Is the funding for growth right before your eyes?

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The power of partnerships

José Neves on the success of luxury fashion website Farfetch

The EY 7 Drivers of Growth – and the stories that prove they work

Mohammad Abunayyan of ACWA Power on how water can change people's lives
What will the next generation generate?

Find out how EY helps family businesses to manage succession so they grow from one generation to the next.

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As leaders, a collective sense of purpose helps harness today's pace of digital change, leaving positive legacies that can ripple throughout the world.

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The better the question. The better the answer. The better the world works.
Whatever your company’s growth aspirations, whether it’s to grow from local to global, from private to public, from challenger to leader, or from millions to billions, there is one question we hear all the time: how do I accelerate growth and make it sustainable?

To help answer this question, we’ve used our experience dealing with the world’s fastest-growing companies to create the EY 7 Drivers of Growth, a framework that helps companies to align their capabilities with their growth strategy. In this edition of Exceptional, we tell the stories of seven successful companies, each of which has benefited by focusing on one of these Growth Drivers.

They span a wide range of activities, from traditional manufacturing businesses to cutting-edge digital start-ups. Among the former are Büchel, the family-owned German component company whose owner, Erhard Büchel – this issue’s cover star – took the bold step of relocating to the Far East and merging with a Chinese firm. This alliance saved the company and laid the basis for its eventual return, after the reunification of Germany, to its original headquarters. It’s a remarkable tale of successfully adapting to changing circumstances.

Among the high-tech companies featured, Drop is an Irish start-up that is launching a range of smart digital products for cooks, starting with a connected kitchen scale and recipe app. Connectivity is at the heart of the company, which uses data analytics to understand its customers and the market.

Another successful digital business is online luxury fashion marketplace Farfetch – so successful, in fact, that it has become a “unicorn,” one of the elite group of businesses founded since 2003 that are now worth over US$1b. We meet CEO José Neves and find out how his dedication to innovation and risk-taking has helped him to build a business that is not only growing online, but also helping the fashion boutiques it works with to prosper in brick-and-mortar stores.

Also in this issue: brothers Adam and Jerzy Krzanowski tell us how they have grown Nowy Styl Group into one of Europe’s largest manufacturers of office furniture; we explore how education can help to foster the entrepreneurial culture that is vital to create employment for young people; and we find out what Mohammad Abunayyan, Executive Chairman of Saudi company ACWA Power, learned by starting at the bottom of the ladder in his family’s business.

All these stories illustrate, in their various ways, how entrepreneurs are at the very heart of our economy, and we hope they will inspire you to write the next chapter in your own growth story.

Peter Englisch
Global Leader, Family Business Center of Excellence, EY

Hubert Barth
GSA Strategic Growth Markets Leader, EY
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“If you associate with chickens, you’re never going to fly with the eagles.”

The volume of desalinated water generated each day by ACWA Power (page 30)

2.5 million m³

José Neves, CEO, Farfetch

“It was clear that online fashion, and even online luxury fashion, was going to be big.”

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Ideas, facts and figures from the African business world

Business pioneers: Miko Rwayitare
The man who made connections across Africa.

It’s not always possible to pinpoint the moment when a new technology is introduced to an entire continent, but when Miko Rwayitare made a mobile phone call in 1986, it is thought that he was the first person to do so in Africa.

The company he founded, Telecel International, would go on to become a leading player in African telecom, operating in 15 countries and capturing a substantial share of the sub-Saharan cellular market.

Success with Telecel was the culmination of a series of business ventures for Rwayitare, who was born in Rwanda in 1942. Educated in Zaire (now the Democratic Republic of the Congo), he studied electronic engineering in Germany.

On his return to Zaire in 1975, he joined the state-owned mining conglomerate. At the same time, he noted the spread of information technology in the US and Europe and quickly saw its potential. Forming a new company, he won a contract to distribute HP and Rank Xerox products in Zaire and neighboring countries.

But his true entrepreneurial breakthrough came when he saw an opportunity to start a wireless telecommunications business. From that first call in 1986, Rwayitare went on to play a central role in deregulating the African telecom sector by influencing governments to open it to investors.

In 2000, he sold 80% of Telecel International to Egypt’s Orascom Telecom for US$413m, creating further opportunities for expansion.

By that time he had moved to Johannesburg, and in 2001 he bought the Mont Rochelle winery, making it the first black-owned wine estate in South Africa. This was part of an ambitious diversification strategy that also included broadband, real estate and hotels.

Sadly, “Mr. Miko,” as he was fondly known, died unexpectedly during an operation in 2007, aged 65. Obituaries hailed him as a visionary who had helped Africans to communicate with each other.

DID YOU KNOW?
Almost one-fifth of African investment projects in 2014 were in technology, media and telecommunications. Mobile subscriptions and data traffic are seeing particularly strong growth, creating online business opportunities in a number of sectors.

DID YOU KNOW?
Almost one-fifth of African investment projects in 2014 were in technology, media and telecommunications. Mobile subscriptions and data traffic are seeing particularly strong growth, creating online business opportunities in a number of sectors.
Innovation Africa: Emerging Hubs of Excellence
Olugbenga Adesida, Geci Karuri-Sebina and João Resende-Santos
(Emerald Group Publishing, February 2016)

Innovation is critical to growth and development in Africa. While the continent needs to support its own Silicon Valleys, it must also foster the invention and adoption of cleaner technologies that limit respiratory illnesses and deforestation and combat climate change. Innovation Africa features case studies on Africa’s emerging high-end innovation hubs and ecosystems. The authors highlight lessons from some of the most promising and successful, exploring the key factors driving their growth.

Investors have returned to North Africa now that concerns sparked by the Arab Spring of 2011 have faded, but many countries in Sub-Saharan Africa (SSA) saw falls in foreign direct investment (FDI) projects in 2014. Notable exceptions were Ethiopia and Mozambique.

**Snapshot: Contrasting trends in FDI**

<table>
<thead>
<tr>
<th>Destination Region</th>
<th>% Change, 2014 vs. 2013</th>
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<tbody>
<tr>
<td>West Africa</td>
<td>down 23%</td>
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<tr>
<td>East Africa</td>
<td>down 12%</td>
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<tr>
<td>Southern Africa</td>
<td>down 11%</td>
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<tr>
<td>North Africa</td>
<td>22% YOY rise in FDI projects</td>
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<tr>
<td>SSA</td>
<td>49% share of Africa’s FDI capital in 2014 – down from 81%</td>
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<tr>
<td>15% YOY drop in FDI projects</td>
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Source: EY’s attractiveness survey Africa 2015: making choices, FDI markets, February 2015

**DID YOU KNOW?**
The top 1% of companies in the world provide 40% of all jobs. But to create new, high-impact businesses, tomorrow’s young people need the right education.

*See feature, page 12*

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**Lip service: Gerald Mahinda**

“If you are going to make a short-term investment for a short-term return, then you should not operate in Africa. It has got to be long term because there are risks, but over the long term you can manage those risks.”

(Managing Director for Sub-Saharan Africa, Kellogg Company, speaker at EY’s Strategic Growth Forum™ Africa 2015)
Style and substance

From their base in Kraków, Adam and Jerzy Krzanowski have grown Nowy Styl Group into one of the largest manufacturers of office furniture in Europe. But there’s much more to the company than swivel chairs.

words Rhea Wessel_portraits Robert Laska
In many ways, a well-designed chair is like a well-run business: lots of thought goes into each; they serve multiple, clear functions; and a good chair and a good business alike should be stable and sturdy.

What’s more, both chairs and businesses can meet more than obvious human needs. A chair can be a highly aesthetic design object — a work of art that brings its owner joy — and a business can serve society beyond the benefits it provides to owners and employees.

Adam and Jerzy Krzanowski, the co-owners of the Nowy Styl Group, seem to have internalized their role as makers of highly functional and aesthetically pleasing office furniture — as well as builders of a furniture empire that makes a significant contribution to the Polish economy.

As Europe’s third-largest manufacturer of office furniture, their business generates annual revenue of €300m and employs thousands of people. Through its six brands, the Nowy Styl Group offers interior furnishing and design services for offices, conference centers and commercial venues including cinemas, stadiums and concert halls (see panel, opposite).

The brothers built Nowy Styl Group from scratch, combining good ideas with business prowess, with the help of a mentor who believed in them and the right mix of opportunities when Poland was transitioning to a market economy.

Well-defined roles
A spirit of enterprise runs through the brothers’ veins. Sitting among the latest designs in the Nowy Styl Group showroom in Kraków, Adam says: “Ever since we were kids, we’ve been cooking up different businesses. I was about 15 when we got paid to take photos of cars for an uncle who worked in claims for an insurance company, and Jerzy opened a café shortly before we began...”
While these early work experiences helped to shape the way the brothers deal with risk and run their furniture empire today, the pair also served business apprenticeships away from Poland. In 1990, Adam gave up his studies in Kraków to strike out in the US, with the aim of earning enough money to set up his own business. He started at the Whyte Company, a small chair-maker in Brooklyn, New York, and worked his way up from the production line to become factory director. Meanwhile, Jerzy traveled to Israel, where he worked in a restaurant.

Back in Poland in 1992, Adam and Jerzy drew on lessons learned abroad and took advantage of the country’s burgeoning business culture, receiving an investment from Adam’s mentor, Henry Stern of the Whyte Company. Stern invested US$30,000 for a 40% share in the brothers’ new office furniture business and provided key referrals. He remains an investor and a close family friend to this day.

The Krzanowskis’ respective areas of expertise have always been well-delineated. From the beginning, Jerzy has been responsible for the company from an organizational and production/manufacturing perspective, while Adam has been in charge of sales and marketing. Adam’s official title is President of the Management Board and Jerzy’s is Vice President.

“Jerzy opened a café shortly before we began designing.”
“Originally, we ran the business like a family-owned company.”

“When the company started growing, I was more focused on practical matters, while Adam was more open to taking risks and making new investments,” Jerzy explains. “It was an excellent mixture. We argue and fight sometimes, but we always look for a solution somewhere in the middle. That helped us to grow the company.”

A significant step forward came in 2008. “Originally, we ran the business like a family-owned company,” says Adam. “But, 16 years after we registered it, we realized that we needed to professionalize the management in order to take advantage of even more growth opportunities.”

So the brothers started bringing in new people, and with them came fresh ideas. “It wasn’t hard to give up control of the business,” says Jerzy. “Nobody had to convince us. It was our decision.

“We argue and fight sometimes, but we always look for a solution.”

We knew that, to reach the next level, we had to make these changes.”

Proud Poles

Both men are decidedly grounded in their attitudes and modest about what they have achieved. Sons of a production manager at a glass factory, the brothers witnessed Poland’s economic coming of age after the end of the Communist era, and contributed to it. But Adam remembers a time when others tried to dismiss their competence and capabilities simply because they were from Eastern Europe. “At first, it was hard to be taken seriously,” he says. “A typical reaction was: ‘What, you’re from Poland? You build chairs? How would you know how to do that?’ There was a kind of snobbery back then, which is not the case today.”

Now, when Jerzy takes foreign visitors
on a tour of the Nowy Styl Group factories in Jasło, near the Slovakian border, he strolls between robotics and high-tech production lines and says: “I am proud that I am Polish, that we started in Poland, and that we’re so successful today.”

As the stewards of the company, Adam and Jerzy are also proud of the social good they do, from creating jobs to sponsoring the arts.

Nowy Styl Group’s “western” operations employ roughly 3,000 people, providing many jobs in areas of Poland outside the major cities. And away from the Group, the brothers have joint ventures in Ukraine and Russia that employ another 3,000 people.

The company also supports the arts, particularly music. This interest grew out of connections Nowy Styl Group had developed over the years with performance spaces; it has provided many with seats and acoustic solutions, including the Munich National Theater (home of the Bavarian State Opera) in Germany and the National Forum of Music in Wrocław, Poland. For 2015 and 2016, Nowy Styl Group is the patron of the Krzysztof Penderecki European Center for Music in Lusławice, Poland. As part of the sponsorship, it is supporting events, educational programs and competitions for musicians.

**Focus on growth**

As for the core furniture business, the brothers still see huge potential for further growth. “I believe that, in the next few years, we could become number one in Europe,” Adam says. “More and more of our clients are international companies, and the more presence we have, the easier it is to grow. Plus, we’re looking for further acquisitions, particularly in western Europe.”

Three particularly notable purchases in recent years involved German and Swiss office furniture manufacturers: Nowy Styl Group is now the owner of the Grammer Office brand (acquired in 2011), Rohde & Grahl (2013) and Sitag AG (2015). With plenty of acquisition experience already under their belts, the brothers understand post-merger integration.

“We know we need to get integration right,” says Jerzy. “That’s why we’re focused on improving our organization, such as logistics and production.”

Growing the company is rewarding and remains a focus for the brothers, but there’s more to the job than that. “Office furnishings really affect the way people feel, and we see it as our responsibility to consult with people to find the right ergonomics, acoustics, lighting and spaces for communication,” Adam concludes. “This is a great contribution we can make to the health and satisfaction of people around the world.”

“We know we need to get integration right.”
For tomorrow’s workforce to have jobs and opportunities, today’s young people need the confidence and inspiration to create their own businesses. So how can education help to foster an entrepreneurial culture?

words Tim Turner

Cultural change

At last year’s G20 Young Entrepreneurs’ Alliance (YEA) Summit in Turkey, EY released a report, From classroom to boardroom: creating a culture for high impact entrepreneurship, exploring how education policy can help to create the conditions that enable entrepreneurs to thrive.

Persistent youth unemployment and ever-present demands for innovation, sustainability and social inclusion are compelling governments to support entrepreneurship. The goal is to develop the high-impact entrepreneurship that drives the lion’s share of job creation among start-ups. A recent study from the World Economic Forum shows that the top 1% of firms contribute 40% of all jobs.

But for tomorrow’s workforce to have jobs and opportunities, today’s young people need the confidence and inspiration to create their own businesses. As Maria Pinelli, EY’s Global Vice Chair – Strategic Growth Markets, says: “It’s in enabling young people to follow their dreams and start their own businesses that we’ll see a significant change in the youth employment statistics.

“Before they can do that, though, they need belief in their ability to shape their own futures; they need to get comfortable with taking risks; and they need to build the know-how, confidence and resilience to innovate in the face of challenges.”

Unfortunately, by and large, society leaves it to chance whether young people develop these vital skills. “We need to
Six specific recommendations

1. Create a G20 multilateral entrepreneurs start-up visa
2. Encourage international networking
3. Start teaching entrepreneurship early
4. Foster these programs through the secondary/tertiary education system with a pivot toward vocational education and industry partnerships
5. Focus on “quality” entrepreneurship and “quality” employment
6. Establish longitudinal programs to link culture and education through to impact

Timescale
- Now
- Near term
- Medium term
- Long term

To read From classroom to boardroom, go to ey.com/G20Turkey.

More information

NFTE used an illustrator to document the Entrepreneurial Mindset Summit in New York on 27 October 2015.

“‘To develop an entrepreneurship culture, you have to create an infrastructure.’”
Başak İlisulu, Sherpa to the G20 YEA

embed teaching of an entrepreneurial mindset – characteristics such as initiative and self-direction, flexibility and adaptability, and creativity and innovation – at the heart of our education systems,” says Pinelli. “The big roadblock has always been that these mindsets don’t lend themselves well to standardized testing.” As a result, other, more easily measured areas of intelligence such as math and language tend to be given greater priority.

With this in mind, the Network for Teaching Entrepreneurship (NFTE), supported by EY, is developing an Entrepreneurial Mindset Index (EMI) that, for the first time, will enable schools to reliably identify and measure the presence of entrepreneurial skills in their students.

“If what gets measured gets done, as seems to be the case in our education systems, then this is a potential game changer – one that paves the way for a much more systematic approach to cultivating entrepreneurial attitudes and behaviors,” says Pinelli, who chairs NFTE’s Board.

Preparing for the future

Even with the help of initiatives such as NFTE’s, lasting changes in education systems take time, so the need for policy action is urgent. From classroom to boardroom contains six specific, practical policy recommendations (see graphic, above) and the timescales in which they could realistically be introduced, as well as examples of these policies in action.

A cultural shift won’t happen overnight – in fact, it will take place over a generation, if not more. For governments, this means a long-term commitment to supporting entrepreneurship through education. New policy can be enacted in stages, with some near-term initiatives setting the course for deepening changes in entrepreneurship culture, through education, over time.

As Başak İlisulu, Sherpa to the Turkey G20 YEA, says: “To encourage more entrepreneurs, a country needs a set of beliefs that make entrepreneurship a valid and respected career choice. To develop an entrepreneurship culture, you have to create an infrastructure, and for that, you have to start with the basics. At this point, the right place to start is education and lifelong training.”

The challenge of developing an entrepreneurial culture that will produce the businesses that will provide tomorrow’s young workers with sustainable, high-value jobs is a global one. If the next generation are to have the opportunity to earn their livelihoods and lead active and fulfilling lives, they need to acquire the attributes that will help them adapt and thrive in a world where the only certainty is change.
Arista's Hardware Engineers attack complex challenges every day.
Andreas Bechtolsheim and Jayshree Ullal had already built Arista Networks into a successful IT networking company, but the rise of cloud computing took them to a whole new level.

When Andreas Bechtolsheim founded Arista Networks in 2004, he had already played a key role in starting a number of IT industry stalwarts, including Sun Microsystems.

With Arista, however, Bechtolsheim had a very specific goal in mind: to build an IT company led by engineers that would provide disruptive, innovative solutions for the world’s largest networking challenges. Over the next four years, he focused on building the foundation for Arista’s networking software architecture. In 2008, he recruited industry leader Jayshree Ullal, a former Cisco Systems executive, to serve as CEO.

Together, Bechtolsheim (working as Chief Development Officer) and Ullal have perfected the formula that has powered Arista’s rapid ascent in the networking industry. The company currently has more than 3,000 customers – primarily data centers and high-performance computing centers – on its client roster.

Drawing on his prior IT industry experience, Bechtolsheim was determined not to seek outside financing when starting the company.
“The particular software approach we were taking was going to take time, and venture capitalists don’t have a lot of patience for product development,” Bechtolsheim says. This approach allowed him “to go slow and build the right underpinning for the product.” This self-imposed incubation period enabled Bechtolsheim and his team to perfect Arista’s software architecture so the company would be ready to take off once they officially launched their product. Arista achieved profitable growth within two years of its product release — a significant milestone for an early-stage technology company.

The inflection point
Bechtolsheim also knew this was the right time to hire someone to lead the company. “This was a key inflection point,” he says. “We had to move on from being an engineering and product development company and become a real operation. That is not my cup of tea. We needed someone who understood this market.”

Bechtolsheim knew that Ullal would fit the bill. They had previously worked together at another company he had founded, Granite Systems, which was later bought by Cisco. “We knew each other extremely well, so we had a definite trust factor and a strong working relationship. There was never any question in my mind that she was the best choice,” he says.

Both Bechtolsheim and Ullal realized that preserving and strengthening Arista’s culture would be critical to sustaining its growth. Ullal, who had seen many companies hit a wall as they lost the cultural traits and attributes that fueled their growth, was especially concerned that Arista retain its entrepreneurial spirit.

“We had to go from a start-up phase to a customer phase while still maintaining and preserving what we all strongly believed were our key attributes,”

A growing network
2004 – Andreas Bechtolsheim and David Cheriton – both of whom had previously been executives at Cisco Systems – found Arastra, named after its location on Arastradero Road in Palo Alto, California.
2008 – The company name is changed to Arista Networks. (“Arista” is a Greek word meaning “the best.”)
2008 – Arista launches its Extensible Operating System, which is still at the heart of its product offering.
2008 – Jayshree Ullal joins from Cisco and is appointed CEO.
2014 – Arista is listed on the New York Stock Exchange, raising US$226m from its IPO.
2015 – Bechtolsheim and Ullal win the EY Entrepreneur Of The Year™ US Overall Award.

“By 2016, half of all networking will go through the cloud.”
Ullal says. “We are a high-tech company, built by engineers for engineers, with an open culture of communication. We really wanted to make one plus one much greater than two.”

Bechtolsheim and Ullal have made sure that Arista avoids the complexity trap that plagues many large companies. “Having a flat organization that is totally customer-focused is happiness,” Bechtolsheim says. “We don’t even have a separate product marketing group. Our strategy is totally built around customer priorities.”

The rise of the cloud
Because Arista’s customer base includes many companies that are “technologically savvy” in their own right and eager to use cloud computing for their operations, helping customers adapt to the cloud has become one of Arista’s priorities.

“We predicted the cloud back in 2008,” Ullal says, but the market wasn’t quite ready at that time. In the interim, Arista established itself as a leading provider of networking solutions for financial traders, who relied on robust, high-frequency trading. As that industry shifted away from centralized data centers, Arista moved to embrace cloud computing.

“The rapid rise of the cloud has accelerated our growth,” Bechtolsheim says. “Five years ago, 90% of networking gear was sold through enterprises and 10% went through cloud data centers. By 2016, half of all networking will go through the cloud.”

Moving to a cloud-based architecture also enables Arista to offer scalable, open-standards-based solutions, which will help global enterprises keep pace with the rapid growth expected in internet traffic over the next five years.

To ensure that the company continues to develop leading-edge networking solutions, Arista devotes 25% of all corporate revenue to research and development (R&D) efforts. “R&D is our single largest investment,” Bechtolsheim says. “If you look at our total [operating expenditures], well over half is R&D. Two-thirds of our head count is engineering, and 90% of that is in software engineering.”

As Arista turns to the cloud to establish itself as one of the strongest networking companies in the world, both Bechtolsheim and Ullal intend to ensure that it retains its focus.

“We have to be careful to stay on our mission,” Ullal says. “The cloud will expand to storage, virtualization and security. Every time that expansion happens, there’s more opportunity for us.”
Accelerated growth? Sustainable growth?
Seven leaders of high-growth companies tell us how they’ve managed their resources to achieve their business ambitions.

EY has carried out extensive research examining the growth journeys of hundreds of companies around the globe, ranging from start-ups to leading businesses. The findings pointed to an urgent need to move the conversation about growth and customer value beyond the traditional focus on people, systems and processes.

The result was the creation of the EY 7 Drivers of Growth, a framework to help companies align their capabilities with their growth strategies. EY’s findings show that this broader approach helps to reduce the volatility often associated with rapid growth while confirming that growth is sustainable.

Over the next 12 pages, we speak to the founders, owners and CEOs of seven high-growth companies and find out why a particular Driver has been key to their development. As you’ll see, though, the fastest-growing organizations support their growth strategies by aligning their capabilities across all seven Drivers, prioritizing their actions according to their growth ambitions.

Growth Driver: People, behaviors and culture
Tearing up tradition
Arundhati Bhattacharya, Chairman of State Bank of India, explains why people, behavior and culture are the linchpin of its growth.

An accomplished banker with nearly four decades of experience at State Bank of India (SBI), Arundhati Bhattacharya is the most senior woman in Indian finance.

Her career is embellished with a number of firsts: she was the first woman to chair SBI, India’s largest lender, and the country’s first woman to lead a Fortune 500 company.

Bhattacharya joined SBI in 1977 as a probationary officer and quickly rose through the ranks. As Deputy Managing Director, she oversaw the largest human resources (HR) department in the banking industry and was Managing Director and CEO of SBI’s investment banking arm, SBI Capital Markets, before taking the reins at the bank as Chairman in 2013.

She has driven deep-rooted change at the institution, establishing some of its most prominent joint ventures, including alliances with Insurance Australia Group...
enthusiastic about their work and want to further SBI’s business agenda.

What challenges have you encountered with people, behaviors and culture as you’ve tried to grow the company?
During the two decades of banking reforms, some autonomy was granted by the Indian Government to public sector banks (PSBs) in HR areas, but there needs to be more of a level playing field with regard to recruitment and staff remuneration.

The PSBs entered the current decade with the same expectations as their private sector peers – but with a severe disadvantage in HR, which has since reached tipping point. Due to the regulatory legacies of several decades, PSBs will lose skills and competencies on an unprecedented scale over the next 10 years.

Together with the need for large-scale re-skilling, fresh talent, performance management, controlling growing employee costs and cutting bureaucracy, this presents significant challenges.

What other factors have been key to SBI’s growth?
Despite weak economic conditions, we have posted record growth in net profit. This is mainly due to better non-interest income like treasury, recovery and reduction of non-performing assets, better risk management, cost control, improving delivery standards, and leveraging technology.

Our USP [unique selling point] is that we are everywhere. We have also been around for a very long time. If you look at our sheer reach and range of products and pricing, we give the kind of stability that no other bank in India does. Being the biggest bank enables us to offer a sense of security to our customers.

What plans do you have in place to ensure the bank continues to expand?
We have a whole host of digital products lined up, and we will also be launching wealth management services through the bank.

We recently launched our mobile wallet app, SBI Buddy, and within the first few hours of launching our online customer acquisition software, we sourced more than 900 customers. We are also working on other initiatives with Snapdeal, PayPal and Amazon.
Drop was founded in Dublin in 2012 by Ben Harris, Jonny McCauley, Jack Phelan and Tim Redfern. In November 2014, the company launched a smart kitchen scale and interactive recipe app that wirelessly connect with each other, helping home cooks to make perfect dishes — anything from chocolate whiskey cupcakes to chickpea and quinoa burgers.

Drop has attracted the attention of major retailers including Apple, Harrods and Target, and the Drop Scale is now available in Apple’s retail stores in the US, Canada and the UK. Exceptional spoke to Ben Harris about the birth and growth of the company.

How did you become an entrepreneur?
From a young age, I wanted to work for myself. When I was 4, I saw a paperboy and asked my mum what he was doing. She said he was selling newspapers, so I gathered all the old editions I could find and went door to door offering them to my neighbors. Even though the papers were out of date, they still bought them!

My parents were both entrepreneurs, so I grew up with it all around me — that understanding that someone could start
with an idea and see it grow into a business. Why would you do it any other way?

**What inspired you to set up Drop?**
I’ve always been excited by design and by food, so why not build a business around them? After university, I worked at Leckey making postural management products, and then set up my own product design consultancy, White Zebra Studios (WZS). Through WZS, I met my cofounders and we shared an excitement about connected products, so I wound down the consultancy to work with Jack, Jonny and Tim.

**Was digital technology always central to the concept?**
You see connected devices in the living room or via wearable technology, but in the kitchen, which is the heart of many people’s homes, there were only fridges that sent information to the manufacturer. There was nothing consumer-focused.

Recipe formats haven’t changed for a thousand years – a block of text, a list of ingredients and an image. I hate ambiguity and uncertainty when cooking a steak. We wanted to find a way for the ingredients and recipes to talk to each other and help people make the best food they can. Our scale connects via Bluetooth to an iPad app where you can see hundreds of recipes on screen, with video demos. It can sense by weight when an ingredient is added to a bowl, does the math for reducing or increasing quantities of ingredients as you go, and suggests substitutions if you’ve run out of a particular ingredient. It is intuitive, really easy to understand and fun. As I like to say: it’s not a scale, it’s an interactive cooking experience.

**How important has analytics been in driving growth?**
Data is incredibly important in helping us understand our customers and the market, and analytics is built into the app. We can look at the user’s location, the time of day they use the app, how active they are and what they’re making. We can use this to see how people cook and then devise new recipes and services. It will also help us plan long-term retention strategies.

**What other factors have been key to Drop’s growth to date?**
We were on PCH’s inaugural Highway1 program, which is a hardware accelerator based in San Francisco. It takes product ideas from concept through to prototype and gets them ready for manufacturing. We then joined the PCH Access program to scale our product. They helped us grow as a software company, as we knew they were covering hardware, shipping and logistics.

In October 2014, we secured US$2m seed funding, co-led by Frontline Ventures and Innovation Works, and additional investment from PCH, VegasTechFund and WI Harper. My advice to entrepreneurs seeking funding is to talk to as many people as possible who understand your space and share your excitement. A 36-minute Skype call was enough for one of our investors to say yes. You may have to kiss a lot of frogs, but doors will open.

A happy coincidence has been the rise in baking’s popularity, helped by the TV show The Great British Bake Off and the desire to make food from scratch again. People are more aware of nutrition and what they’re putting into their bodies.

**What is the main challenge you have faced?**
Going from a team building a product on 17 November 2014 to a business shipping it on 19 November! That was a huge change, and we didn’t realize the enormity of it as quickly as we should have. We had been focused on prototypes and not on the back end of the organization such as sales, marketing, shipping and inventory management. We had designers covering these areas until we could get the necessary experts on board. We had to build the foundations quickly.

**What will be the next step in Drop’s development?**
In terms of products, we started with weight, and early in 2016 we’re moving on to temperature. We are developing products that can sit into today’s kitchen. We’re developing these smart products before the giant kitchen manufacturers. But by 2017, they will be bringing out their own devices, and we want them to connect to our recipe platform. We’re small, but we have to make them realize that we have seeded this interactive community and they need to use us.

That is why our customers are so important to us, and we encourage them to share their recipe ideas, create their own account profiles and give us feedback. We want to build a community of cooks and bakers.

**“You may have to kiss a lot of frogs, but doors will open.”**

Group. That was vital in helping us build our engineering, customer support and community teams.

My advice to entrepreneurs seeking funding is to talk to as many people as possible who understand your space and share your excitement. A 36-minute Skype call was enough for one of our investors to say yes. You may have to kiss a lot of frogs, but doors will open.

A happy coincidence has been the rise in baking’s popularity, helped by the TV show The Great British Bake Off and the desire to make food from scratch again. People are more aware of nutrition and what they’re putting into their bodies.
Molded for success

As one of the world’s leading manufacturers of molds for food packaging and bottles, Otto Hofstetter AG relies on continually updating its operational strategy to achieve growth.

words Tim Turner

Otto Hofstetter is owner and Managing Director of the company that bears his name – which is also that of his father, who founded the company in 1955. Based in Uznach, at the eastern end of Lake Zürich in Switzerland, Otto Hofstetter AG manufactures molds for the food packaging industry and for polyethylene terephthalate (PET) bottles. Its products are exported internationally, and Hofstetter states proudly that every seventh PET bottle manufactured in the world comes out of one of his company’s molds.

What was your goal when you took over the running of your father’s company in 1997?
My target was to be the best mold-maker. The initial challenge was to change the behavior of the staff, because there was a culture of not making decisions. So I empowered them to do so, and that was my first step toward growing the company.

How has your operational structure changed as you’ve expanded?
Initially, we invested in our equipment. We are highly automated, and that means our milling machines and turning machines are not just running for 8 hours a day; they’re running for 24 hours if necessary. That brings us a high output, but it also needs well-trained people, so I have invested a lot in training. We have an excellent training program for young people; at the moment, about 30% of our employees have been through this program.

How do you ensure that you’re continually improving your operational strategy?
We always analyze any bottlenecks that occur in production and then take action accordingly. Either we buy more equipment, or we carry out additional training for the staff, or we change the process of that particular operation. This means that we improve each time there’s a problem.

How do you ensure that your infrastructure meets the changing demands of your business?
As a family business, we invest in the company. Every cent we earn is put back into the business, and because we are a mechanical engineering company, we invest in our equipment and buy the best we can find in the market in order to maintain our status as a leading mold-maker.

Do you outsource any part of your supply chain, and what are the benefits of doing so?
We do, but we’re very careful about what areas we outsource. We don’t want to outsource key parts of our production, but we do contract out large batches that we can’t manufacture profitably. This also helps us to balance our production capacity.

Who or what has been most important in helping you grow your business into the success it is today?
We listen to our customers and try to fulfill our promises to them, and I’m very proud that we are one of the best mold-makers in the world – and hopefully we will get even better in the future.
Growth Driver: Customer

Banking for the unbanked

With Ininal, Bulent Tekmen has found a way of giving people without bank accounts access to financial services. Keeping customers satisfied is at the heart of the company’s growth.

What inspired you to set up Ininal?

Given the large numbers of unbanked people and businesses in the region, we hoped that Ininal would become the preferred banking platform for mobile wallet solutions.

We believe everything can be digitized, but digitizing money through the banking system is hard and expensive. So we were confident that we could create a better, secure and convenient way.

What have you learned from interactions with your customers?

The biggest lesson from our customers was that if you are transparent with them, they will support you. At Ininal, our customer services stayed open 24/7 and will always be open. To become a trusted partner, we must be very clear about our services and how they work. Customers expect open platforms on which they can provide their feedback, and the efficiency of these platforms will have a key impact on the success of financial services providers in the future.

Why was putting the needs and desires of your customers first so important in unlocking growth?

We believe that the most reliable route to success is to convince people through your users. If you make something that users love enough to tell their friends about, you will grow exponentially, and that will convince any investor. To do this, however, you need to understand the customers’ ever-changing behavior and needs and accustom yourself to these so that you can succeed in the market. For Ininal, this means that the customer experience simply must be embedded into our operations.

What challenges did you encounter as you tried to grow the company?

The biggest was regulation. Ininal needed to grow the company without breaking any laws. To do this, however, you need to understand the customers’ ever-changing behavior and needs and accustom yourself to these so that you can succeed in the market. For Ininal, this means that the customer experience simply must be embedded into our operations.

What other factors have been key to Ininal’s growth?

We wanted to provide simple financial products to unbanked and underbanked customers by leveraging physical retail networks and technology. So far, we have enjoyed strong and sustainable growth.

We have also built a strong network among merchants, retailers, consumers and traditional financial services providers. The Ininal physical card is now being sold and topped up at 15,000 locations – 10 times more than the number of branches run by the biggest bank in Turkey – while our virtual card can be downloaded from the Ininal wallet application and used across borders.

Finally, we have made significant investments in infrastructure, as well as regulatory compliance and new products, to produce the building blocks that enable us to dominate the Turkish prepaid card market.

What will be the next step in Ininal’s development?

We are expanding our marketing efforts and increasing the number of users: Ininal is still growing virally. Starting with all the big players as preferred merchants, we hope the network-effect business model will drive growth.

Then there is the issue of increasing online spending and the Ininal merchant ecosystem: our merchant commissions will grow as the number of online shoppers grows – indeed, it is thought that the growth in online shopping will outperform internet usage growth in the coming years.

Bulent Tekmen, Ininal
Finance on the cutting edge

Eva Stejskalová, cofounder of Slovak cutting machines manufacturer MicroStep, explains the role finance has played in its success from the very beginning.

MicroStep is a successful Slovakian company with a different approach to financing than other, similar firms. When it was founded in 1990, with share capital of US$14,000, founders Alexander Varga and Eva Stejskalová wanted to maintain their independence and not rely on external investors.

As Stejskalová explains, “Our main external stakeholders are banks, and all they are really concerned about is whether or not you can repay your loan. They are not interested in finance projections or how much you can grow; they just want to know you can repay what you owe them. So for communicating with banks, it is important to have a long track record of being a responsible entrepreneur – not going into too risky a business, but always standing by what you promise.”

“It’s very important to manage risk.”

Varga and Stejskalová had both been working at universities, but the end of the Cold War in the late 1980s ushered in the so-called Velvet Revolution in what was then still Czechoslovakia, and that meant opportunity. MicroStep began by creating control systems for galvanization lines, charcoal retort kilns and other equipment.

“This is a company that has always reacted to opportunity, and in its 25 years of existence it has also had to find ways to adapt and survive. Today it makes computer numerical control (CNC) cutting machines for the engineering industry. “We started the company after the political change in Slovakia,” Stejskalová explains. “The centrally planned economy failed, so everybody wanted to build a market economy and be an entrepreneur.”
Stejskalová says. “Nobody had accumulated capital in the old era, so we put together some money from partners and started our business with that. We asked our customers to finance our growth by giving us down payments, and eventually we accumulated profit, which served as our working capital. When you have money, banks are willing to give you more loans, and slowly you grow.”

Stejskalová admits that it was a while before she started taking the financial side of the company seriously. “In the beginning, I suppose we saw the finance function as a burden,” she says. “Having to present a tax report at the end of the financial year and so on. But it’s very important to have a picture of how the company stands and to manage risk. In our case, the credit risks connected with projects are very important.”

Understanding its finances has helped MicroStep weather some tough times, such as when newly independent Slovakia’s GDP fell in the 1990s, causing the company to rethink — and eventually to specialize in CNC cutting. “It’s a cyclical business, and if you don’t forecast properly you can run into big problems,” Stejskalová explains. “Imagine the worst-case scenario — if the industry slowed right down — and then make a plan for it. In 2008, our sales fell by 60%, but with careful planning we bounced back over two or three years.”

MicroStep is project-oriented, tailoring its machines to a customer’s requirements. Stock and spare parts need to be monitored, as does the time each employee spends working on one particular sample. “A lot of stock, too much time working — that means a lot of money you’ve invested in each machine,” says Stejskalová. “It’s dead money, so you need to educate your employees on working capital.”

That means money must work hand in hand with strategy. Part of this has involved making the staff shareholders so that they are personally invested. “We have sold parts of the company to our longtime employees, so there are 32 partners,” Stejskalová says. “It’s necessary to work in a partnership, so you can rely on others if there are problems. It gives you that support.”

In MicroStep, Stejskalová and Varga have found their own way forward, and this is at the heart of any business success. “If you have an idea or a vision, then go for it,” Stejskalová concludes. “Even if you have some shortages or something that you don’t know or don’t have, you can work on it, you can educate yourself and you can get more money, more investors. It’s better to try to do something than to be sorry that you didn’t get the right opportunity. If you have an idea, do it and do it now.”

“If you have an idea or a vision, then go for it.”
Component manufacturer Büchel was founded in 1920 by Hugo and Karl Büchel in Zella-Mehlis in Germany. Initially the company made toolboxes and tuning forks, but in the 1930s it started to specialize in bicycle and vehicle parts. After the foundation of the socialist German Democratic Republic (GDR) in 1949, the brothers fled to West Germany, where they rebuilt their company in the town of Fulda. In 1976, 23-year-old Erhard Büchel took over the running of the company after his father, Hugo, died. It wasn’t a good time to be in charge of a manufacturing company; he was faced with the rise of globalization and strong competition from

“"If you want to make a difference, you need strong partners.""
Japanese and Taiwanese companies, whose cheap products forced many German manufacturers out of the market.

So Büchel made a brave and unpopular decision: in 1979, he packed all the company’s machinery into large containers, shipped them to Malaysia and rebuilt his factory in the Far East. In 1985, he moved again, this time to China, forming an alliance with a Shanghai-based investment company and founding Huade Plastics. Büchel thus became the first German mid-market company to merge with a Chinese firm.

“Many of my colleagues in the industry described me as a deserter,” Büchel recalls. “But if I hadn’t taken this radical step, we wouldn’t be here today.”

Indeed, his strategy saved the company – in contrast to many others in the bicycle and vehicle sector in Germany and the rest of Europe, which fell by the wayside – and also laid the basis for its further growth.

“If you want to make a difference, you need strong partners,” Büchel says. “They can help you to make the seemingly impossible possible. The move to China and the alliances with our local partners not only assured our survival, but also gave us the opportunity to return to our headquarters in Zella-Mehlis.”

This was in 1991, after the breakdown of the GDR and the reunification of Germany had made it feasible for Büchel to return to the town where his father and uncle had founded the company, and to rebuild the factory. He stresses that, without the successful “detour” to the Far East, he would not have been able to afford to do this. “My motto is simple: in Germany, do what is possible – in China, do what is necessary.”

Today, Büchel has 250 employees in Germany and 600 in China and is one of the leading European manufacturers of vehicle and bicycle components, with production sites in Germany, Belgium, Italy, Latvia and China. Its products are distributed in Europe, Asia, Australia and the US and include spokes, luggage racks, bells, lights, high-quality leather saddles and premium wheels.

“I’m happy whenever I can make a difference or develop or build something new,” says Büchel, “whether it’s a new site, like our recently opened circuit board factory in Shanghai, or a new product like our innovative easy-running dynamo, which we have just patented.”

Büchel’s story shows that it’s possible to achieve the impossible, like the company’s successful return to Germany and the rebuilding of the factory. But you have to make the right decisions – and find the right partners.

Erhard Büchel is closely involved with the company’s production process.

It takes skilled workers to create Büchel’s bicycle components.
Rolando Carmona describes himself as an “atypical entrepreneur” because he is an industrial entrepreneur in a non-industrial country. Asked what led him to set up his own business, he says, “It was a very intuitive thing – it wasn’t like we had a business plan fully laid out. It was more a question of ‘Why not?’ Why can’t we do this in Chile? Why do we have to import everything from Europe or the US? Why can’t Chile have its own technology in engineering?”

Carmona was literally born into mining, first seeing the light of day in a mine camp in Chilean Patagonia where his father, a mining engineer, was the administrator. Carmona Sr. later moved on to selling imported mining equipment, and his son grew up learning the ways of entrepreneurship surrounded by hard work, uncertainty and an equal measure of good and bad years as his father developed his business.

After Carmona graduated from engineering school, his father invited him to join his business, Drillco, which was beginning the first serial manufacturing of rock drill bits on an industrial scale. Soon after he joined, Chile entered a deep recession that led to a massive financial crisis, with scores of businesses going under in a short period of time – and it was at this point that Carmona was asked to take over running Drillco’s finances. Fresh out of university and with no financial experience, he had to deal with banks and creditors, while at the same time securing enough cash to buy raw materials and pay salaries.

On the verge of bankruptcy, the company managed to restructure bank loans and cut costs. Five years later, Drillco had repaid its creditors and taken a 70% share of Chile’s drill bit market. But, having realized that it would be difficult to grow the company internationally, Carmona and his fellow directors decided to sell Drillco to a competitor, Sweden–based Atlas Copco.

After much thought, in 1990 they decided to start a new company, Drillco Tools, to design, manufacture and export compressed–air drilling hammers for hard rock for mining, quarries, water wells, and the oil and gas industries. Carmona had three simple goals: exporting, manufacturing a higher value–added product, and reaching beyond mining. “We are pretty much global in terms of sales, and we have a high value–added product,” he says. “We’re not entirely there, but we’re midway toward fulfilling our original purpose.”

A willingness to take risks has been an integral part of Carmona’s success to date. “There’s no advancement in life in any field without taking risks,” he says. “If you try to play it safe, you’re missing an opportunity, and that’s also a risk. So it’s not about

**Growth Driver: Risk**

**Growing bit by bit**

Chilean company Drillco Tools has taken on established global competitors and succeeded – something that wouldn’t have been possible without taking risks, says founder and CEO Rolando Carmona.

*words Tim Turner*
Growth is elusive: entrepreneurs and corporate executives around the world are all chasing it. But what drives growth? Can specific behaviors help businesses to grow? What do growing businesses have in common?

Our attempt to answer these questions led to the development of EY’s 7 Drivers of Growth. We drew on 30 years of experience from working alongside some of the world’s fastest-growing and most iconic companies. We were part of their journey, from start-up to global player, supporting their goals and helping them grow.

EY’s 7 Drivers of Growth is a framework that distills the insights we’ve gained from this experience. It serves as a guide for companies looking to accelerate the pace of their growth and to sustain that growth in the years ahead. It allows business leaders to evaluate and understand the level of maturity their business has reached across each of the Drivers, along with how best to approach the next phase of growth.

By better understanding the maturity of their business’s capabilities across each of the 7 Drivers, leaders can prioritize the investments and actions needed to support accelerated growth.

However, our research has shown that none of these Drivers alone can guarantee success. While a short-term focus on one or two of the Drivers may deliver short-term improvements, the companies that sustain an accelerated pace of growth are those that pursue an integrated approach, continuously balancing their investment and focus across all 7 Drivers.

For instance, while a business may be squarely focused on improving operational excellence and driving efficiency through its supply chain, failing to also invest in understanding customer needs will most likely result in operational gains being wasted.

Equally, those needing to invest in acquisitions to support their growth plans shouldn’t underestimate the need to invest in the IT systems or people processes that underpin acquisition success.

The EY 7 Drivers of Growth framework is the result of years of endeavor and excellence, both from our people and the companies they support. It is embodied in the stories of the entrepreneurs featured in this article. Above all, it demonstrates that growing companies tend to share similar traits: innovation, the ability to learn from mistakes, resilience and a focus on improvement over time.

Viewpoint

A roadmap for growing companies

Hubert Barth, GSA Strategic Growth Markets Leader, EY

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More information

Visit ey.com/acceleratinggrowth to find out more. You can contact Hubert at hubert.barth@de.ey.com.
Power to the people

As Executive Chairman of ACWA Power, Mohammad Abunayyan is on a mission to bring power and water to those who need it. He also knows that empowering his own staff is a good way to secure the future of the company.
A mother’s influence is a powerful persuader, and for one eager Saudi youth, her refusal to allow him to follow his brothers to university in the US was the catalyst for a journey that has put the Kingdom of Saudi Arabia on the map when it comes to innovation in the power and water sector.

Mohammad Abdullah Abunayyan, Executive Chairman of ACWA Power, has spent more than three decades on a mission to provide affordable electricity and desalinated water to communities on three continents, supporting both social development and economic growth along the way.

The entrepreneurial spirit is clearly a family trait. Mohammad’s father, Abdullah R. Abunayyan, introduced the first diesel-powered turbine pump to Saudi Arabia in the early 1950s, jumpstarting the desert nation’s agricultural capability. Today, ACWA Power invests in, develops, co-owns and operates a portfolio of plants that generate 21.5GW of power and produce 2.5 million cubic meters of desalinated water per day, making it the leading private power and water project developer in the Middle East.

The younger Abunayyan’s 1979 corporate debut was not inevitable, though; rather, it was a case of necessity. “I eventually tried university, but I only lasted 10 minutes in the classroom,” he says with a chuckle. “So my father, in his wisdom, suggested I spend a summer working for the family business. That was 35 years ago.”

Starting at the bottom

For 17-year-old Mohammad, corporate life started at the very bottom of the ladder – in the workshop. This was followed by a succession of jobs, from warehouse operative and showroom cleaner to a stint as a salesman. It wasn’t until almost 10 years later that he secured his first managerial role.
“Our business model is simple: we want to be around forever.”

“When I look back, my father really did me a huge favor,” he says. “I only kept going initially because I had no formal higher education, but it turned out to be a great learning curve.”

Those formative years clearly left an impression and imbued in Abunayyan a lifelong appreciation of the value of people and their individual contribution to an organization. This echoes his father’s approach to business, which eschewed the social convention of family seniority and propagated a corporate culture based on ability, as Mohammad – who is also Chairman of the family company, Abunayyan Holding – explains.

“My father didn’t believe that age automatically equates to seniority, and that is something I have applied throughout the group since I became Chairman in 2003,” he says. “Age is not a deciding factor, and neither is there any privilege that comes with being a family member; if anything, it’s a liability.”

With 13 siblings active in various roles within Abunayyan Holding, managing the family dynamic has brought unique challenges and, at the same time, been a source of inspiration.

“While we try to disengage between relationships at home and at the office, we have also worked hard to build a corporate culture that has a strong family foundation,” Abunayyan says. This has been the secret to ACWA Power’s success – and an invaluable support mechanism during his chairmanship, especially during tough times.

For almost a decade following the Gulf War, the Saudi Government was under severe financial restrictions. As a result, the company had receivables dating back three years, in addition to the problems caused by an abandoned pipeline project. In 1995, Mohammad realized that Abunayyan Holding needed to be less dependent on government capital expenditure funding and had to find a way to execute projects without upfront financial constraints.

In the early days, Abunayyan recalls that there was a complete lack of interest from various government entities, but a breakthrough came in 2002 with the establishment of the Saudi Supreme Economic Council by Crown Prince Abdullah bin Abdulaziz Al Saud, along with a resolution allowing the private sector to work with the Government to invest in desalination and power generation.

“After setting up ACWA Power in 2004, one of the first trips we made was to talk to GDF Suez, but they, and other large companies, weren’t interested in speaking to us,” Abunayyan recalls. “At that time, the perception was that the developer-led build-and-operate business model belonged solely to the big players, and nobody took us seriously.”
Rather than be daunted by the rejection, Abunayyan embraced it and was more determined than ever to prove to the world that a small Saudi company could compete with the global power giants. Until 2010, he remained committed to addressing Saudi Arabia’s domestic needs, with the focus on building capability and capacity, “to prove to ourselves and the world that we could do it.”

Fast-forward to 2016 and ACWA Power has an investment portfolio of 35 plants, customers on three continents and offices in Riyadh, Dubai, Istanbul, Cairo, Rabat, Johannesburg, Hanoi and Beijing.

“We bring competitiveness to the market, we deliver on our promises and we support communities,” says Abunayyan. “Our business model is simple: we want to be around forever. In order to achieve this, we challenge ourselves in every transaction, with every new technological advancement, so that we continue to raise the bar and deliver, whether it’s efficiency, cost reliability or sustainability.”

Investing in talent

Underpinning this vision are people. With ACWA Power’s growth comes the capacity to create high-quality jobs and to develop a new generation of skilled workers – and future leaders. For Abunayyan, it’s a no-brainer. “If you’re not investing in and developing talent, then there is no sustainability in leadership, and we are not here to be followers,” he says. “I was given an opportunity to make mistakes and learn from them. You have to provide the tools so that people can learn and be able to make a real difference. We can also learn from this new generation, as they think differently; our biggest priority at ACWA Power is developing our in-house capability.”

Constantly on the move and a regular visitor to all the company’s active projects, Abunayyan takes immense delight – and pride – in spending time with his on-site teams, as well as with people in the communities that have benefited from ACWA Power’s expertise.

Bringing water to the desert

In the 1950s, Mohammad Abunayyan’s father changed the face of agriculture in Saudi Arabia. At that time, farmers irrigated their crops by using camels and other animals to extract water from wells. When Abdullah R. Abunayyan introduced the diesel-powered turbine pump, it revolutionized their working lives. And in the 1970s, it was Abunayyan again who brought the first pressure-regulated pump to residential communities that had traditionally relied on gravity to transfer water from rooftop tanks to the tap.

Locating and guaranteeing supplies of water is a vital priority for Saudi Arabia, a country that is 95% desert and has no permanent rivers or lakes and very little rainfall. As the Kingdom continues its economic growth, the demand for water keeps increasing.

The Government has addressed this in a number of ways. For example, in the 1970s, it invested in locating and mapping aquifers — vast underground reservoirs of water — and then drilling deep wells in the most promising areas.

Seawater is another important resource — Saudi Arabia is the world’s largest producer of desalinated water. And by 2020, the Kingdom hopes to be able to reuse more than 65% of its water supply, with the ambitious goal of increasing this to over 90% by 2040. The Government has also committed more than US$66b in long-term capital investments to water and sanitation projects within the next decade to ensure that a lack of water doesn’t hamper the Kingdom’s continued growth over the coming years.
“It’s not about money or capacity; it’s about the changes we bring to people’s lives.”

Over the years, he has made team engagement and community engagement a personal and corporate priority, and his passion is obvious for projects both at home and in underdeveloped nations.

“We want to be able to continue to provide affordable, safe and reliable power and water solutions,” he says. “I can safely say that for all of us at ACWA Power, it’s not about money or capacity; it’s about what we deliver and the changes we bring to people’s lives.”

Abunayyan doesn’t consider himself an entrepreneur, but he does want to show others the way. “I hope that, one day, ACWA Power will be a pioneer, not in building and operating plants, but in how we operate corporate social responsibility programs,” he says. “The rewards for me are when I can see real change. On one visit to South Africa, I met a young girl who told me that she could now read at home rather than having to walk for miles in the dark to find someone with an electric light.”

It’s a lovely story, and one that illustrates how, among the several meanings of the word “power,” it is the power to do good that is uppermost in Abunayyan’s mind.

Successful family businesses tend to share certain characteristics that allow them to prosper and grow. A clear and unified vision for the family and for the business, where all family members understand their role and responsibilities and are fully aligned behind them, is the foundation for any family to be successful.

To build on that, the family must create clear boundaries between family issues, such as sibling rivalries, and the business to protect the business and limit the effects of any family conflict on it. A major factor behind the collapse of family businesses or their failure to create a lasting legacy is often the inability to manage family conflict internally.

Building trust and fostering transparency and communication help families to deal with differences away from the business. There must also be proper governance rules that set out how the family will interact with the business as shareholders, how they will be represented on the board and how they will manage the business — including where the points of contact are, when management should report to the shareholders and how they will interact with the family. Clarity as to the rights and obligations of each family member reduces the potential for conflict and enhances the family’s ability to deal with it if it arises.

Another trait of successful family firms is that there is a clear plan and process of communication between the different groups in the family system (i.e., between board and shareholders, and between family members and shareholders). Open and transparent communication between the business and the family members who are not working directly in it is key to retaining them in the future and ensuring their support.

This is important because it eliminates any misunderstandings between family members. For example, if some members are not fully in the loop during a bad business year, they might get a shock if they don’t receive a dividend. Building forums for regular communication helps them understand the situation better and be more supportive of management decisions.

Finally, a successful company is one that is prepared to develop internally the talents of family members and ensure they are able to pick up the baton and run with it. Mohammad Abunayyan is a great example. He wasn’t immediately given a leadership position in his family business — he had to work his way up from the bottom and prove himself. His father made sure he worked in different divisions, was exposed to different experiences and built good relations with the employees he was going to lead in the future. Transferring entrepreneurial skills and fostering the development of talent are key to building a sustainable family business.

More information
Visit ey.com/familybusiness for further insights.
Dressed for success

With Farfetch, José Neves has created a hugely successful online marketplace for luxury fashion brands. Unlike many retail websites, though, it has also boosted sales in brick-and-mortar stores.

words Christian Doherty
The biggest risk is not to take risks at all. It’s a bold statement, but José Neves stands by it. “In a world that is constantly changing, the biggest risk is to stand still,” he says.

“Look back 30, 40, 50 years and it was the opposite,” he continues. “If you had a cash cow, the attitude was: ‘If it ain’t broke, don’t fix it.’ You would protect that cash cow, or make acquisitions and try to achieve a position in the market that protected it. These days, it’s impossible to think like that.”

“The biggest risk is not to take risks at all.”

Keep innovating, keep changing, keep looking for what’s next – it’s a mantra that has served Neves well. The 41-year-old is CEO of Farfetch, the world’s leading high-end fashion boutique website. On Farfetch.com, brands such as Alexander Wang, Givenchy, Valentino and Dolce & Gabbana sit alongside each other, making it an essential destination for fashionistas.

The company employs more than 1,000 people in its offices around the world, while a recent funding round sealed Farfetch’s status as a unicorn – one of an elite group of businesses founded since 2003 that are now valued at over US$1b. Last year, the Financial Times named Neves as one of its top 20 European tech entrepreneurs.

Start small
It’s all a long way from Neves’ beginnings in Braga in northern Portugal. Living in the heart of the country’s clothing and fashion region, it made sense for the young coder (grandson of a cobbler) to target his first software venture, Grey Matter, at local shoe and clothing manufacturers. Then, not content with supporting the fashion industry, he set about gatecrashing it. In 1994 he started a shoe design company called SWEAR, and in 1996 he opened a showroom and store in London.

Fast-forward to 2007, when Neves had the idea of starting Farfetch. “It was clear that online fashion, and even online luxury fashion, was going to be big,” he remembers. “Sites like Net-a-Porter were already fantastic businesses.
When we were in front of brands that didn't have a website, we could see that developing an e-commerce presence was going to be vital for their survival."

Neves realized that many luxury fashion boutiques didn't have the necessary resources and know-how to set up a global e-commerce site. Armed with that insight, he set about building the best possible platform for the world’s best independent retailers.

The pitch to boutiques was simple: we will build the front end and the underlying e-commerce infrastructure; you add your brand inventory to our site to help Farfetch achieve critical mass and become the leading global destination for luxury fashion brands.

It was a great idea, but convincing exclusive boutique retailers to join an online marketplace was Neves' biggest challenge. In 2007, with eBay and Amazon defining what it was to sell online, why would Alexander McQueen – a label that charged US$3,000 for a dress – want to be featured alongside other brands on a mass-market website?

“That was the big barrier to entry,” Neves recalls. “Those brands didn’t see these platforms as compatible with luxury. It’s a little like asking: ‘Would you have a Prada concession inside a Tesco supermarket?’

“For them, the fear was about their brand being used incorrectly. In our initial discussions, they all used the same rationale: we want to see our brand represented next to similar brands, at similar price points, and we want the audience of these websites to be our audience or even

Browns: an experiment in retail

Last year saw another major milestone in the Farfetch story when it announced the acquisition of iconic London boutique Browns. Neves said the deal was an attempt to answer the question: how will people shop for luxury fashion in 5 or 10 years' time?

“It won't be purely online,” he explained. “The answer, we believe, will be a seamless merger of a fantastic physical experience with powerful yet subtle technology. Browns is the perfect partner for this evolution.”

Browns is itself an entrepreneurial success story. Joan and Sidney Burstein launched it in 1970 as a small boutique in South Molton Street, and as it grew, it expanded through five connecting townhouses. Browns developed a reputation for discovering talented designers including Alexander McQueen and John Galliano, and was the first London boutique to stock brands such as Calvin Klein and Armani.

Farfetch is using Browns to run a retail experiment that may provide answers to some tricky questions. “Look at consumer analytics,” Neves says. “At the moment, we have no visibility of what is going on in the store. How many customers came in? Were they women or men? What was the sentiment when they came in and when they left? What about customers who started the journey online and then bought in store, or the other way round?”

Farfetch is deploying its technological expertise to address these questions, as well as designing new in-store features. “We will now synthesize all of these and use Browns as our showcase,” Neves explains.
better — an audience we have not captured yet, that is aspirational and aligned with the brand.”

Nevertheless, the pitch eventually worked. As more brands and boutiques began to come on board, in 2010 Neves secured US$4.5m in growth equity from Advent Venture Partners to help increase the site’s reach in the US and Europe. A second funding round in 2012 secured a further US$18m, and subsequent rounds have raised progressively more investment to fund Farfetch’s expansion: US$20m in 2013, US$66m in 2014 and US$86m in 2015.

Balancing the need for growth capital with retaining independence has been less of a challenge than Neves feared. “Our backers have been great,” he says. “We have huge support. If anything, it’s a healthy and positive pressure. They ask the right questions in the right way, but then also offer to help and want to be part of our team.”

The best of both worlds
Central to the Farfetch success story has been Neves’ belief in the importance of a “bricks and clicks” strategy: building an online marketplace for inventory, but also encouraging fashion boutiques to retain their flagship retail stores.

Indeed, the big recent news was the company’s acquisition of iconic London fashion store Browns (see panel, page 37), a move that led some to conclude that Farfetch was moving offline. Not so. “What Farfetch shows is that the secret is working out how you blend the physical experience with the digital,” Neves says. In other words, both sides must coexist to strengthen each other.

It’s an issue that will dominate Neves’ thinking in the coming years: how to develop an omnichannel offering that combines the speed, range and convenience of online retailing with the personalized experience of physical stores. He explains that fashion is an almost unique sector: it has the lowest online penetration of any large e-commerce category, with 95% of goods still sold in physical stores. In some ways, that makes it less likely to suffer the type of disruption that has shaken up other retail categories.

“I always say that fashion is not downloadable,” Neves says. “What has happened to film, music and games shows that those kind of media can be vulnerable. But fashion is different, because people do need to try things

“I’m continually learning. It’s really exciting.”

Elite players in the start-up world
• A unicorn is a company founded after 2003 that is valued at US$1b or more
• From 2005, an average of eight unicorns have been born each year
• The past decade didn’t produce any super-unicorns (worth more than US$100b), but it did see the growth of nine decacorns (worth more than US$10b)
• 61% of unicorns are still listed as private companies, 23% have gone public, and 17% have been acquired
• Unicorn founders were aged just 34 on average when they started their companies
EY has seen the rapid rise of the unicorn company since 2012. These companies come from a range of sectors and territories, but they tend to have three elements in common.

The first is their global outlook: almost all of the unicorns that have emerged thus far have taken an idea and scaled it up into an international business. Remaining unconstrained by national borders is central to the development of a company from simple start-up to unicorn – Farfetch is a good example.

The second factor is the drive toward disruption – entering an existing industry and market with the intent of changing the model. But, critically, unicorns don’t just venerate change for its own sake; the most successful unicorn companies keep what works but strive to break down the barriers to change, and in doing so deliver a truly new offering.

The final important element underpinning unicorns is the team and network they rely on. That encompasses the people they employ, the partners they choose and the investors that support their growth. Getting that right is a critical factor. But of course, even with all of these things in place, if the timing is wrong then even the best companies may be left on the launchpad. Consider companies such as Airbnb or BlaBlaCar. Would they have taken off in such spectacular fashion before the emergence of the sharing economy? As with any success, timing is everything.

With that in mind, some have suggested that the fledgling age of the unicorn is about to end: too much money chasing too few genuinely innovative game changers. There may be some truth to that, but there are sectors that still provide fertile ground for potential unicorns.

The Internet of Things has finally left the prototype stage and is becoming a reality. Companies able to harness the potential of this complicated but dynamic sector are worth watching, as are those businesses leading the convergence between health and technology. Aging populations and the need to address the great health challenges of our time will inevitably lead to greater investment in technology businesses with a health focus.

Lastly, robotics is only just emerging from its esoteric roots into a real game changer. The application of robotics to a range of sectors, from accounting to health, will make this sector uniquely interesting over the next decade.

All these sectors are exciting places to be, with some truly groundbreaking companies. The trick for investors is to spot the best of them before the word “unicorn” is even mentioned.
The business case for forensic data analytics

The digital world is full of possibilities, but it also provides opportunities for fraudsters. Fortunately, businesses of all sizes can even up the odds by using forensic data analytics.

From start-ups to global corporations, fraud has become a fact of life in the modern business world, looming as an ever-present risk. The many and varied types of fraud schemes are all damaging and always distressing.

Fortunately, forensic data analytics (FDA) offers a way of redressing the balance and helping companies to manage current and emerging fraudulent activity by identifying potentially improper transactions and incongruous patterns of behavior. This could range from illicitly transferring funds and disrupting business operations to stealing intellectual property and embezzling personal data.

When combined with the right anti-fraud skills and technological know-how, FDA can help. According to the Association of Certified Fraud Examiners (ACFE), companies that engage in proactive data analytics experience median fraud losses that are 59.7% lower than those that do not. That equates to a US$100,000 saving on each incident.

Indeed, the key finding of EY’s Global Forensic Data Analytics Survey 2016, "Shifting into high gear: mitigating risk and demonstrating returns," is that businesses with proactive strategies are better placed to react when fraud strikes.
Our survey found that 63% of the respondents are investing at least half of their FDA spend on proactive monitoring initiatives,” explains Vincent Walden, Fraud Investigation and Dispute Services practice, EY US. “When fraud occurs, it affects the bottom line. Asking the right fraud questions and putting in meaningful controls beforehand has real benefits in terms of achieving better detection rates and cost savings. After all, the consequences of getting it wrong are severe.”

As FIFA and Carphone Warehouse can testify, fraud has a crippling effect on not only profits, but also reputation. Defining the risks and implementing appropriate measures can help minimize its impact. “For example, you don’t want the person in charge of accounts payable also having access to your IT or bank accounts,” says Walden. “Analytics can’t stop fraud, but it can tell you where to look. Proper controls and segregation of duties can help prevent it.”

Detecting cyber attacks
The digital world offers a range of opportunities for those with a talent for innovation and an abundance of entrepreneurial spirit, but it also has inherent weaknesses. EY’s latest Global Information Security Survey reveals that more than one-third of the 1,755 participants admitted they would probably not be able to identify a sophisticated cyber attack. The perils of being hacked take on a whole new meaning when you’re unaware that the breach has already taken place.

Once again, FDA can help. “A typical fraud event averaged 24 months before it was detected. Those using data analytics cut that in half,” Walden explains, citing ACFE findings. “Most companies review 12 months of data, so when they do their analytics, they are able to uncover the fraud simply because they are looking. That’s the key: you have to look in the right places.” Simply being vigilant through analytics is the first step to protecting your digital and physical assets.

EY’s Global Forensic Data Analytics Survey 2016 reveals that major FDA deployments have been ramped up since 2014, with higher levels of spending on advanced tools and proactive monitoring of larger volumes of data from a wider variety of sources. FDA is being adopted by a growing number of companies, which are also applying it more widely.

For those yet to fully engage in the process, Walden has some advice. “The most persuasive business case for proactive data analytics is having the ability to generate greater protection for your physical and digital assets,” he says. “To start with, you could conduct a fraud risk assessment and then map those risks against your current controls to ascertain how safeguarded you are. Equally, you could look at how data analytics can help improve efficiencies and monitor possible risks.”

While the widespread use of FDA seems to be gathering speed, not all companies are in a position to manage their analytics in-house. “The increasing sophistication of data analytics tools has provided more scope for monitoring threats,” Walden says, “but a shortage of data analytics skills means a good percentage of companies are also outsourcing their FDA requirements.”

Whether controlled internally or through a third party, FDA provides various opportunities to detect fraud and improve efficiencies, either in real time or at designated intervals. With so much at stake, it’s the logical next step.

Five questions to ask yourself about fraud risks

1. Is your customer and product information secured? Who has access to key company information, and what would be the business impact if that information were to inadvertently get released to the public?

2. Do your growth plans include significant growth in emerging markets? If so, what are your risk mitigation controls around bribery and corruption and working with third parties in the region?

3. Can you demonstrate the effectiveness of your cyber anti-fraud program to shareholders, employees and regulators, as it relates to routine, proactive risk assessments?

4. Are you satisfied with your continuous fraud monitoring efforts and are they occurring at regular and frequent intervals, commensurate to your risk areas?

5. Do you feel you are constantly in a reactive, investigative mode, and would you like to get ahead of risks before they impact the business?
Beyond profit: GeNNex
I had always wanted to be a pilot, and when I was at university, I thought about ways in which I could go about making the income to support a career in aviation. As a youngster, I’d learned to play the violin and the saxophone, and I was proficient enough to get a university bursary for music, which meant I was good enough to teach it. I also learned martial arts from five years old, so by the time I got to university at age 18, I was an expert. By teaching people martial arts and music, I could earn much more money than my fellow students who were doing nine-to-five jobs at the weekend. Effectively, I was trying to get paid to do what I loved so that I could go on to do something else I loved! And I did eventually go to the US, where I achieved most of my licenses and commercial pilot training.

A lot of what I had done was about helping people, so I started a business called The Safety Box. It’s a social enterprise designed specifically to address the growing concerns of antisocial behavior, low self-esteem and violence among young people. When I was at school, I was disengaged with things like math, and I wondered how I could make it more interesting. So I thought, let’s connect it to business. Disengagement in the curriculum leads to behavior issues in the school, and lack of...
We are pushing, but we need distribution channels that will impact more people.

Income leads to crime and to poverty, so we look at an alternative curriculum.

A lot of these young people wonder what they are doing in school. They want to work, so they want to see a more practical application for the stuff they’re learning. A particular problem was with STEM (science, technology, engineering, math) education, which is an interest of mine, and when we tried to introduce more practical STEM teaching into schools, they weren’t ready for it. Now STEM education is a hot topic, but then we were ahead of the curve. We talk to teachers, pupils and their parents so we can address what they want to be taught, and we connect them to organizations like the EY Foundation that are encouraging young people into work. That way, they can get themselves on the working ladder, whatever background they come from. All told, The Safety Box has had a measurable impact on just under 8,000 young people in the UK since it started in 2006.

My other business is GeNNex, which means both the beginning and the breaking through. It arose out of the Virgin Media Pioneers Network, which is a network of young entrepreneurs in a community that connects and shares information. We started to talk about energy poverty in the world. My business partner, Dowodoneye Ojarikre, is from Nigeria, and she’s seen the huge impact that a lack of energy has had on families and communities where people burn themselves with kerosene lanterns, medicines go off in hospital fridges, and baby incubators don’t have power during a power cut. We said we need to disrupt this space somehow. There are many companies that are shipping solar products into rural areas, but people didn’t have the right knowledge to care for the products, so we thought, let’s train people up on the skill sets and knowledge base to install and maintain solar power products. That will then create a workforce that is able to service the distributor. We are pushing, but we need distribution channels that will impact more people.

I have been lucky enough to win many awards and recognition. I recently went to Sir Richard Branson’s island to spend a week with him and other world leaders to see how we could use our business as a force for good. I also won the JCI TOYP (Ten Outstanding Young Persons) UK Award, which is really great to have, as Nobel Prize winners and former presidents have won it in the past. Awards are nice – but the impact you have is better. When you get a grandmother in rural Kenya who has soot on all her walls because she has been using fire for the last 70 years, and you equip her with solar power that her grandson, who’s been trained by us, has installed – seeing her tears, that was a prouder moment for me than any accolade I’ve ever received.
Martin Cook, who’s retired now, asked me to get involved with the EY Foundation. Because it involved things that I’m passionate about – getting young people into work and giving disadvantaged young people the opportunities they often don’t receive – getting involved was something I wanted to do. I felt I could create some tangible impact by getting my voice, which is still connected to the grass roots, heard at the table of decision-makers, in order for us to create a better future for young people.

Your circle of people is important. Ensure that you have the right people around you to support you so that you can then elevate to the next level. I mainly listen to positive-thinking people with positive messages. I have one bit of advice, which is: “If you associate with chickens, you’re never going to fly with the eagles.” When an eagle encounters a rain cloud, it’s not like other types of bird that descend. An eagle simply shifts its wings, adjusts itself and rises above the storm. So what I would say to people is: the obstacles that are in your road are there because your road is going somewhere; if there are no obstacles, it means your road’s not going anywhere. If you can see it in your mind, then you can achieve it. The only limitation that exists in this world is yourself. And with the right belief, faith, determination, drive and dedication, you will achieve what you need to achieve.
Improving investor relations: exploring how investor relations is organized in companies pre- and post-IPO

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“If you want to make a difference, you need strong partners.”

Erhard Büchel, owner of Büchel

The proportion of global jobs created by the top 1% of companies (page 12)

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Wise words

Our entrepreneurs provide some insight into the business advice and lessons learned that inspired their success.

“As an entrepreneur, you need to understand what walls you can push through and if there are any back doors you can get around.”

Ben Harris, CEO, Drop (page 20)

“We don’t really work for money. We always reinvested in the business.”

Jerzy Krzanowski, Vice President, Nowy Styl Group (page 6)

“Speed counts. If you look at one of the most successful online companies, Facebook, that is their mantra – ‘Move fast and break things.’”

José Neves, CEO, Farfetch (page 35)

“The moment you stop learning is the moment you fail.”

Nathaniel Peat, cofounder and CEO, GeNNex (page 42)

“I train young people in our company to care about the environment and be responsible in what they do.”

Otto Hofstetter, Managing Director, Otto Hofstetter AG (page 22)

“Empowering employees allows them to experiment, take risks and seize opportunities.”

Arundhati Bhattacharya, Chairman, State Bank of India (page 18)

“My father taught me to be disciplined, to have vision and to always believe that there is nothing that cannot be achieved.”

Mohammad Abunayyan, Executive Chairman, ACWA Power (page 30)
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