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Marketplace



Customers at a store in Beijing. China's domestic impulses entail an increased risk of misallocation of capital and renewed bubbles in financial asset prices and real estate.

editor's note

In the hot seat

Are non-executive directors fairly remunerated for the job that they do, a job that over the years has seen increased responsibilities, greater demands on their time, and higher expectations of accountability?

While KPMG's Audit Committee Institute survey *2009 Non-Executive Directors: Profile, Practices and Pay* doesn't give an answer, it sheds light on the average level of remuneration that NEDs receive per annum (RM89,000).

The survey of 1,804 NEDs in the Top 300 Main Market and Top 30 ACE Market companies respectively by market cap also looks at their involvement in boards and committees, and draws a picture of NEDs by gender (overwhelmingly male), age (predominantly over 50), length of service (seven years on average), and educational background (varied).

While not meant as a definitive guide, the slim 36-page volume will certainly evoke interest among boards and shareholders who want to know what non-executive directors earn, or what they can expect to earn given their increased responsibilities. If you want to know how much a particular NED earns, however, you will be disappointed as the level of disclosure is, as the report says, "discouragingly low". Of the top 300 companies, only 36 disclosed levels of remuneration by each director, by name.

The report is available online at www.kpmg.com.my/aci. For highlights and a discussion of some of the issues raised, turn to our cover story on Pages 6 to 9.

Dorothy Teoh
 Editor

KEY RISKS IN 2010

Businesses have had to deal with increased uncertainty since the global financial crisis swept the world economy. Companies that are able to navigate the potential risks in the business landscape will have an advantage over their competitors. In *Global Risks 2010 — A Global Risk Network Report* published on Jan 14, the World Economic Forum outlined six key risk areas:

- 1 Further falls in asset prices**
 The level of corporate bankruptcies, particularly among small and medium-sized enterprises, remains high. Credit card default rates, which are highly correlated with unemployment, are already at historic levels.
- 2 Chinese growth slowing to below 6%**
 Much of China's domestic impulses are derived from high credit growth, which entails an increased risk of misallocation of capital and renewed bubbles in financial asset prices and real estate.
- 3 Fiscal crises**
 In response to the financial crisis, many countries are at risk of over-extending unsustainable levels of debt, which, in turn, will exert strong upward pressure on real interest rates. In the final instance, unsustainable debt levels could lead to full-fledged sovereign debt crises.
- 4 Global governance gaps**
 This is highly related to other risks even though weak or inadequate institutions or agreements have been identified in almost all of the risks covered. Economic and environmental risks are the areas where there has been a marked increase in the perception of interdependencies.
- 5 Chronic diseases**
 As a consequence of profound socio-demographical transitions, changing physical and dietary habits, chronic diseases including cancer, diabetes and cardiovascular disease are continuing to spread rapidly, driving up health costs while reducing productivity and economic growth.
- 6 Underinvestment in infrastructure**
 Multiple studies across the world repeatedly highlighted that vast segments of water, energy or transport infrastructure are structurally deficient or functionally obsolete, requiring considerable annual investments to avoid catastrophic failure. — *By Aznita Ahmad Phamy*

Correction

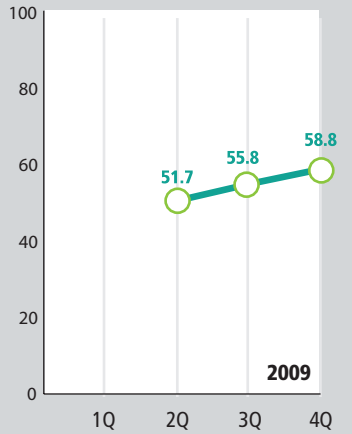
In last month's cover story "The business of sports", following the joint venture in 1996, ESPN STAR Sports grew from four channels covering Asia to 18 networks across 24 markets. Also, STAR Sports is a channel brand managed by ESPN STAR Sports. Manu Sawhney is "South Asian" and not "South Indian" as reported.

YPO Global Pulse

SURVEY HIGHLIGHTS

- Year over year (y-o-y), more respondents reported sales increases than decreases for the first time since the survey's launch in July 2009. Employee counts, however, continued to decrease more than increase, by a spread of 16% of the global sample
- Compared to the previous quarter, the largest shifts in y-o-y sales occurred in non-EU Europe and the US, where 35.6% and 24.5% of the sample crossed over from decreases to increases, respectively. In contrast, the largest shifts in employee counts occurred in the opposite direction, with the spread of decreases over increases in MENA and the European Union deepening by 18.4% and 26.1%, respectively.
- Areas that expect the most widespread sales growth over the next 12 months are Africa and Australasia; Africa and Asia expect the most widespread growth in employee counts. Overall, respondents planning to increase employee counts over the next 12 months significantly outnumber those planning on decreasing them.
- Healthcare, green energy, technology and the BRIC countries are listed as areas most poised for growth. Your peers' verbatim comments are the liveliest part of this exclusive economic conversation! See what members are saying about their businesses and perceived opportunities by reading their comments, reported separately.

YPO CONFIDENCE INDEX



The 4Q09 YPO Confidence Index rose to 58.8, an increase of 5.4% from 3Q09. The highest jumps in confidence versus the previous quarter appear in Africa and the United States, while overall confidence in Asia and the European Union declined by 4.5% and 1.5%, respectively. Africa slightly overtook Asia as the most optimistic region.

GLOBAL CONFIDENCE CLIMBS

The Young Presidents Organisation Confidence Index shows increasing confidence among business leaders worldwide heading into 2010.

According to the YPO 4Q2010 poll, more respondents reported sales increases than decreases since the survey's launch last July.

The YPO Confidence Index is an indicator of YPO and World Presidents Organisation (WPO) members' sentiment about the overall economic outlook. An index of 50 represents a neutral outlook. Indices below 50 indicate a more pessimistic outlook, whereas numbers above 50 indicate a more optimistic outlook.

The 4Q2009 YPO Global Pulse surveyed 1,006 respondents, including 133 from Asia, from the YPO-WPO global membership. Asked what sectors and industries were showing above-average growth, respondents identified a variety of areas, showing that growth is more widespread. In the 3Q2009 survey, the most common answers given were "China and India".

WiMAX or wireless broadband service was identified by a Malaysian respondent as a "future area of growth".

Puan Chan Cheong, group CEO and MD of Green Packet Bhd, the parent company of Malaysia's leading WiMAX service provider Packet One Networks, concurs. Puan says the Malaysian market is experiencing a pent-up demand for broadband. "With a market penetration of only 20%, the demand for broadband was definitely there when we entered the market and there is still a need. There is room for more players in the broadband market in Malaysia," he said in an interview at Packet Hub, Green Packet's headquarters in Petaling Jaya on Feb 5.

According to the survey, African industry leaders registered higher confidence levels at 66.3, up from 57 in 3Q2009, surpassing Asia as the most optimistic region. Although the confidence levels of Asian CEOs have waned slightly to 65.7 in the fourth quarter from 67.5 in the previous quarter, they remain among the most optimistic in the world.

Both regions showed strong sales growth in the fourth quarter, with 48% in Asia and 38% in Africa reporting sales increases of 10% or more compared with the previous year. The global average was 31%.

The US also experienced a surge of optimism from 52.9 in the third quarter last year to 56.9. Growing confidence could be linked to better sales performance in the fourth quarter, with only a third of US respondents reporting a 10% or more decrease in sales compared with the same quarter in 2008. In 3Q2009, almost half (49%) the US respondents reported that sales shrunk by 10% or more.

According to the survey, business leaders are slightly more optimistic about the year ahead. Over half (55%) are sure that sales turnover will show positive growth, compared with the previous quarter where only 47% believed so. Hiring expectations are slightly more positive, with 23.7% saying that they expect to hire more people, up from 19.5% in 3Q2009.

Of all the regions, Asian leaders are the most optimistic about sales growth, with almost eight in 10 sure that sales would be positive in a year's time. Only 40% of US respondents predicted positive sales growth for the same period. — *By Emily Tan*

The YPO Global Pulse survey polls members from both the YPO and WPO. The YPO-WPO is a global leadership network with almost 17,000 members from 100 countries. Companies run by YPO-WPO members employ more than 19 million people and generate some US\$4.3 trillion in annual revenue, equivalent to over 6% of the global economy and comparable to Japan's annual GDP. The YPO-WPO Malaysian chapter was officially registered in 1981; membership stands at 47 for the YPO and 16 for WPO, whose members are above 50. Members of both organisations comprise CEOs of public-listed companies, professional firms and private enterprises covering a myriad of industries.