

SPEAKING NOTES

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JIOB/Manchester Business School MBA

Graduation

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“Hallmarks of Success in 2010”

GREETINGS

I want to acknowledge Dr Alistair Benson -
Academic Director, Manchester Business School
Worldwide and other directors and students of the
JIOB/Manchester Business School programme.
Thank you for inviting me to be the guest speaker
at this graduation ceremony.

Let me first congratulate the fifty-seven graduates
who will be presented this evening. I notice that
there are several Scotiabankers among the group,
and I extend personal congratulations.

I also understand that there are several graduates from some other financial institutions. I would also like to acknowledge the graduates from our sister Caribbean territories. Congratulations to all of you.

I gather from the numerous Scotiabank staff members who are pursuing MBA programmes that it is no joy-ride; in fact it is one of the most demanding academic programmes that one can undertake. I'm sorry I can't offer you any sympathies because I think that it is appropriate for the program to be rigorous.

The truth is, it is MBA graduates such as you who have the responsibility to manage the nation's capital and become leaders in the business community. Therefore your education for this role should be rigorous and of the highest quality.

I would therefore like to commend the Jamaica Institute of Bankers on successfully coordinating and administering this course in Jamaica since 1993. The structure of this programme is the way of the future, as universities find innovative ways to reach students beyond the physical locations of the institution. This trend is in keeping with my theme this evening.

I invite you to look forward to the year 2010 to see what industry will look like and the steps managers should be taking to prepare their companies for these developments.

HALLMARKS OF SUCCESS IN 2010

The background information I am using is a 2006 report by Deloitte Touche Tomatsu, (DTT), which I'm sure you are all familiar with. The report, entitled "Hallmarks of success", outlined the characteristics that financial service providers must exhibit in 2010 if they are to excel.

I recognise that while most of you are from the financial sector there are some graduates from other sectors of the economy. Therefore I will focus on those issues that are applicable to all businesses in 2010, not just the financial industry.

The report highlighted six hallmarks for financial service providers in 2010. This evening I want to share some thoughts on the relevance of four of these issues for you, as you enter this new phase of your career. They are:

- Global markets and a business model to match

- Mass efficiency with focused premium service
- Winning the struggle for growth through stronger customer relationships
- And cracking the IT value code

GLOBAL MARKETS AND A BUSINESS MODEL TO MATCH

I doubt that I need to say much to convince you that industry on a whole is becoming increasingly globalised. Globalisation is the buzzword of the 21st century, as international agreements and rapid developments in communication technology break down traditional barriers to trade and commerce. Some years ago, a speaker told the story about an Informal Commercial Importer (ICI) who walked into a travel agency and asked for a ticket to Japan.

When the agent asked why she was travelling to Japan, she explained that most of the items she bought in Miami said “Made in Japan”. Therefore she figured that if she went straight to Japan she could cut out the middleman and get the goods cheaper. This story was told as a joke at that time. But today, the reality is that several of our large retailers either have products made especially for them in China, or travel to the Far East to source their goods. The ICI in our story had a vision of developments to come.

In terms of the financial sector, the DTT report predicts that companies operating in mature markets will be searching for new growth opportunities in emerging economies. The emerging economies of today are Asia and the Americas, as I’m sure you know. To be successful in this venture, financial companies must be able to come up with business models that suit these customers.

These models will feature low cost products that are affordable for the new genre of customer. This means that many financial products are likely to become commoditised, that is to have margins that become smaller and smaller. Companies will also have to maintain a sizeable balance sheet to support the funding needs of clients in these growth areas.

The situation is hardly different in other areas of the economy. The truth is that businesses of all types are looking for new markets and growth opportunities. What does this mean for you, the management professional?

Those of you who join the thousands who migrate to industrialised countries may form part of the management team of a firm that is seeking to expand its business into new uncharted waters.

You will be able to contribute your experience of living and working in a so-called developing country and understanding how those customers may think. But all of you graduates whether you stay here in Jamaica or move to greener shores, must develop the mindset of operating in a global market place.

As managers you will need to conduct research that looks beyond our local boundaries into the rest of the region and North America, on an on-going basis. Globalisation presents opportunities and challenges for the modern manager. Opportunities lie in new business lines, strategic mergers and acquisitions and alliances that cross borders.

The challenges come from increased competition, especially from companies outside our borders who may see potential business opportunities that we miss. This is why managers must develop peripheral vision. This is a concept described by two Wharton Professors, George Day and Paul Schoemaker. It was the theme for our Scotiabank team leaders retreat this year and currently we are rolling it out to the entire bank, branch by branch.

Companies which have peripheral vision keep a constant watch on developments in sectors that are unrelated to their core business (the periphery). They understand what is happening in the economy, in their community and in the international arena. They have their finger on the pulse of their customers and they act decisively on weak signals before they become threats or lost opportunities. This is the kind of company you must create and lead, if you are to succeed in the globalised environment of 2010.

EFFICIENCY AND PREMIUM SERVICE

Earlier on I mentioned that the margins on financial products were likely to be quite low in 2010. This is a phenomenon that is occurring as we speak. Jamaica is experiencing a period of interest rates at unprecedented lows in recent years and financial services institutions are operating with shrinking margins.

As a result, operational efficiency has become a matter of urgency for the sector. The DTT report states that this will be even more of a priority in 2010. Companies will be forced to find ways of improving efficiencies and economies of scale. Self-service channels such as internet banking, ABMs and kiosks will become crucial to business success.

However companies may be able to use the savings from increased efficiencies to fund premium services for high value customers. The DTT report suggests that there is a segment of “mass affluent” persons which is under-served today but will demand greater attention in the not too distant future. Again, many of these principles are true for other industries as well. For example the retirement of the so – called baby boomers – people born between 1946 and 1964 - who will be the richest set of retirees the world has ever seen, has implications for all businesses.

The DTT report considers this event one of the significant market drivers in the years between now and 2010. Analysts expect that these boomers will be engaging in “controlled consumption”: enjoying the fruits of their years of hard work and prudent investment, while ensuring that they have adequate funds to last for their life expectancy.

By the way, I believe the Boomers include people like me: you can know us by the fact that we have less and less hair to cut at the barbers. The challenge for managers in all commercial sectors is to identify the needs and desires of this cohort and develop products and services to satisfy them. This will require research, creativity and innovative thinking.

GROWTH THROUGH ENHANCED CUSTOMER SERVICE

However, no matter, how creative you may be, the competition will find a way to match your product, sometimes even before you launch it formally. There is no such thing as a secret in the corporate world, especially in our small Caribbean societies. And even if the competition doesn't beat you to market with a similar product, chances are they will have a look-alike out within a few months of your introducing it.

People react to competition in various ways. *For example the story is told of the shopkeeper who was dismayed when a brand new business much like his own opened up next door and erected a huge sign which read 'BEST DEALS.'*

He was horrified when another competitor opened up on his right, and announced its arrival with an even larger sign, reading 'LOWEST PRICES.'

The shopkeeper panicked, until he got an idea. He put the biggest sign of all over his own shop. It read 'MAIN ENTRANCE'.

The reality is that the usual modus operandi of introducing new products to boost top and bottom line growth will become less and less reliable in coming years. Instead analysts at DTT are suggesting that the successful 2010 company must focus on strengthening customer relationships through improved customer service and processes.

Research shows that it is much more difficult for the competition to replicate excellent customer service and high quality processes.

According to DTT, service and process enhancements reduce complexity and cost. They create the “virtuous circle”: top line growth and profitability on the bottom line. And financial markets reward companies that achieve top line growth. Therefore the quality of customer service that a business offers is going to be the key differentiator in the next few years.

The companies that succeed in 2010 will be those that have mastered the art of retaining their existing customers and deepening the share of their wallet. But as markets become mature, firms will also have to steal market share from the competition. The challenge for you, the executive will be to create companies where innovation is an integral part of the company culture.

Complacency has no place in this culture, because complacency leads to stagnation. And stagnation translates to arrested top line growth and declining profits.

THE VALUE OF “*IT*”

Information technology has become so much a part of business operations that the question, even for small businesses, is not whether to use technology but what updates are available. The DTT report predicts that the leading financial companies are likely to be the “most sophisticated users of technology on the planet.” In fact today the top 25 financial firms spend US \$50 billion on technology each year.

According to the 2005 Economic and Social Survey of Jamaica (ESSJ), the 2005 Global IT report ranked Jamaica 54, and Trinidad and Tobago 74, of 115 countries for e-readiness. Jamaica, T&T and the Dominican Republic (89) are the only three listed Caribbean countries.

On the other hand, Jamaica is the only English speaking country in the Economic Intelligence Unit's E-readiness ranking. The country ranked 41, based on a score of 4.82 out of ten. Just to give you a reference point the top three countries in the Economic Intelligence Unit's E-readiness list were Denmark, with a score of 8.74, the US (8.73) and Sweden (8.62).

There are two aspects to these e-readiness rankings:

- In the first place, Caribbean countries with greater levels of e-readiness have an opportunity to offer services to our sister islands which have lesser capacities.
- On the other hand the Caribbean as a whole is vulnerable to competition from companies which are able to leverage more advanced technology.

The imperative for Caribbean businesses is to identify information technology solutions which will improve processes and service and result in greater efficiencies. The region's proximity to the US makes this quest both easier and urgent: easier because the technology is more accessible and urgent because the threat from competition is more imminent.

CONCLUSION: THE 2010 LEADER

This evening I have touched briefly on four hallmarks of success for business in 2010:

- Global markets and a business model to match
- Mass efficiency with focused premium service
- Winning the struggle for growth through stronger customer relationships
- And cracking the IT value code

Chances are the majority of you in this room this evening will either be managing other people's businesses or investing in your own enterprise. This means that you will have the responsibility of preparing your company to meet these goals. The education you have gained during your MBA will have prepared you technically for the management or entrepreneurship role.

However, the leader of 2010 must be more than technically competent. You need to develop your peripheral vision by listening to your employees at all levels, not just your fellow managers. You will also have to put systems in place that gather information from the political, economic, social and technological environments.

The systems must be sensitive enough to pick up weak signals: events that may seem to have no direct or immediate impact on your industry, but which may prove to be a threat realised or an opportunity lost, if you ignore them.

The 2010 leader must have excellent communication skills, so that you can inspire your team to follow you and participate in a meaningful way in business development.

Your integrity must be of the highest order, indeed non-negotiable, because in a globalised environment, governance issues can make or break you.

Finally, you must master the art of change management because change is a given, not an option.

This evening I have used the year 2010 as a reference point for my remarks. But of course, as you are all aware, 2010 is just four years away. So your 2010 leadership begins this evening, with your graduation from this programme.

I wish you every success in all your endeavours; and I leave you with these words from management guru, the late Peter Drucker:

➤ *Management is doing things right;
leadership is doing the right things.*

Thank you all and best wishes.