

Leading from the front

The ACT's MCT qualification is about judgement and independent strategic thinking. Focusing on those qualities, Simon Murray, a leading international businessman, spent some time with MCT students talking about life, business and leadership.

With little formal education Murray has reached the heights of the business world, working at top levels in sectors as varied as banking, energy and telecoms. His determination and can-do attitude is reflected in a thirst for challenges that has seen Murray, who served in the French Foreign Legion in Algeria in the 1960s, trekking through some of the harshest climates this planet has to offer. Perhaps if you survive and prosper in those sorts of conditions, dealing with difficult business problems is not quite as daunting.


With anecdotes about his adventures as a backdrop, his conversation with the MCT students began with the challenges set by current economic conditions. Murray, who has seen some downturns and recessions in his time, said the economic and political environment is as bad, or nearly as bad, as any he has seen in the last three decades.

He compared the characteristics of the present situation to those prevailing at the time of the 1973 secondary banking crisis. Back in 1973, oil and oil prices were high on the agenda and the Organization of the Petroleum Exporting Countries (OPEC) had just been formed; there was a massive fall in asset values, and inflation was an intractable and increasing problem. In the UK, the 1970s saw the government's imposition of a three-day week to ration power supplies. As Murray recollected, everyone had candles on the table by 4pm in the winter and everyone felt broke.

So might we be heading the same way today, and what should be done about it?

Murray said that experience is not where you are, but where you have been, and past experience is often reflected in present actions. While the UK today is uneasy about inflation and there are memories of high inflation in the 1970s, Murray said that history had left Europe, and particularly Germany, much more concerned about the threat of hyperinflation; the primary objective of the European Central Bank's monetary policy is to maintain price stability. Accordingly, the European Central Bank has resisted lowering interest rates despite the threat to growth.

On the other hand, the defining US experience is of deflation. Between 1930 and 1933 prices in the US fell by 10% a year, and a struggling economy left many reliant on soup kitchens to survive.



LEADING BUSINESSMAN SIMON MURRAY
RECENTLY SPOKE TO MCT STUDENTS
ABOUT RISK TAKING AND LEADERSHIP.
PETER WILLIAMS LISTENED IN.

Executive summary

- Simon Murray largely forged his career in Asia, and has held positions with Jardine Matheson, Deutsche Bank and Hutchison Whampoa where he oversaw the development and launch of mobile telecoms networks in many parts of the world. He has a wide range of business interests, is an advisory board member of the China National Offshore Oil Corporation, and runs a private equity firm. Recently, he was appointed a non-executive director at Vodafone.

This experience explains the Fed's monetary objectives – to influence the availability and cost of money and credit to help promote national economic goals – and its recent aggressive rate cuts.

Furthermore, economic activity runs in cycles. Murray pointed to Japan's lost decade – the economic stagnation of the 1990s, when economic activity slowed down markedly despite zero or negative interest rates. In other words, really tough economic conditions come around whatever controls are put in place, and business leaders have to be prepared for the bad times.

Murray suggested that one of the common themes both personally and in business is the question of leadership, and in both cases there is always a temptation to follow the herd. Murray said that on a personal level we are all constrained by our place in society, and that to fulfil one's full potential one has to seek out and undertake the challenges one believes in, rather than those dictated by upbringing. Likewise, in a business context it is always easier to play safe, to go with the numbers or simply to say no.

In each case, true progress is only made by the use of judgement and the confidence to take on fresh opportunities. Personal and business success both require leadership, which involves the judgement to accept (and by implication to manage) risks.

Murray said that especially at times of difficulty, perhaps even of



crisis such as we are experiencing at the moment, clear leadership is required. Yet there is a danger of a sense of leadership collapsing, both among politicians and in the business world, as players look to play safe and to follow someone else. This generates a sense of drift which is hard to correct. Murray said this sense can be exacerbated when individuals who have been business heroes for a generation are revealed to have acted unethically, perhaps by transgressing codes of corporate governance they were expected to have adhered to.

Those who have been in business are under few illusions that creating, growing and running a successful business is a difficult endeavour to achieve with any consistent success. Murray runs a private equity fund that has made dozens of investments and part of the discussion looked at how the majority of new business proposals failed, with another substantial proportion only surviving by either restructuring or consolidating. Only a tiny minority of businesses genuinely make a return along the lines that they originally envisaged in their business plans.

Simply following the numbers, however conservative they are, is therefore a strategy doomed to failure. Identifying attractive business opportunities involves judgement and a sound appraisal of management capabilities, rather than reliance on technical analysis.

On the subject of risk management, Murray suggested that there was a tendency in larger organisations for individuals who play safe and take minimal risks (and certainly few personal risks in the business) to rise to the top of organisations. He described such characters as "asset farmers". The other type are the business "hunter-gatherers", prepared to make mistakes. Unfortunately, those mistakes often lead to them being fired. In today's risk-averse environment it is hard to see the business hunter-gatherer making much headway. But this, Murray told the MCT students, is where leadership at all levels and in all areas of an organisation is required. Even in the toughest environment someone has to lead from the front.

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