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Leading Asia in new ways

Today's top business leaders encourage corporate social responsibility practices while still helping their organisations prosper. **Marie Wee** sits in on CNBC's Asian Business Leader Awards 2006

Business management in the 21st century is a whole new ball game. Late last year at the fifth CNBC Asia Business Leader Awards (ABLA) 2006 — presented by Citigroup Private Bank — the concept of a 'strong business leader' was redefined in a refreshing new light. Development Dimensions International (DDI) — the consultancy that conducted the interviews with the nominees for the ABLA — explained to Prestige that there were five main strengths it sought: strategy and execution; power management; change and innovation; social awareness and corporate citizenship; and the culture and values of the organisation.

"Teamwork is overrated," said Steve Cone, global head of advertising and brand management at Citigroup Global Wealth Management. "If you look at the history of major innovation and creativity, it

was individuals who came up with the ideas in the first place, which leads to my second point — research is completely overrated. Creativity and innovation come from someone who really understands the business, has a passion for the business (and) sees in a different light something everyone else takes for granted."

Of the 65 business leaders shortlisted for the DDI interviews, five outstanding individuals were crowned. CNBC defines them as "tremendous managers who tend to lead companies which are growing quickly and becoming larger". The ABLA also provided a platform for exchanging strategies and philosophies.

Anand Mahindra, vice-chairman and MD of Mahindra & Mahindra explained that it was also a ceremony to showcase his country's dynamic business scene. "This recognition is not just for me, but for my country too — a country that is booming in the shortest time possible," he said.





ASIA BUSINESS LEADER OF THE YEAR

Anand Mahindra, vice-chairman and MD, Mahindra & Mahindra (M&M)

Anand Mahindra doesn't think it's important what an individual does terms of a company's growth — it's more important to build a climate of innovation within the company. Mahindra was a stand-out winner for his charisma, creative spirit and focus on developing the talented leaders of tomorrow. The judges, including DDI senior vice president Rich Wellins, were impressed with him from the start.

"Mahindra sticks in my mind — he was sharp in forming a five to six year strategy

plan with a very clear vision," said Wellins. "He takes talent planning seriously and has very stringent criteria for bringing onboard new people — he identifies high potential managers. He also emphasises social awareness and corporate social responsibility initiatives."

M&M employs 11,600 people in its eight manufacturing facilities spread over 500,000 square meters and 49 sales offices. The group deals in automotive as well as farm equipment, with a business milestone being the development of the Indian-made Scorpio

SUV under Mahindra's direction. A major concern of his has been to nurture new talent in planning for the future.

"If my board of directors asks me, do you have a potential successor? I'd say I've nine of them. To me, a sign of success is how many successors you've developed who can take over from you when the time comes."

Mahindra obviously employs an individualistic management style. Onstage during the roundtable discussion, he stands firm as an advocate of mavericks and respects the creative process.

"My job is 'custodian of mavericks' — although they are usually creative, they step on everyone's toes so we have to nurture them," he said. "It's usually only one out of 10 who will have an idea which works, but the thing is not to ignore them."

Although a high honours graduate of Cambridge with an MBA from Harvard Business School, Mahindra started off out at Mahindra Ugine Steel Company (MUSCO) as executive assistant to the finance director, working his way through various departments on the way up.

"I started work in the steel melting shop. Then I had to deal with the labour strikes of the early 90s... We didn't have products of our own in India, so I championed the development of the Scorpio SUV.

I managed the shop floor, labour relations, R&D and then moved up to a general management role. That gives me confidence as a leader — nobody can fool me because I've 'been there, done that'".

Direct foreign investments from instead of to India mark a significant change in business trends in the country in recent years. M&M is one such organisation leading the charge to acquire foreign brands to secure foreign distribution and marketing channels, customers and brands.

2006 saw two such history-making ventures for M&M: the acquisition of Stokes Group Limited — the UK's largest automotive forging company — in January and the purchase of top-five German forging company Jeco Holding AG in September. Three acquisitions were also made in the company's home country of India.

Building an empire is tough; maintaining it is even tougher. Mahindra has voiced this as a key goal in the coming year.

"Our main focus in 2007 will be on overseas acquisitions," he said. "But the challenge — even as we acquire more companies — will be how we can integrate them all and make them work. My own personal key challenge will be managing these overseas acquisitions."



ASIA ENTREPRENEUR OF THE YEAR

Fredy Bush, CEO, Xinhua Finance

Fredy Bush has always been introduced as the woman who overcame all odds. She became a widow at 20 and had to quit university in Utah to support her two children. When she was awarded the 'Asia Entrepreneur of the Year' accolade by CNBC, she was close to tears, touched that she had received recognition for her capabilities and tenacity.

"Once you've faced poverty and the responsibility of feeding your children, you get very serious about making a living," she said. "I have two children — a son and a daughter — who have both gone to college and are married. I couldn't be happier as a mother."

Back in the mid-80s, Bush packed up from school to work for the Taiwanese government in the procurement of commodities. She didn't even know the country was still under martial law. Before long, the enterprising go-getter had an idea. "It just became very evident that if you

provide financial information, you can make a living out of that," she said.

The college dropout certainly had the intellect to fall back on. "Xinhua Finance distinguishes itself globally simply by being focused on China," she said. "When I first started out, I remember people saying 'There are so many obvious financial providers in the world and she thinks she's going to compete with them?'"

Many people never realised that a financial information company in China could become important on the global stage. But after living in Taiwan through the 80s (going from martial law to capital market), it occurred to Bush in 1999 that China was getting to the same tipping point where the country was likely to get into the world trade and capital market. "So I took a risk — I just jumped in," she said.

Bush abides by one winning philosophy. "I think people don't fail — they quit," she states emphatically. Nonetheless, there were moments when she herself almost gave up. "After the September 11 and SARS incidents, I wasn't sure if I was going to be able to pay the salaries the next day — nobody was in an investment mood. But I had gotten that far and brought a lot of people with me, so I really couldn't let anybody down." With an award such as this, Bush feels that the risk and effort her team has undertaken have been validated.

Today, Xinhua Finance — with its headquarters in Shanghai — is China's leading financial information and media services company. It is also listed on the Tokyo Stock Exchange's Mothers Board (9399) and manages a global network of 20 news bureaus that span North America, Asia Pacific and Europe. However, Bush intends to remain focused on her booming base country.

"China's financial markets are still young, but its companies are starting to invest more so there is a whole new opportunity for us to provide relevant information," she said. "That will be our new growth area — our focus will be to add depth to our products and services as the regulatory environment changes. We

"AFTER THE SEPTEMBER 11 AND SARS INCIDENTS, I WASN'T SURE IF I WAS GOING TO BE ABLE TO PAY THE SALARIES THE NEXT DAY"



ASIA CORPORATE CITIZEN OF THE YEAR

Ernesto Tanmantiong, executive vice-president and COO, Jollibee Foods Corporation

Without the support of the Filipino people, Jollibee wouldn't be number one in the Philippines, beating all the multinational players at their own game. So the company tries to give back to the community in the hopes of bringing the Philippines back to the time it was a great nation.

Ernesto Tanmantiong is executive vice-president and COO of Jollibee Foods Corporation, and a member of the founding family. The climb behind this household name is a testament to true inspiration. The company was founded in 1975 with two small ice cream parlours, and has grown today into a giant fast food chain. There are over 500 Jollibee outlets in the Philippines and more than 20 worldwide. The company was listed in 1993, with 30 percent now owned by the

public and 70 percent by the Tan family (all the brothers have different surnames because of mistakes that joined their surname to their Chinese name). Yet, the family behind the business still runs it with key corporate social responsibility (CSR) initiatives in mind.

"Our (CSR) initiatives started because we were not born rich," said Tanmantiong. "My father was a chef and his salary wasn't enough to support the children's education, so we were beneficiaries of scholarship programmes ourselves." With its primary market being families, especially parents with young children, Jollibee's CSR drive is executed in three main areas: educational, housing and public governance training.

MaAGA ang Pasko, the longest-running gift collection drive in the Philippines, aims to benefit needy kids from all over the country with books and toys. "We gathered more than one million units of toys and books that we distributed to orphanages last year," said Tanmantiong. "We also work with the ministry of education to produce positive value booklets that we distribute in public schools to grade one students."

In 2004, Jollibee joined Gawad Kalinga, a non-government organisation focused on housing the poor. To prove that the operation was more than just a marketing exercise, even Tanmantiong's two young daughters joined in the building of the shelters. Year after year, Jollibee built more houses for the poor and those affected by natural disasters.

The food corporation is also helping the Filipino government come up with effective training programmes for good public governance. Tanmantiong divulged that if staff from private companies need to upgrade their skills at seminars and courses, so too do government officials.

"It's still in the planning stage, but we are working with the Asian Institute of Management (AIM) on how to help local government units respond better to the local constituents," said Tanmantiong. "Since Jollibee has more than 560 stores in the Philippines, we are in almost every city.

"We are considering implementing training and development programmes for good public governance as well as recognition programmes

"WE GATHERED
MORE THAN ONE
MILLION UNITS OF
TOYS AND BOOKS
LAST YEAR"

INNOVATOR OF THE YEAR

Masanari Iketani, executive advisor,
Tokyo Steel Manufacturing

There are heirs who enjoy the seeds of their fathers' labour, and there are heirs who plant seeds of their own. Masanari Iketani planted his own when he tore down all of the existing facilities at his father's steelworks to make way for new steel-making technology.

Iketani is the Tom Ford of the steel-making industry — he's always at the forefront of new trends. "It's very, very innovative in the steel-making industry," enthused Iketani, going on to elaborate about the current 'it' steel. "I make it a point to take note of market changes, which seem to constantly shift towards the New Age. Angle bars (a long L-shaped piece of steel) used to be the main construction material for buildings, but now H-beams are used. The foundation is also driven into the ground using the so-called H-pile. Tokyo Steel exports many of these to Singapore."

Iketani is also predicting the 'next big steel'. "Now we are planning to produce heavy plates used for big buildings — that's the next popular item," he said. "Construction materials and machines are produced from these heavy plates."

The avid industry watcher does not just have his fingers on the pulse of steel material trends, though, but also keeps a steady eye on market trends. "The Japanese economy is facing a big deficit... I think construction demand for steel is lessening," he said. "As such, Tokyo Steel is aiming to switch from construction to industry materials."

Founded in 1934, Tokyo Steel Manufacturing has today become the top arc-furnace steelmaker from its modest beginnings as a small-time steel recycler. Iketani joined the company in his early twenties when his father was president. After a year and a half working at an affiliated company in the US, he returned to Japan.

In 1969, he was appointed managing director of associated company Tosa Denki Metallurgic. At age 25 in 1970, Iketani became company president. In the next five years, he transformed Tosa Denki into Japan's largest steel bar manufacturer, merging it with Tokyo Steel in 1975 as he stepped up to the post of president of Tokyo Steel. Although largely restructured by Iketani, the company's core speciality today is still the production of basic steel products such as its H-beams.

Just a few years back, the entire Japanese steelmaking industry underwent a radical restructuring exercise, with many of the integrated steel mills merging to stay afloat. But where did it left electric arc-furnace



steelmakers such as Tokyo Steel? The company began to sell 'value-added' steel items such as hot coils, sheet piles and jumbo-sized H-beams. Where the manufacture of these products used to be dominated by integrated steelmakers, this dynamic recycler of scrap steel stepped boldly forward to take a larger bite of the pie.

As Japan's steel export rate is expected to decrease, the domestic market will take up a bigger percentage of Tokyo Steel's clientele. Although Iketani has since stepped down as president of the company, he continues to identify industry trends and offer his advice as executive advisor of the firm.

"IT'S VERY, VERY
INNOVATIVE IN
THE STEEL-MAKING
INDUSTRY"



HONG KONG CEO OF THE YEAR

Tony Fok Tung Ling (*above right*), chairman and president, Comba Telecom with CNBC Asia president and MD Jeremy Pink

Clinching a title that spans all industries in the fast-paced and competitive business environment of Hong Kong is no mean feat. But when you quiz Tony Fok about his winning ways, the polished Guangzhou-born gentleman attributes it all to his staff.

“Our management team is well made up and each of them can stand on their own, showing that our choice and nurturing of talent are pretty sufficient. The harmony within the team is also important.”

The winning edge is definitely evident in this engineer graduate, who recounts the success story of his wireless solutions provider. With his main competitors being the technologically-superior American and European giants, Fok knew he had to literally offer a different package.

“What do customers need? Not only many products, but also many services including web design, product installation packages and initiation processes. Many processes require human supervision, but foreign companies just collect payment and hand over the product. We brought about ‘total solutions.’”

However, as the technological environment is in constant flux, Fok keeps creating new products to increase his company’s package options, improve service levels and increase efficiency. “We offered much more than the Americans in the early days due to our constant development of new products and services,” said Fok. “For example, our core business is in indoor and outdoor wireless coverage. Where the American companies offered only one or two such products, we provided coverage in underground trains, skyscrapers, large malls and even in areas such as rural farms.”

Comba Telecom already has a presence in Hong Kong, China, Singapore, Thailand, India, Sweden and the US, with customers in Asia Pacific, Europe, the Middle East and Africa as well as branches in India, Sweden and San Paulo. However, the total overseas market still only amounts to 10 percent of the business. As such, global expansion is top on Fok’s agenda.

“India is important,” said Fok, voicing plans to continue inroads into said market.

TALENT MANAGEMENT OF THE YEAR AWARD

Ruey Bin Kao, president of Motorola (China) Electronics

Kao was not in Hong Kong for the CNBC Awards, but the president of Motorola (China) Electronics left a deep impression on the judges with his talent management skills.

According to CNBC, Kao has played a significant role since his entry into Motorola (China) in 1993 as a senior manager. He rose the ranks to become general manager of Motorola’s infrastructure business in Greater China in June 2000 and was appointed president of the company in April 2005.

Kao has become a trailblazer in China’s telecom business, maintaining strong relationships with key customers and government organisations. He has also been instrumental in delivering integrated end-to-end solutions to telecom carriers throughout the past decade in a competitive environment.

He exemplified the generous spirit of the new business leaders by sitting in as acting president of the company from August to December 2003 when the position was vacant. He was also a member of the search committee to identify the company’s next president. ■

'We need a new template for an Indian MNC'

A freewheeling interview with Anand Mahindra on managing an emerging global Indian group

Vinay Kamath

Thursday, October 26: The hour is late at Hong Kong's tony Conrad hotel, the venue of television network CNBC's Asia Business Leader Awards 2006. A formal black tie event unfolds with the brightest and best of Asian business mingling, quaffing some fine wine and spirits: award ceremonies are interspersed with jazz and robust conversations around the many tables. At the end of it all 51-year-old Anand Mahindra, Vice Chairman and MD of Mahindra & Mahindra Ltd, in a de rigueur bandh gala, is still looking fresh and energetic. And, why not? He has just done with a stirring acceptance speech to rousing applause after receiving the 2006 CNBC Asia Business Leader Award, staving off challenges from business leaders across Asia.

The award is a recognition for Mahindra's global forays, sales growth and profitability as well as the group's community initiatives to promote the welfare and education not only of the group's employees but also the local community. This, Mahindra believes strongly, will be the face of the Indian MNC and he is striving to develop a template which will define the face of an Indian MNC rather than a global model so far developed by the West.

The top award of the night, after innovators, corporate citizens and entrepreneurs' awards were given to various businesspeople across Asia. He is the third Indian to bag the award after ICICI's K.V. Kamath won the inaugural award in 2001 and TCS' Ramadorai in 2002. Business Line caught up with Mahindra soon after the awards ceremony for a lengthy conversation in the foyer of the Conrad, not so much on the hard numbers that make up the Mahindra story but on his management philosophy and style and the story behind the growth. Excerpts:

Now that you have made several forays in various countries from manufacturing to marketing tractors to automobiles, do you regard yourself as a global MNC or at least one in the making?

It is always going to be a work in progress. I think there are very few companies in the world, and not just Indian ones, who can tell you that they have got the formula right. People have to keep relearning things all the time. One of the things I learnt when we met Renault is that one of the essential prerequisites for a true blue MNC is humility — the understanding that whenever you do business around the world you can learn things from your partners and I remember that Renault said this was very much part of its character. How many MNCs do you know that can make such a claim? So, unless you have that, you can't be a true MNC. I don't care if you throw me statistics of how many branches you have around the world or how many factories; you can still screw up. Humility is not all, there are other things, but it is important. I have a special project going on to define a template of what is a global company. The basic question was: Can we create a template for what is an Indian MNC; it can range from what percentage of your revenues come from across the world to what is your gender ratio. I believe a truly global company is a diverse company and you cannot consider yourself such unless you have a bigger representation of non-Indians, women, and things like what is your level of language skills...we've embarked on a truly exciting study to evolve some benchmarks for an Indian MNC.

What are the few characteristics



Mr Anand Mahindra (right), Vice-Chairman and Managing Director of Mahindra and Mahindra Ltd, receiving the 2006 CNBC Asia Business Leader of the Year Award, from Mr Jeremy Pink (left), President and Managing Director, CNBC Asia Pacific, and Mr Todd Thomson, Chairman & CEO, Citigroup Global Wealth Management, at the awards ceremony in Hong Kong on October 26.

that you would say would make a true Indian MNC?

We are looking at the parameters of this animal which will be defined by the study: what is the source of global revenues; how much of production and revenues come from overseas; what is our gender ratio; the diversity ratio, what is the level of language skills. The second thing is the softer aspect. Everyday in business we ask ourselves: what is our USP? What is our differentiation: that's the heart of strategy. When Indian companies become MNCs, how are they different from the template that have been set by Western companies? Why should we just accept that? As we do everyday in business, can there be a differentiation for an Indian MNC? My feeling is this: what the West is beginning to realise post-Enron is that you cannot simply go by saying shareholder and profits are everything.

Also, you realise that by serving society and at the same time finding a societal benefit can actually be a profitable proposition. It's not just a greater good. There are many ways of putting it; you can have clichés like long-term self-interest, but whichever way you want to put it, the fact is, as Prahalad has said, there are opportunities at the bottom of the pyramid. I believe the Indian MNC should be one that differentiates itself by not ignoring the needs of its surrounding society and serve them and serve it profitably and that's an interesting win-win situation. We in India as MNCs can perfect that.

If I go to Romania, for example, I would like to first find out what the surrounding community needs. Can I convert that into a profit-making stream or a business enhancement or a strategic advantage, can I do something in that area so that I am perceived positively and it actually enhances my business value? The Japanese taught us that quality comes free. In a similar way, serving society can also be done at a profit. I think that's the kind of recognition that the Indian MNCs can give the world.

You are expanding all over the world from one end of the world in the US to China, and to Gambia and Australia. So how are you managing this

new animal?

(Laughs) If there was a well-known formula for doing that I could retire to the Bahamas! The fun is in creating that. What you touched upon is my main preoccupation. How do you manage? What is the new template? It's part of the global thing and more. We have a new integration template coming; how do you quickly get new acquisitions up and running with minimal disruption. That's something we are working on. But, at the end of the day there are two major enablers: one is global hiring, which is going to play a key role and what we are doing now when looking for acquisitions is we put a premium on a company where we inherit management.

For example, in Jeco Holdings (a recent acquisition) we have a wonderful manager there who is going to remain CEO. He will be a tremendous addition to the senior management of the group. So, right away you're net positive in management...so in a world where there is a war for talent we are looking at a premium on companies that have good talent. Second is that technology is going to be a major enabler — (points to his Palm Top) I don't think if this little device did not exist, I could have managed an MNC. You're online at any point of time anywhere in the world. You cut down your lead time in getting information and making decisions — and this little device allows that, much as it annoys my wife, competing as it is for my affection! You literally hold the world in your palm — so technology is enabling companies to manage in a way they would never be able to. So, our IT strengths are very high and will be higher. The first thing in integration is that we want everybody to be on the same IT platform wherever in the world they are — so despite the multifarious languages that exist in the group, we want one technology language to exist.

At a broad level your group's global forays look very disparate in its acquisitions as well as in the locations you're going into. So, what is it that makes it all hang together, in a managerial sense?

Well, keep in mind that we are a business group with six verticals, each of them with

their own global imperative. What you see from the outside is Mahindra everywhere but each sector has a clear trajectory they are going to follow in terms of where they want to go and what their global plans are. So, for example, if the tractor business enters Gambia, it's not Gambia alone that it is looking at but a footprint in Africa. South Africa too will be a major springboard as the infrastructure is terrific and this is where we will base our operations for Africa not just for tractors but auto as well. It could even be holidays — Mahindra Holidays was in South Africa last week looking for time share partners. It's very planned and orderly; we have annual strategy sessions where we demand from each group what its trajectory is going to be and why. They have to commit on what their profit curve will be like.

What is the award in recognition of-M&M's global foray and positioning and its profitable acquisitions?

Well, the jury had some hard parameters like global sales, return on assets, so clearly the company's financial performance had to go through a filter and in a sense almost every Indian company is surfing the wave of the Indian economy. It's a recognition that India is growing and secondly a recognition of how well the company has capitalised on these macro-economic indicators. That to me is very interesting. I was amazed by the rigour of the process — the interview was so rigorous that I thought the interviewees were fairly skeptical. But, I was told later that the decision was unanimous.

You're relatively young in the M&M group, so what is the management psyche that you're driving through the group?

(Laughs heartily) I thought I stopped being young when I crossed 50! I have a concept that I haven't named yet: it is how do you create a sense of co-ownership — we are in a business which still is family driven. We are extremely aggressive with our stock options scheme, which is a commitment from us. We have our own internal millionaires; they are a lot of people in the organisation who made a substantial amount of money. So, they know that we are walking the talk. And, there is the psychological aspect of ownership — does he really leave you alone and trust you? I would argue that why we have fairly low attrition at senior levels — even though we are not the best paymasters in the industry and yet we retain people — is because of this attitude. Some people have criticised me in the past saying that I am too hands off. But, ultimately, you are getting results. You can argue about that endlessly. But I know enough about the businesses — in the main business I worked my way up and in the others I helped start them. So, I know enough to come in at the right time when nobody will grudge my interest and when somebody is looking for a path or guidance. Once that trajectory is set no one can quarrel with my claim that I leave them alone.

So, where do you draw your inspiration from and set your benchmarks?

Well everybody asked me that today, so I will be consistent. My parents told me never to have one role model — they said the world is a food court and you can go anywhere and take the best from different cuisines. So, why clone yourself after one person? I told my daughters the same thing — the world is too large so just go out and take the best from the variety you see. So, I don't have one role model — I read voraciously and keep scanning the Web looking for new ideas. It needs more openness of mind rather than finding one person for inspiration.

The CNBC awards

The CNBC business leadership awards were instituted five years ago to recognise CEOs who are creating and sustaining entrepreneurial initiatives, developing best practices and carving out powerful businesses in the global economy.

The assessment is done by the University of Chicago's Graduate School of Business. As Associate Dean of the school, William Kooser, explained at the awards ceremony, the initial step in the selection process consisted of analysing performance of thousands of companies throughout Asia.

They analysed financial, growth and sales data to determine performance of these firms relative to their peers and to pinpoint the best performing firms in the region. Specifically the school looked at three key performance indicators: sales growth, operating margin and return on capital employed.

The school then took industry, company size and country into account to work out a model to make the most accurate comparisons of companies to create a short list of the best companies across the region.

In the second evaluation phase, with research partner Development Dimensions International, the panel goes through a three-phase judging process based on a combination of criteria including financial performance, leadership, creativity, innovation and social responsibility. Candidates are evaluated based on their ability to create short-term advantage, long-term value, competitive edge, and the demonstration of leadership in the business community. A face-to-face interview is also carried out to assess candidates' leadership qualities based on criteria such as talent management, innovation, culture, strategy formulation and execution and social contribution.