

Advancing Enterprise 2005

4 February 2005

Speech by Mervyn Davies CBE, Chief Executive, Standard Chartered at Advancing Enterprise 2005.

Trade and technology: the business response to the new global economy.

I'm not sure Rod could ever forget me actually because I spend most of my life on his planes. Standard Chartered operates in 56 countries. What's interesting about us is we are a British company, proud to be British, proud to be quoted on the London Stock Exchange with our regulator the FSA, but we've less than 2% of our workforce are British, and we've got 79 nationalities in our top 360 managers.

The thing that keeps this federation of businesses and individuals together is a strong value system. We've got a long historical association with many of our markets. In China we've had a presence since 1853. We've been in India since 1858. In fact our first two branches anywhere in the world were Shanghai and Calcutta, but it's not just about the past, it's absolutely where our future is. The bank's focus is very clear. We are maximising the opportunities that we have in these very fast-growing economies, but one of the big challenges that I've got as Chief Exec is accepting that each of the 56 countries is at a different stage of economic development, and there isn't one blueprint for all of the 56. And at the heart of that, as Terry mentioned, I think it is absolutely core is strong local management. We need a very clear value system and five corporate values that everybody understands, but we are totally dependent on strong local management. I cannot go down the corridor to meet my management team because they're thousands of miles away.

Our operations are spread across Asia, Africa and the Middle East, but we've seen more change in the last five years of our business than we did in the previous 150 years. I would never have imagined that we would have a Africa section in China. I would never have imagined that we would be doing foreign exchange in Ghana and Kenya with Sinochem. Chinese companies are buying minerals, commodities, raw materials from Africa. Indian companies are exporting goods all through the Middle East and South Asia. One of our fastest-growing business units in the world has been Jebel Ali Free Trade Zone. China is trading more and more with its Asian counterparts, so we really didn't focus on Chinese business across Asia. That has been a completely new business for us. So we're now marketing as a bank. There has been a fundamental shift and we have had to react and change to the changes in the economy. I think the other thing that's definitely coming down the road, and it's very clear we see it in our business today. The next wave in business is that these Chinese and Indian companies are becoming increasingly successful. They have good governance, they have capital, they have good management, and they look at the global environment and say, 'We want to operate on a bigger stage.' So I believe that cross-border acquisitions by Chinese and Indian companies is going to grow exponentially. I think we should view that as an opportunity and not a threat. I believe it will stimulate lots of discussion but I think it's something that is inevitable.

Now, one of the interesting things about India is if I asked you about India, the top of mind quote would be, outsourcing and call centres. In our bank, the success and the

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clients are in pharmaceuticals, automobile parts, petroleum products. The depths of companies in India is quite staggering, and I believe that sourcing products and call centres is yesterday's story. I also believe that Sinochem, TCS, many other companies out of China and India are undoubtedly going to be the winners in the future. Now, it is estimated that by 2010, there will be 665 million Chinese aged between 20 and 39. In India, 35% of the population is currently under 15. The quality of these individuals is exceptional. I think the other key issue is that the quality of graduates that we get from India and China is really staggering. That's the competition that we've got.

Now, my big challenge is basically to be innovative, to basically create an innovative company, and yet not have 56 different business models. Centralisation, standardisation and yet have a business model that is global. Diversity, 79 nationalities across 56 countries managing the company. We have a diversity council, but one of the big problems that I've got on diversity is diversity means different things in different countries, so it's not just making sure that we have the right balance between male and female, the right balance of geographies. One of the big challenges that I've got is making sure that diversity is understood and engrained into the culture of the company.

Lastly, I would never have expected tsunami, 9/11 and also Sars. So one of the absolutely extraordinary occurrences in banking has been that unexpected events are having a profound impact on our business. No scenario plan could ever, ever have foreseen those circumstances. So our managers just have to be more prepared for the unexpected. Consequently I need fast, nimble managers who can cope with unexpected events and yet be culturally diverse. That's the challenge that we've got as CO's. Thank you.