. One that would help humanity deal with all the evils of the world. That ingredient was 'hope'.

It was on the note of 'hope' that Dato' Seri Ahmad Husni Mohamad Hanadzlah, the Second Minister of Finance of Malaysia, opened the 2012 Khazanah Megatrends Forum, the 8th in the series.

The Forum, themed 'The Big Shift: Traversing the Complexities of the New World', was treated to a message of 'hope' from Dato' Seri Ahmad Husni, based firmly on Malaysian values and ethics, originating from her forefathers, even before she gained independence.

In accordance with the theme, he noted that, in recent years, the set of mainstream values has been shifting due to three main reasons:

First, the political elections of 2008 which changed Malaysia's political landscape;

Second, the increased freedoms of expression allowed by Malaysian Prime Ministers in recent history;

Third, the demographic emergence of a new middle-

class in Malaysia akin to the baby boomer generation in the United States.

Like the changing landscape of Malaysia's values, the government's role in shaping Malaysian values is also evolving.

Where once the government was the primary influencer or social engineer of the national psyche of Malaysian society, the space in which the government used to occupy is becoming fragmented simply because there are more voices than before.

Dato' Seri Ahmad Husni stated that among the new voices, and the most critical-minded, are those of the new generation of the Malaysian baby boomers who, by virtue of their age, have no colonial hang ups, grew up with the internet and are open to globalisation.

Speaking passionately as a proud Malaysian, Dato' Seri Ahmad Husni concluded his address by stating that Malaysia's new middle class must understand that Malaysian society must progress both as an enlightened society with enlightened citizens as well as a society that is based on strong fundamental values and ethics such as spiritualism and a sense of community, which must never be compromised.

With that, he concluded his message on a note of hope – hoping that the baby boomer generation be wise as they will irrevocably shape the political economy landscape in Malaysia, a true sign of a Big Shift in the Malaysian journey.

MACRO-STABILITY AND MARKETS

The US is strong but no longer the only power in the world. Countries like Malaysia will now be able to play a role in shaping the global economy. However, the problem with the world economy is there is not enough bread to go around. >Page 3



FIRMS AND TRANSFORMATIONS

Complexity has become a hamper to corporate growth as the world continues to speed up. Indeed, complexity has become the silent killer of growth and creates tired leaders disconnected from the front line. >Page 3



Printed on
eco-friendly paper

How Social Media
has Shifted
Society

- Advancement in technology has resulted in a loss of contact with the physical world – particularly with the younger generation. The more social we become, the more anti-social we also become as there is much less touch and real interaction.
- A Wow-Pow-Chau sequence has emerged for most global events these days. Wow (it happened) – Pow (spreaded to the world via Youtube, Twitter etc.) – Chau (Next Wow thing comes up). This implies that information moves very quickly.
- Because of increased inter-connectivity, there is a rise of the Instant Gratification Generation who turn to their phones or their emails whenever a talk becomes less interesting. This happens despite the fact that humans are not actually very good at multi-tasking.

Branding: From
Companies to
Consumers

- Because of how interconnected consumers are, consumers are now the ones building the brands, not companies. This arises because consumers are trusting each other more and have access to the internet.
- Consumers set the trends and market the products for companies. An interesting example was that share prices for a given company was highly correlated with the number of tweets about the company on Twitter.
- As such, given that consumers will be more in command of developing brands, the next trend for branding is gamification. Game processes for ordinary day-to-day processes will be integrated in everyday life in the future.

Contextual
Branding:
The Way Forward

- Contextual branding is defined as sending the right message at the right time to the right consumer. For example, Cosme (from Japan), a cosmetics products company changes the positions of its products every day in the bricks and mortar store, based on information of their consumers.
- Because of social media, it is more efficient to communicate to the group that everyone is listening to, rather than simple target markets. Given that there is a primacy in trendsetting, word of mouth is powerful and will change the market's views based on the trendsetters.
- Thus, we will return from the virtual world to the physical world. Companies should not discount relationships, connections and physical contact needed to build a brand.

The Unknown
Unknowns

- In a state of the world with greater complexities, particularly a changing state of the world, it is critical to "know that you don't know," as it is not what we know but what we do not know which we must address.
- Simple theory cannot explain complex systems that are all related to one another – solutions and thought processes cannot be done within a 'silo'.
- One danger for regulators in Asia is that regulators tend to take what has been the law in Western countries and apply it for short term profits despite still being very adept at taking the long route.
- An example is the Basel 3 regulations which was designed to solve banking problems in advanced economies, particularly super charged derivative trading but for Asian countries, will Basel 3 be a medicine to prevent something that isn't an issue yet?

Adaptation as a
Mindset

- To embrace solutions to unknown unknowns, it is important to have adaptation as a mindset. The key traits to adaptation are openness, multi-disciplinary collaboration and understanding multiple needs.
- Towards this end, it is important to strategise within uncertainty, prioritise within resources/risks, experiment by piloting, search for new options, share experience, adapt and innovate through co-creation, exploit and expand pilot as well as review and move forward.
- By doing so, it would help to achieve three things which are system efficiency, stability and equity.

The Three 'C's
of the World

- The Three C's of the world are moving just as we speak here.
- The First C is that of Cities – cities deal with local problems. The success of a country depends heavily on its city; both successful (Singapore) or failure (Lagos)
- The Second C is that of Corporations – successful corporations in today's day and age are not overleveraged, are extremely innovative and are global in reach such as Apple and Hyundai.
- The Third C is that of Civil society – social philanthropy entities are making major changes throughout the globe.

Flawed
Assumptions
on which the
World Runs

- There are 3 main assumptions upon which modern society is built and if these assumptions prove to be incorrect, there could be serious troubles for society.
- The first assumption is that there is a perfect world out there or that a perfect world can be achieved. However, if every person is imperfect, how can we expect the aggregate level, the world, to be perfect? Therefore, this assumption fails to hold.
- The second assumption is that economic integration will lead to political integration and hence there will be fewer military conflicts. However, history tends to show the opposite.
- The third assumption is that we as a society will not commit the same mistakes we made before World War 2 and that we have become more civilised. Yet, while technology has certainly changed, if human nature has not changed, there is no guarantee that we as a species have become more civilised.

The World at a
Crossroads

- The world now stands at a cross-road where there is a balance of power between the East and West.
- When China was at the peak of its civilization, western countries were still not civilised. For the last 200 years, China was the sick man of Asia and thus, the world changed from a strong east and weak west to a strong west and weak east.
- However, with the rise of Japan, the 4 tigers and the rise of China, the balance of power is shifting back eastwards and becoming relatively equal.

The World
must Learn
to Live with One
Another

- At a philosophical level, a 'one man, one world' Western democracy system is a cause of the world's problems. Votes are exercised for personal interest without much thought to long-term consequences. An example is the accumulation of sovereign debt.
- The financial services industry has become a self-serving industry built on trust and confidence which can be destroyed in a matter of minutes just by one man.
- The Eurozone area can be taught of to be suffering from cancer where death is definite though time of death is in question. The US is suffering from heart disease where they are unaware of their problems but should the problems hit them, the US will suffer very greatly in a short period of time. China suffers from a stroke where its arteries are clogged and its future is not encouraging.

SPECIAL ADDRESS

Anti Social Media

Speaker: Martin Lindstrom, Branding Expert, Author, Founding Partner and Chairman of Board Buyology Inc.



LUNCHEON ADDRESS

Steering through Unknown Unknowns: A Systemic Framework

Speaker: YBhg. Tan Sri Andrew Sheng, President, Fung Global Institute, Board Member, Khazanah Nasional Berhad



SPECIAL ADDRESS

What is Wrong with the World Today?

Speaker: Ronnie Chan, Chairman, Hung Lung Properties



SESSION 1

MACRO-STABILITY AND MARKETS

The Big Shift
in Nations

- The US is strong but no longer the only power in the world. Countries like Malaysia will now be able to play a role in shaping the global economy. However, the problem with the world economy is there is not enough bread to go around.
- In discussing the shift to the East, it is important to keep in mind that Western nations have left behind 'booby traps' where years of foreign reserve accumulation in Asian countries have left them vulnerable to a Western currency crisis.
- In Europe, the crisis is a result of its own misdeeds. Financial institution did not want to continue financing due to the risk and therefore creditors took over. The Euro Dream failed to live up to expectations even through trade among European countries has actually fallen; trade integration has gone backwards.
- As for China, its current slowdown is necessary in the medium to long term as it is necessary to rebalance the Chinese and global economy.

The Demographic
Shift

- There currently exists a big non-linear shift in the growth of the middle-class in Asian nations as small increments of income have been pushing people into the middle-income class.
- However, due to income inequality, there is a skew in income with a long right-tail, and as such the median income is significantly lower than the mean income.
- In Asia, population growth is steady. Yet, there may be a flattening of the labour force and a decline by 2015 or 2016 which necessitates the need for productivity increases., which can be achieved through increased tertiary education.

Future Trends
for Businesses

- In Asia, there are 5 key trends that will shift and affect Asian businesses which are:
 - › Asia will become a battle ground for businesses around the world (thus resulting in lower returns for Asian businesses).
 - › Asia's fast growth is regional, not overall. Positive-looking regions in Asia include East Asia and South East Asia.
 - › Asian companies are not necessarily uncompetitive and will need to be developed further to compete globally.
 - › Government investment into infrastructure will boost the competitiveness of Asian economies.
 - › The new economic reality will compel a mindset change where a rebalancing of priorities will be forced on businesses as they become more regional.



SESSION 2

FIRMS AND TRANSFORMATIONS

The Power of
Repeatability

- Complexity has become a hamper to corporate growth as the world continues to speed up. Indeed, complexity has become the silent killer of growth and creates tired leaders disconnected from the front line.
- The use of repeatable models simplifies businesses, creating energy and speed. It links strategy to front line.
- 3 design principles of strategy for a business drive enduring results. The 3 principles of strategy are a focused strategy with simplicity of concept and a model to repeat; a hard-wired strategy with clear non-negotiable principles and; an adaptable strategy with learning and feedback systems used as competitive weapons.

Shift in Global
Challenges

- There has been a shift in technology, particularly in devices- and internet-based technology especially since Apple has revolutionised the device business.
- Demographically, there is a shift as well where more than 50% of people read news from social media and more than 50% of people are 35 years old.
- For Japan, it is sandwiched between an industrial and social IT revolution, where the social IT revolution has been happening faster than the Industrial revolution and has forced Japan to regenerate its industrial sectors and corporations.
- An aging population (also common in more developed countries) and natural disasters pose a major challenge to the business world.

Building Value

- Amidst these trends in business strategy and challenges to global businesses, there are still ways to create value for businesses.
- 3 very powerful ways include creating scale, creating disproportionate value from choke points in the system and a strong differentiation of brand value.
- Differentiation of value can be done by changing the origin of the product (resources), engaging with customers more, applying adjusted best practices and building an empowered entrepreneurial nature.
- It is also important to define the core and the competitive differentiation of the business as fewer than 10% of companies are successful.
- On a larger scale, a power shift from the Atlantic to Asia is happening. Asian nations can collaborate and co-create the new world and be a transformation catalyser in Asia Pacific.





YBHG TAN SRI DATO' AZMAN HJ MOKHTAR, MANAGING DIRECTOR OF KHAZANAH NASIONAL BERHAD GIVES US HIS VIEWS ON KMF 2012 DAY 1

What was different this year?

This year there was a good balance with lots of diverse backgrounds and views. However, they all landed on the same theme - do your job with trust and integrity.

We are all facing the same problems worldwide and it is important to remember that we are not alone. We cannot be 'katak di bawah tempurung', we have to go out and be part of this worldwide shift.

Even subjects like Branding and Marketing which are thought of as 'superficial' have universal traits which suddenly seem to have very insightful lessons to teach.

What do you think the highlight of Day 2 will be?

I think the Book Launch, as it involves what truly matters - people and our planet.

On a lighter topic, how did your favourite team the Tottenham Hotspurs fare this year?

Well, there certainly was a Big Shift in the fortunes of Spurs when they beat Manchester United 3-2 at Old Trafford after 23 years.

Big Shift for Liverpool too...
If you consider that a shift!

“ Insights were given from many different angles and whether you look to the East or the West for wisdom, we all arrive at the same message; yes, there is a Big Shift, but the immutable truth of the importance of integrity and authenticity remains. ”



WHAT CAN MUSIC DO?

Last night, in a special collaboration between Khazanah Nasional Berhad and The Philharmonic Society of Selangor, KMF participants and members of the greater music fraternity had a wonderful musical session with Professor Nigel Osborne, composer and Reid Professor of Music, University of Edinburgh.

Based on his experiences in using music in therapy and rehabilitation for children who are victims of conflict, Professor Osborne shared his thoughts on how music can evoke change, not just at individuals, but also communities and economies.

After the talk and a very thought-provoking interactive session, the choir, made up of volunteers aged between 9 – 81 years young and a string trio performed an original composition entitled "Mangrove Miniatures", specially composed by Professor Osborne in celebration of the Malaysian mangroves. The Choir then performed some popular songs to end this musical evening.



Hendrik Johannes Cruyff (born 25 April 1947 in Amsterdam), known as Johan Cruyff, is a former Dutch footballer. He won the Ballon d'Or three times, in 1971, 1973 and 1974, which is a record jointly held with Michel Platini, Marco van Basten and Lionel Messi. Johan Cruyff was the founder of the football philosophy known as Total Football, and is widely regarded as one of the great players in association football. In 1999, Cruyff was voted European Player of the Century.

After his retirement as a player in 1984, Cruyff became highly successful as manager of Ajax and later FC Barcelona; he remains an influential advisor to both clubs. After his retirement from coaching he initiated the Cruyff Foundation, Cruyff Institute, Cruyff Classics, Cruyff Football and Cruyff Library. Johan Cruyff is currently the manager of the Catalan National Football team and he joined Mexican team Club Deportivo Guadalajara better known as Chivas in February 2012 as an advisor.

On top of that, Cruyff is also well respected for his work with communities centred around the philosophy of: "You may not always think about it, however, when you have the possibility to do something for another, you must take that opportunity". The Johan Cruyff Foundation originated from the above philosophy and was established in 1997. Cruyff was one of the first influential sportsmen in the Netherlands to connect his name to a foundation.

After many years of participating in fundraising activities, Cruyff wanted to use his influence to support sports, games

and community projects to improve the life of children all over the world. He, and thus the Johan Cruyff Foundation, pay special attention to children with special needs and less fortunate youngsters.

The Johan Cruyff Foundation aims to give more children the chance to play together and play sports by initiating the construction of Cruyff Courts, by supporting sport projects for children with a disability and through the organisation of unique sport events for the youth. Through sports, the Foundation believes that it will make a contribution to improve health, integration, quality of life and values.

The unique proposition of the Cruyff Court concept is that it provides a platform for the surrounding community to come together and strengthen ties and bonds. The facility functions as a common area for neighbourhood activities, and is accessible as well as safe for children to play. In addition, the Cruyff Court can serve as a centre for the development of talent, through potential partnerships and collaborations with schools, institutions of higher learning and sports academies.

Also, Johan Cruyff Foundation has recurring annual events such as; Cruyff Foundation Open Day, Cruyff Foundation Wheelchair sports day, Johan Cruyff Shield, Cruyff Foundation Cup, Cruyff Court Champions (a school street football Championship) and the Cruyff Foundation Games. Most of these are independently organised by the Foundation itself but besides that, they also support events and activities of other projects and organisations.

KHAZANAH AND JOHAN CRUYFF FOUNDATION

Khazanah Nasional Berhad ("Khazanah") announced its collaboration with world-renowned football legend Johan Cruyff on 3 September 2012, via the Johan Cruyff Foundation, to bring to Malaysia a unique football experience through the development of the Cruyff Courts. The Cruyff Courts are public playing fields located in the centre of neighbourhoods to provide safe places for children to play, develop and enjoy themselves in a community environment.

The collaboration is a Corporate Responsibility programme that brings together the positive power of sports to children, youths and the larger community in the vicinity of the Cruyff Court. It enables children and youth from low-income families and special needs children to play, develop and learn from each other.

Under this programme, two Cruyff Courts will be built, one each at Kuala Lumpur and Johor Bahru. Khazanah will contribute a total of RM3.1 million

to build, maintain and administer both facilities whilst corporate sponsors will fund the programme that amounts to RM200,000 annually.

Cruyff Court Kuala Lumpur is planned to be built in Brickfields area, Kuala Lumpur. In addition, CIMB Foundation has come on board as the anchor corporate partner for the Cruyff Court Kuala Lumpur programme.

The Cruyff Court in Johor Bahru has been completed and is located at Sekolah Rendah Kebangsaan Mohd Khir Johari in Kampung Melayu Majidee, Johor Bahru. It was officially launched on 4 September 2012, with the ceremony witnessed by D.Y.A.M. Tunku Ismail Idris ibni Sultan Ibrahim, the Tunku Mahkota of Johor. Cruyff Court Johor Bahru will be managed by Iskandar Investment Berhad.

In total, there are 160 Cruyff Courts around the world and Malaysia is the second Asian country to have the Cruyff Court, after Japan.

