



A Conversation with James

TRANSCRIPT: Farah Foustok Tells James Berkeley Cultural Change Key to Regional Growth Ambitions

Today in *A Conversation with James*, James Berkeley talked to [Farah Foustok](#) Chief Executive Officer, Middle East at ING Investment Management. She brings a diverse and unique perspective on the region and the profitable growth opportunities. We talked over the telephone late afternoon in Dubai. We talk about THE HUMAN ELEMENT IN AN EXPANSIVE BUSINESS FOCUSED ON GROWTH AND EXPANSION IN THE MIDDLE EAST.

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JAMES BERKELEY, HOST: Thank you for joining me today.

No one predicted the recent financial crisis and there are signs that we're in the midst of a recovery. What is your organisation doing to exploit that?

FARAH FOUSTOK, CEO MIDDLE EAST AT ING INVESTMENT

MANAGEMENT: We are not wavering from our long-term commitment to the region. We took a prudent approach to setting up the business three years ago.

What we have learned subsequently is that in order for our business to be successful in the region there must be a solid foundation and a strong team with local skills, and knowledge, who fully

understand the regional market. Our energies today are directed towards fulfilling those guiding principles to the best of our ability.

A good team with knowledge, experience, creativity and passion, is the driving force behind a successful regional investment management business. What is different from 2008 is that the expectation for outstanding results and the pressure on leaders in the regional investment management sector to deliver them is much higher. For some entrants, who sacrificed quality and longevity of the business in return for immediate profitability, this now has significant implications on their ability to sustain their original strategy in today's market.

BERKELEY: Talent acquisition, retention and nurturing are going to be a key organisational asset. Could you briefly describe the priority given to this, the top three initiatives you have underway or plan to start in the next 12 months, what success is and the value you anticipate arising from each

FOUSTOK: We agree wholeheartedly that first and foremost this is a people business. We have prioritised aligning our organisation's reward structure to that of our customers, our Group philosophy and stockholders. We have a policy of non-cash bonuses and deferred compensation vested in ING funds.

We have a substantial regional budget for training and education of our employees. They are accountable for proposing areas of improvement, and training resource. We also leverage our global resources, arriving next in is one of our Financial Directors from Europe, who will conduct a local training and education programme for our local finance officer. He will also spend time in the region to understand the business landscape, our focus and strategy; working closely with the Management team to increase efficiency. It is all part of our "long-term" strategy.

Many organisations and we were the same relied on proven expatriate asset management talent to get established in the region. That is not sustainable as you are left with a transient workforce, where client facing staff are rotated between regions and do not spend long enough in the region to develop strong relationships. You are at an advantage if you focus on hiring qualified local talent and invest in them to develop their industry knowledge and training.

What has surprised me about building a business in the region? Firstly the majority of my working experience has been outside the region. I found the entrepreneurial spirit to be very strong, which can be challenging in the corporate environment as it brings with it a sense of "entitlement" and an impatience to succeed and climb the corporate ladder. There is a sense of "short-termism", which has been felt globally.

I am a great believer in rewarding those who have earned it, which should be in the combined form of individual merit and achievement combined with strong team contribution. It breeds an unhealthy culture when people are rewarded equally in these difficult times. Again employers face the issue of "entitlement", which needs to change in the region.

Our pay system needs to be tougher in drawing a distinction between out-performance and merely doing what is expected in each role.

BERKELEY: The fastest, surest route to loyal and “permanent” customers and clients is with fulfilled employees offering great service. In your view where should GCC financial services organisations be directing time and money now to maximise that employee fulfilment, and really exploit an economic upturn?

FOUSTOK: The priorities in descending order,

1. Education and the ethics that go around education. For example, many of those coming out of the old regional education system have been simply *spoon-fed* knowledge. There are in many cases little or no ability to retain the “right” knowledge and more importantly apply it at the right time and place.
2. Accountability. There is a desperate need to have managers willing to take ownership, accept failure and be open to constructive criticism.
3. Alignment of organisational structure, business goals and the rewards system. We are a star team, not a team of stars. Everyone’s performance has a direct link to the bottom line. It might vary between Group and Local P&L’s but the principle is the same.
4. Performance and Reward Assessment needs to be based on the appropriate balance of qualitative and quantitative measures. The balance with us is 60:40, for others the weighting may need to be different. However there are some inescapable facts. High-performing managers need to know at the beginning of the year that ‘x’ performance can achieve approximately ‘y’ reward. There will always be room for discretion but this should not make up the majority of the decision.

BERKELEY: Can you talk more about *Leadership Insight*?

FOUSTOK: I am surrounded by a group of passionate, committed and competitive colleagues. However, in all firms there is another category of employees that exist, which smart leaders have to consider, who create a balanced environment. Those people for whom work and a job are all about financial necessity, nothing more. My advice, and it might seem counterintuitive, is to give them more, not less, accountability and responsibility in their work. In my experience the gratification they derive from a successful piece of work, is the single most influential driver to their loyalty and commitment to the firm.

BERKELEY: Competition will become more severe for your brightest and best people. How are you prepared to handle this? Please describe the preventative action you are taking.

FOUSTOK: It is a numbers game, where we will rarely compete on cash compensation alone.

1. Stability - In general and more specifically during these turbulent economic times, people crave stability. Speaking from a personal perspective, my team and I left our previous employer due to structural changes following a merger. Stability is created by what people see, not what

they hear or read. That means a visible executive leadership presence and recognition. Our Global CEO, the CEO of Europe and other senior executives tend to travel to the region separately, every few months.

2. Fair and competitive compensation - We annually participate in a regional compensation study.

BERKELEY: What are the opportunities for career growth?

FOUSTOK: Talented people have the ability to grow within the firm, either locally or relocate geographically and work alongside some of the smartest minds in the business.

BERKELEY: Talk me about your market positioning?

FOUSTOK: From a business perspective, we were early into the regional investment management business, but late into global product distribution. During the last two years, with the various financial defaults, institutional investors are re-assessing their counterparty exposure. Many of the regional investors have reached peak levels with many of our competitors such as JP Morgan, Morgan Stanley, Templeton and others. There is a huge opportunity for ING, to demonstrate our strong investment performance across various asset classes.

BERKELEY: What are you bringing to the market to accelerate repeat business with your existing customers? To succeed in those areas, what needs to change about the employees you attract, retain and nurture?

FOUSTOK: People listen but don't hear. At the start of the year, we took a bold decision to transfer our fixed income portfolio manager to Europe to be part of the Emerging Markets team, managing over Euro 10 billion, and continuing to invest in the regional fixed income market but through a larger pool of funds. We then merged our equities and fixed income analyst teams, creating "dequity" analysts and expanded their coverage to include new Frontier Markets. It caused quite a stir and negative comment from the media, yet I don't believe our strategy was understood. The results were immediate and very significant. Our Dubai cost base was reduced and we subsequently tripled our assets under management this year. We have a "distinctive" not just a "competitive" market position. Why? Our clients were demanding the change, we listened and acted swiftly.

The significant changes to the employee compensation system accelerated the process and have been a catalyst for re-investment in tough economic times.

What is on the horizon for the industry? I would say a huge increase in pressure on fund managers and hedge fund managers, to justify their fees and performance.

BERKELEY: Any closing thoughts?

FOUSTOK: The regional asset management industry is still at its infancy, compared to its global emerging market peers. Yet the economic strength of the region, due to the accumulated government surpluses and the re-investment programme to develop and diversify the regional economies is visible in the corporate sector selectively. The opportunity for the region to develop from a Frontier market to Emerging market status will propel it to the global stage, yet we should segment and recognise the differences in the Gulf, North Africa and Levant countries.

Education of the local workforce remains at the heart of sustainability. The regional wealth will contribute to build an incredible regional infrastructure, but without the soft elements of education, regulation and a legal framework the region will struggle to reach its set goals.

There is a responsibility for the private sector to join hands with the government and to play a pivotal role in supporting the education story, across various divisions, giving back to the community in which they work.

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