Middle East

Point *of* View

Published by
Deloitte & Touche (M.E.)
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Summer 2013

All under control?

Has the train left the station?
It's good to be Qatar

SACK your management!
The art of reporting

Whistleblowing
Not for everyone

It's NOT all about the money
Intellectual capital in Islamic Finance institutions

Deloitte.

87 Eighty seven years in the Middle East

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Take a drive along the traditionally billboard-infested Lebanese coastal highway and you would be forgiven for thinking that some advertising agency has placed the wrong ad on the wrong billboard. A better transportation network, a strong and well-equipped army, these are visions being touted by the Lebanese Ministry of Energy and Water now that, as the campaign says: "we have oil and gas."

The polemics surrounding the relatively recent discovery of energy fields in Lebanese waters are plentiful and this is not the forum to be discussing them. The idea behind the ad campaign has been well received though: gas is good.

Gas has certainly been good to Qatar, which, according to Saleem Mamode, was catapulted onto the world stage in the late 20th century after it turned its huge gas reserves into liquefied form and now has the highest GDP per capita in the world. But what of the new market players? Is Qatar under threat? Probably not argues Mr. Mamode in his article *Has the train left the station?* "Qatar's LNG commercial and shipping relationships are so well developed globally," he says, "that they give Qatar a whole range of options to maintain and optimize its leading position."

Qatar has certainly not been resting on its laurels either, with multiple investment projects in the country, it has also undertaken an infrastructure re-haul in preparation for the 2022 FIFA World Cup, which it will be hosting.

Qatar, according to Adil Parvez, will invest an approximate USD 65 billion to host the World Cup. In his article on events management, *Bringing people together*, it is one of many events in the Middle East and North Africa region, albeit the one with the highest-profile, that are "increasingly used as a catalyst to encourage economic diversification and social development." As such, he continues, "events management as a key activity has become more important than ever before."

Events management can help insure that things that could normally go wrong: don't; because if they do, the effects would be less than desirable and that is putting it mildly. The same is true of Industrial Control Systems (ICS), "those big machines with lights, switches and big knobs," as described by Raddad Ayoub, that are actually the cornerstone of operations in industries such as oil and gas. With these industrial operations "representing a major portion of the GCC National GDP," continues Mr. Ayoub, "significant disruption is not an option."

With high-profile security breaches of ICS making news headlines in the last few years, Mr. Ayoub advises that "in the GCC, the protection of ICS needs to be customized to the unique regional characteristics of the area and should adapt to the changing landscape of security globally."

Unhappy with your management team, asks Ghazanfar Shah, in his article *Less is more?* Then SACK them. "With ever-increasing demands on our time, can any leader afford their managers not to respect theirs?" he asks. But before you put this magazine down, fire everybody and find yourself alone in the office by the end of the day, you should note that SACK – which stands for Stipulate, Appoint, Collaborate and Keep monitoring – is a solution for efficient and effective management reporting that has been developed specifically to assist companies working towards achieving success on their projects and investments.

"Streamlined reporting," argues Mr. Shah, "allows for quicker reporting and is easier to digest. It also frees up your valuable time to focus and discuss the areas that are not on track and require more attention."

It also frees up your time to read our magazine. With more insights into building intellectual capital in Islamic financial institutions (*Brick by brick*), whistleblowing or 'Ethical' hotlines that have been gaining prominence in the region in the last few years (*Blowing in the wind?*) and finding the value in environmental, social and governance performance, you can kick back, relax and wade through the points of view of our expert contributors.

And then when you're done, SACK your team!

ME PoV editorial team

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Has the train left the station?

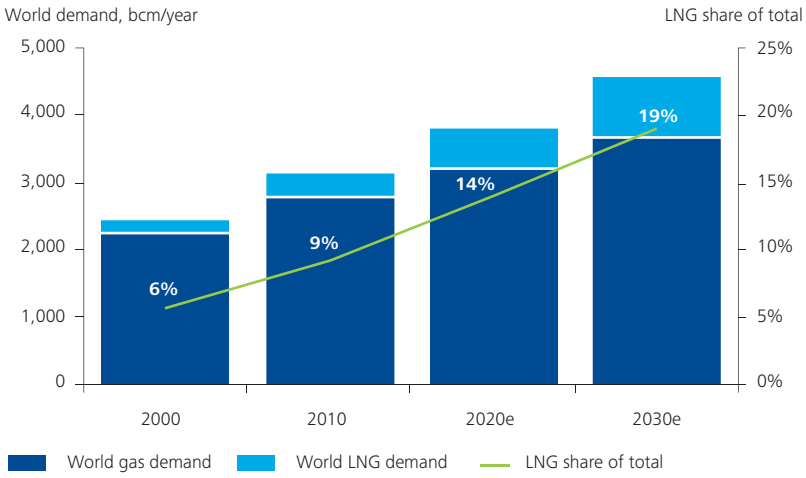
A view of Liquefied Natural Gas from Qatar

Liquefied Natural Gas (LNG), the buzzing phrase of the nineties that catapulted Qatar onto the world stage, is simply natural gas: methane-cooled to -164º Celcius (its natural boiling point) thereby turning it to liquid. Easily said, but do not try this at home: it costs around USD 5 billion and five years to construct a plant to liquefy natural gas.

Why invest so much time and money? It's all in the name of getting access to an ever-growing energy-hungry market. Natural gas, once extracted and purified, is normally transported to consumers through pipelines such as the Russian pipelines running across Europe. This is still the case for a major portion of the natural gas supply chain. But for countries like Qatar, access to outside markets is very limited due to a number of geopolitical factors. The solution? Compress the natural gas 600 times into its liquid state, which is odorless, colorless, non-toxic, non-corrosive and non-flammable. And the icing on the cake? It can be carried on special ships around the globe.

In the last 12 years, LNG has taken us all by surprise with global demand growing by 140 percent and now accounting for roughly 10 percent of the methane consumed worldwide. Energy experts have long been saying that gas will play a major part of our energy future, being relatively cleaner and cheaper than crude oil. Nuclear energy, once a strong contender for the second position to the oil king, has seen its fortunes dwindle following the Fukushima disaster in Japan in 2011.

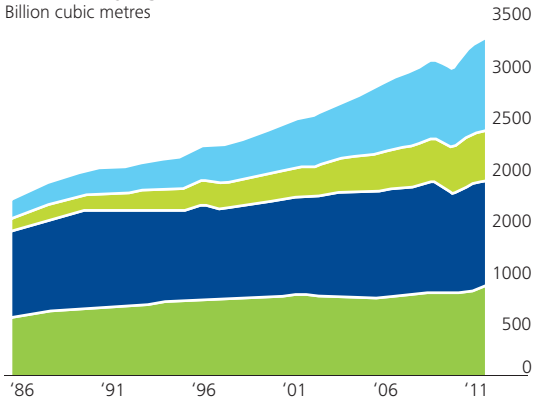
Global natural gas and LNG demand



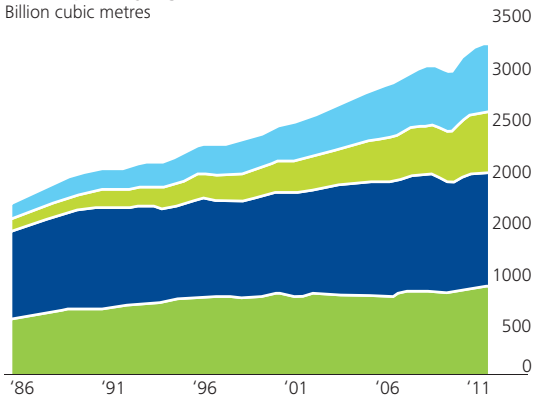
Source: Pareto Securities Equity Research

In the last 12 years, LNG has taken us all by surprise with global demand growing by 140 percent and now accounting for roughly 10 percent of the methane consumed worldwide

Production by region
Billion cubic metres



Consumption by region
Billion cubic metres



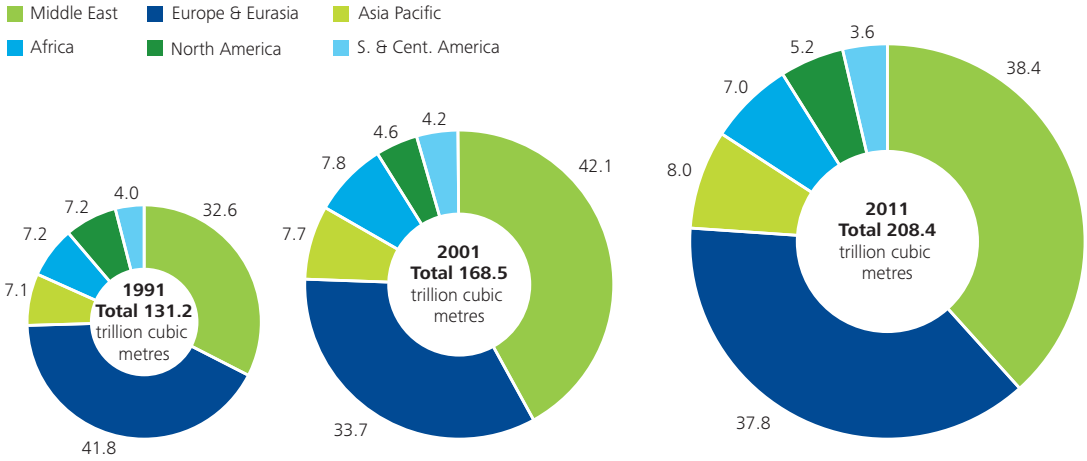
World natural gas production increased by 3.1% in 2011. While the US saw the largest national increase, the Middle East recorded the largest regional increment to production. Production growth in Russia and Turkmenistan was partly offset by a large decline in European production. Natural gas consumption increased by 2.2%, with below-average growth in all regions but North America. The European Union experienced the sharpest decline in natural gas consumption (-9.9%) on record.

Europe & Eurasia
North America
Asia Pacific
Rest of World

Source: BP Statistical Review of World Energy 2012 © BP 2012

With global warming and environmental concerns everyday on the news, the past decade has seen countries investing more in gas power generation plants. Several energy experts suggest that natural gas will become the world's number-two fuel as demand shifts to lower carbon sources. This has provided the needed impetus for Oil & Gas Majors, National Oil Companies and independent prospectors alike to look for more gas, and has resulted in the ballooning of global proved gas reserves.

Distribution of proven reserves in 1991, 2001 and 2011
Percentage



Source: BP Statistical Review of World Energy 2012 © BP 2012

Russia, Iran and Qatar have so far managed to stand firm in claiming the top positions as the countries with the three largest reserves globally. But the landscape is changing rapidly with new discoveries in Mozambique, Australia, Cyprus and the Mediterranean, among others, and the development of fracking technology, which has resulted in the cost of extraction of shale gas in the U.S. to become an economically viable reality.

Qatar has proven natural gas reserves of approximately 25.4 trillion cubic meters (TCM), almost 14 percent of all known natural gas reserves and the third largest in the world behind Russia and Iran

So where does Qatar fit in?

Qatar has proven natural gas reserves of approximately 25.4 trillion cubic meters (TCM), almost 14 percent of all known natural gas reserves and the third largest in the world behind Russia and Iran. The majority is located in the massive offshore North Field, which spans an area roughly equivalent to Qatar itself.

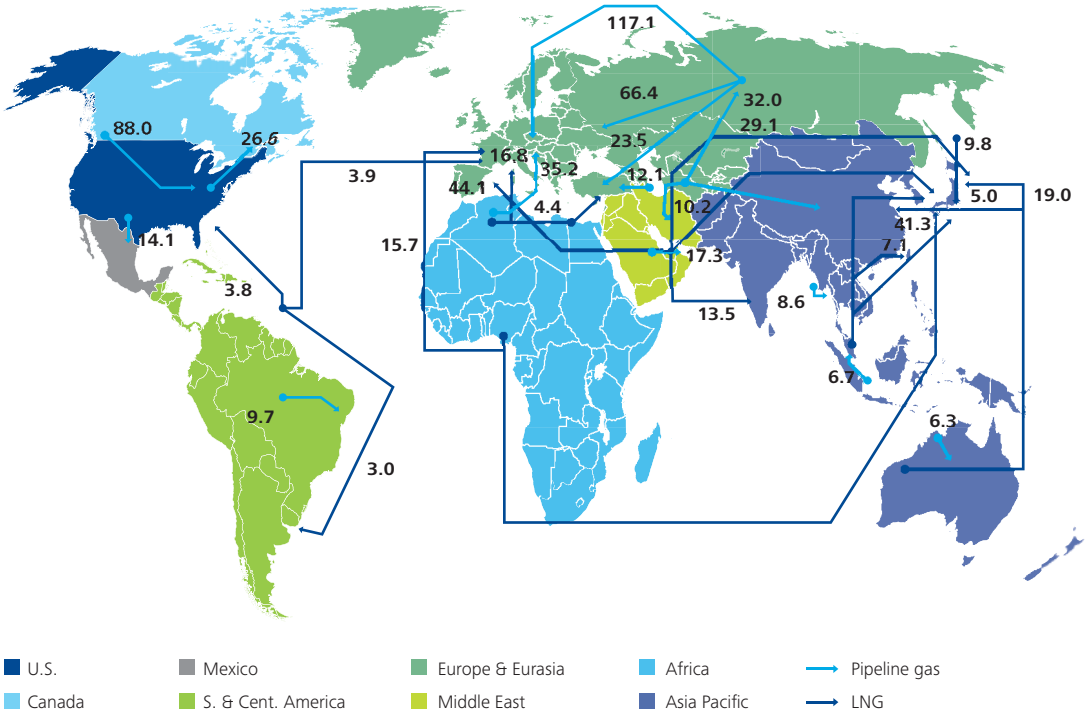
In December 2010, the State of Qatar celebrated the achievement of 77 million metric tonnes per annum (Mta) of LNG production capacity, reconfirming the country's position as the world's leading producer of LNG with the largest production capacity – by far

Throughout the 1990s, until the mid-2000s, Qatar invested heavily in the construction of its LNG production facilities. The latest trains of RasGas and Qatargas came online during 2010 and early 2011 with the same liquefaction capacity of 7.8 million tonnes (MMt) of LNG. The 7.8 MMt train is considered a mega-train and is currently the largest operating in the world. In December 2010, the State of Qatar celebrated the achievement of 77 million metric tonnes per annum (Mta) of LNG production capacity, reconfirming the country's position as the world's leading producer of LNG with the largest production capacity – by far. By 2011, Qatar accounted for 31 percent of global LNG output, exporting to 23 countries. These recent developments, coupled with gas prices in the Far East often reaching USD 19, boosted Qatar's hydro-carbon revenues to USD 210 billion in 2011, resulting in Qatar enjoying the highest GDP per capita in the world.

Current LNG market trends

The scene, however, is not all idyllic. In an effort to integrate and control its supply chain, Qatar had, in partnership with Exxon Mobil, undertaken the construction of regasification plants in Europe (Southook terminal in the U.K. and Adriatic terminal in Italy) and in the U.S. (Golden Pass). The latter investment, costing

Major trade movements 2011
Trade flows worldwide; billion cubic metres



Source: BP Statistical Review of World Energy 2012 © BP 2012

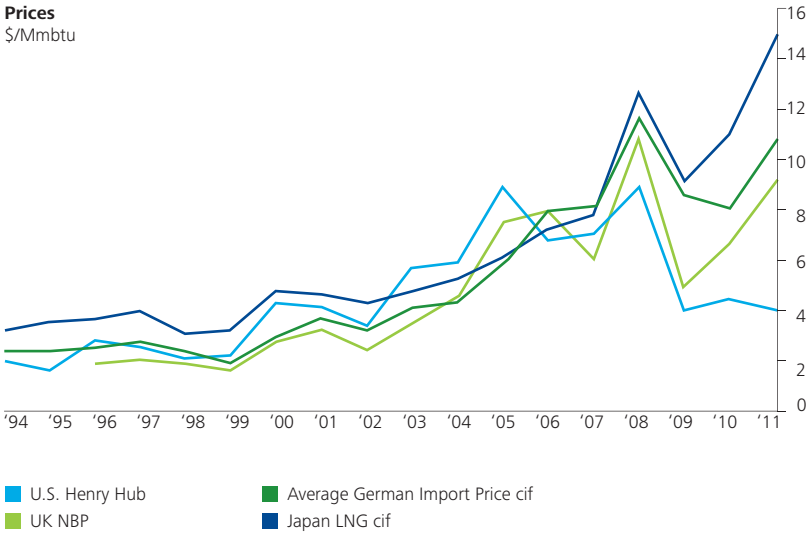
around USD 3 billion, was planned prior to the advent of shale gas. In the mid-2000s, with the start of production of shale gas, gas prices in the U.S. rapidly plummeted to USD 2 before stabilizing at around USD 3.5 in the past couple of years. This episode has seen Qatar redirecting its cargos from the U.S. to Asia, where gas prices are peaking, especially in China and Japan.

In fact, unlike the crude oil market, currently there is no global gas market per se. At best, as can be seen on the chart below, the market is regionalized, with the U.S., Europe and Asia representing the major consumers. This might change if new players such as the U.S. and Australia start to export heavily. However, with constant environment and health lobbies and the legislature in the U.S. trying to maintain low domestic prices and Australia needing at least another five years for the completion of its plants, the near future looks good for Qatar's LNG. Another factor giving Qatar its edge is the relatively low cost of extraction compared with other countries (a similar analogy can be drawn between Saudi oil cost compared to, say, the North Sea or Canadian Sands). Recent evidence has shown how high labor costs in Australia, for example, can be a seriously limiting factor in bringing its LNG projects to fruition. This makes competing with Qatar LNG a major challenge.

What are the next steps for Qatar?

On the foreign investment front, Qatar has been focusing on the energy sector, building stakes of 5 percent in Shell and 2 percent in Total through its Sovereign Wealth Fund, Qatar Investment Authority. The National Oil Company, QP, has also been busy. Barzan, a USD 10 billion gas plant, being constructed under the Rasgas banner will cater for local gas needs. Through its international arm, QPI, it has been investing around the globe with a view to consolidate, and in many cases vertically integrate, its operations so as to control the supply chain. To date QPI has acquired interests in gas power plants in Egypt and Vietnam and is actively looking for potential investments.

Recent evidence has shown how high labor costs in Australia, for example, can be a seriously limiting factor in bringing its LNG projects to fruition. This makes competing with Qatar LNG a major challenge.

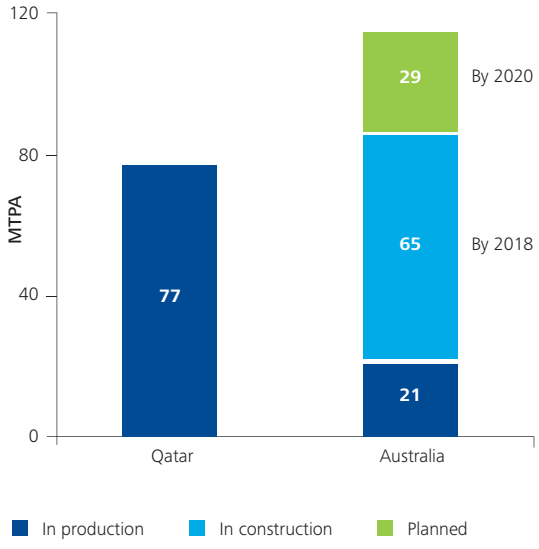


Source: BP Statistical Review of World Energy 2012 © BP 2012

Australia is now the fourth-largest LNG exporter and is already China's biggest supplier, with liquefaction capacity forecasted to increase five times from current levels to 100 million tonnes per annum (Mta) by 2020. However, it seems Qatar sees this as an opportunity rather than a threat. Abdulrahman Al-Shaibi, director of finance at Qatar Petroleum, recently told Reuters in Dubai: "I think we are exploring all geographical places that would really achieve our business objectives and Australia definitely is an important proposition where maybe we will be able to find good investment opportunities…"

With Qatar's current state-of-the-art gas processing infrastructure, fully-functioning shipping fleet of 54 LNG vessels and accumulated industry know-how, the country seems strategically positioned to play a key on the global energy stage

Australia vs Qatar planned LNG production by 2018



Source: Morgan Stanley

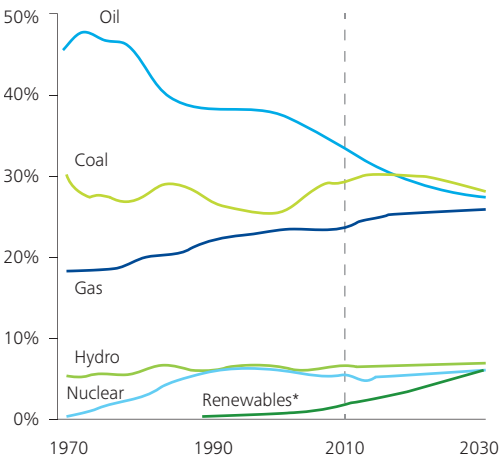
Qatar further plans to spend USD 25 billion on expanding its domestic petrochemical industry over the next decade, more than doubling its annual petrochemical production capacity from 9.2 Mmt now to 23 Mmt by 2020. The petrochemicals will target growth markets in Asia, Africa and Latin America.

Shale gas: the game-changer for Qatar?

Maybe not! Qatar's Golden Pass degasification plant in the U.S., which was all but redundant a year ago, received permission to export LNG from the U.S. in October 2012. Qatar and its partner, Exxon Mobil, are still finalizing the plans for the USD 10 billion investment that would be required to develop the liquefaction plant. The plant, with an expected annual capacity of 15.6 Mmt will open up new avenues in Qatar's global LNG supply chain.

According to the 2012 BP energy outlook 2030, global energy consumption is expected to grow by 40 percent from its current levels to reach approximately 16.6 billion toe (tonnes of oil equivalent) by 2030. The Middle East supply will still play a key role, contributing 2.5 toe or 26 percent of the global growth.

Shares of world primary energy



*Includes biofuels

Source: BP Statistical Review of World Energy 2012 © BP 2012

Natural gas is projected to be the fastest-growing fossil fuel globally (2.1% per annum). BP projects the global LNG supply to grow 4.5% per annum by 2030, more than twice as fast as total global gas production (2.1% per annum) and faster than inter-regional pipeline trade (3.0% per annum). LNG is expected to contribute 25

percent of global supply growth between 2010-30 (1990-2010: 19%). The world gas reserves in 2010 could sustain 59 years of production at current levels. However, experts expect the reserve levels to more than double over the next 20 years. Shale gas is expected to play a key role in the North American energy production going forward but will remain on the back burner in other regions including Europe.

At the World Climate Summit in Doha in December 2012, H.E. Mohammed bin Saleh Al Sada, Minister of Energy and Industry of Qatar, said that demand for natural gas will rise by more than 60 percent from 2010 through 2040, overtaking coal for the number two position behind oil. Unconventional Gas, such as shale gas, is foreseen to contribute 30 percent of global production in 2040, meaning that conventional gas is expected to meet 70 percent of gas demand even after three decades. "With this, the development of Natural Gas and LNG capacities will become necessary to balance the world energy equation," Dr. Sada said.

Dr. Sada also said the future of energy will be shaped by decisive factors such as the secure availability of conventional resources, the growth of renewable energy, development and deployment of new technologies, national energy policies, security of supply and demand in its wider sense and reduction of geopolitical tensions which lead to logistical and investment challenges in supply across the energy value chain. This theme is re-emphasized by the decisions of countries like Japan to rebalance their energy mix towards gas while moving away from nuclear and energy giants such as Eni and Anadarco, who in turn have announced their intention to jointly develop their fields and invest in a liquefaction plant.

Qatar is currently selling a substantial portion of its LNG through long-term Sales and Puchase Agreements (SPAs), thereby locking in clients and prices and hedging any drops in gas prices. However, recent trends in the gas market are showing a shift away from this model of long-term pricing to an oil-indexed pricing model. This would eventually result in the gas price spread between east and west thinning with more homogeneous prices and a competitive global market.

"There has been a lot of speculation recently that Qatar's LNG pre-eminence may soon be challenged by shale from the U.S. and LNG from Australia. This is overdone: Qatar's LNG commercial and shipping relationships are so well developed globally that they give Qatar a whole range of options to maintain and optimize its leading position."

Kenneth McKellar

With Qatar's current state-of-the-art gas processing infrastructure, fully-functioning shipping fleet of 54 LNG vessels and accumulated industry know-how, the country seems strategically positioned to play a key on the global energy stage. Given the constant shifts in the gas market dynamics and uncertainties over the future direction of gas prices, Qatar needs to carefully consider its next moves, although it is well-placed to become one of the drivers of the gas market. Positive steps in this direction have been taken through the creation of the Gas Exporting Countries Forum, which has ambitions to become the OPEC of the gas world. Headquartered in Doha, the Forum already has 15 member countries including the gas giants, Russia, Iran and Qatar. Together, these members control 70% of the world proven natural gas reserves.

"There has been a lot of speculation recently that Qatar's LNG pre-eminence may soon be challenged by shale from the U.S and LNG from Australia. This is overdone: Qatar's LNG commercial and shipping relationships are so well developed globally that they give Qatar a whole range of options to maintain and optimize its leading position" said Kenneth McKellar.

by **Saleem Mamode**, principal, Audit, Deloitte Middle East

Event managem
Bringing peoplet

ent
together

As the Middle East experiences rapid social and business development, events are increasingly taking place. With countries, cities and companies spending a considerable part of their budgets on events, the need for effective Event Management has become significant.

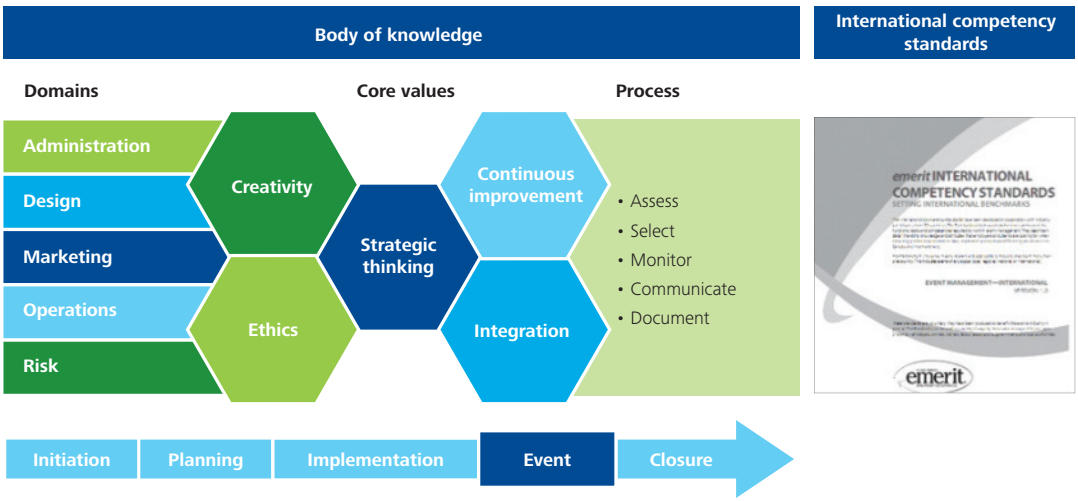
Events are an excellent platform for governments and businesses to market and promote an idea, product, company or nation. In a region where economies are largely driven by oil revenues and accelerated population growth, events are increasingly used as a catalyst to encourage economic diversification and social development. This is particularly the case in high-profile events, where at an international level Qatar has invested an estimated USD 65 billion to bring the FIFA 2022 football World Cup event to the Middle East.[1] With many Middle East businesses found to invest an annual average of USD 1.89 million in their events,[2] Event Management as a key activity has become more important than ever before. As Event Management is a new and unfamiliar field to many organizations, we examine its background, significance and outline a model solution to key challenges many organizations face with their events today.

Recently, the practice of managing events has been growing and evolving as a formal discipline and body of knowledge

Background: development of a key discipline

Congregations, conventions and festivals have for long been a practice of social interaction, knowledge interchange and sharing, as well as a key element in enhancing relationship building between different communities to foster an environment of social collaboration and cohesiveness. Throughout history, the advents of organized events and festivals are well documented, even before the fall of the Western Roman Empire in A.D. 476.[3]

Recently, the practice of managing events has been growing and evolving as a formal discipline and body of knowledge. Since the late 1990s, attempts to streamline and aggregate fragmented theories and practices started out within academia by a number of scholars but quickly attracted freelance consultants and practitioners. This core group of professionals initially explored the application of project management concepts to the organization of events. Just as accountants have developed accounting as a practice and profession with global standards, event management professionals have also created and continue to build an "Event Management Body of Knowledge (EMBOK)", dedicated to the development and professionalization of Event Management practices.



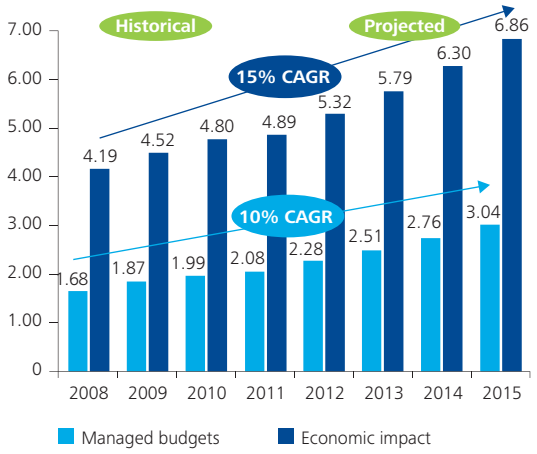
Source: International EMBOK Executive, Emerit

The Event Management industry: value, significance and potential

Estimates about industry size vary considerably, as Event Management covers a wide variety of categories from the very small-scale cultural, to the very large-scale multi-national, including mega events such as the Olympic Games. Indicative of the value of the Event Management industry is an annual survey conducted by the International Association of Professional Congress Organizers (IAPCO), an internationally recognized body of professional event organizers and a leading authority on the meetings events industry, which values the managed budgets of meetings organized by their members at over USD 2 billion.

With an average economic impact of two to three times managed budgets and healthy double digit growth, global IAPCO events clearly indicate the rising demand for events and event management services at an international level, driven by the economic impact they bring to companies, governments and countries. When considering larger scale events such as conventions, exhibitions, festivals, shows, concerts and sports events, we would expect the size and potential of the global industry to be far greater than USD 3 billion by 2015.

Managed budgets[a] and economic impact[b] of Global IAPCO meetings events[c] between 2008-2015 (USD billion)



[a] Based on Average Delegate Fee of USD 748 & Average Exhibition Rental Fee of USD 680

[b] Based on Average Delegate Spend of USD 2,204

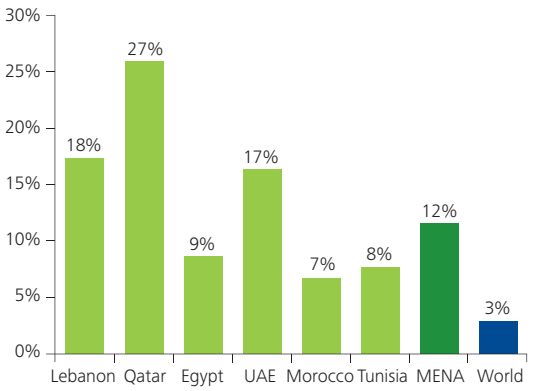
[c] Based on Corporate, Associations & Governmental Meetings organized by global IAPCO members

Source: Deloitte Analysis, International Association of Professional Congress Organizers (IAPCO), 2011

Driven by huge economic and population growth in Qatar, Saudi Arabia and the United Arab Emirates, demand for events in the MENA region appears to be increasing at a far greater pace than the rest of the world

Significantly, an indication that demand is now also picking up in the Middle East North Africa (MENA) region is the growth in their number of conventions. Driven by huge economic and population growth in Qatar, Saudi Arabia and the United Arab Emirates, demand for events in the MENA region appears to be increasing at a far greater pace than the rest of the world. With rapid economic, infrastructure and social development, the Middle East could be fast emerging as the destination of choice for all kinds of events. The evidently increasing demand and resulting spend on events by companies and governments therefore makes effective event management essential, especially if they are to maximize the economic impact of their events.

Growth in MENA conventions events from 2005 to 2010



Source: Deloitte Analysis, South African Association for the Conference Industry (SAACI), 2012, International Convention & Congress Association (ICCA), 2011

At the strategic level, the formulation of an events strategy enables organizations to rationalize, streamline and focus their portfolio of events

Events as assets: three fundamental levels

Event Management is most widely defined as the application of project management principles to plan and deliver events as projects. When asking individuals in organizations what 'Event Management' means to them, most people believe it is simply a form of supervision during an event, to ensure the event proceeds according to plan. But what is the event's plan and where does it come from? How do we really measure the event's success? Few organizations recognize their events as assets, preventing them from understanding how Events Management (asset management of a portfolio of events) and Event Management (project and risk management of a single event) can be applied to most effectively rationalize, plan and maximize the benefits that their events can bring.

Just as an organization's intangible intellectual property, brand and goodwill, are now widely recognized as highly valuable assets, events can similarly be recognized with their success measured as a Return on Investment (ROI). Like any organization, Strategic Business Unit (SBU) or project that requires investment and is assigned with measurable ROI targets, events are also an investment that should be developed and managed at three fundamental levels over time: strategic, management and organization (operation).

Three fundamental levels of events[4]

Source: Deloitte Analysis, International Association of Professional Congress Organizers (IAPCO), 2011

Events strategy

At the strategic level, the formulation of an events strategy enables organizations to rationalize, streamline and focus their portfolio of events. This is especially needed for organizations whose events tend to be unevenly distributed through different divisions, when it is often unclear why most events are held. Based on an organization's overall strategy, the events strategy is a long-term development vision, a plan outlining the overall objectives of an organization's events, the benefits they are expected to bring and how they will be achieved. This guides the development of the events portfolio, a collection of events that have been assessed and identified as strategically important.

Regardless of the type of event, it is the desired outcome of the event – its strategic value – that should drive an organization's decision to invest money and resources to host or participate therein. Each important

event's objectives, desired outcomes and measures of success are therefore linked with the overall objectives and strategy of an organization's business to maximize their ROI. In this way more and more companies, government departments and organizations can use events strategies to maximize the benefits of their events portfolio.

Strategic framework for events

Source: Deloitte

Event Management

At the management level, each event is individually designed, planned, managed, delivered and evaluated as a project. The two largest aspects of this are project management and risk management. However with events, unlike other projects, the date cannot be shifted. For example, the date of New Year's Eve, birthdays, or events on national holidays cannot be changed. All tasks are therefore planned and managed around the event date as the fixed deadline.

With reputations, brands and images at stake, such mistakes could be highly damaging to the event and to the hosting organization as a whole. For this reason, reputational risk is the most important to manage.

Project Management

As with many other project-orientated businesses such as construction, consulting and IT, project management is a specialized skill and a key competency which needs to be built and continuously developed over time.

However, in Event Management, many organizations overlook this, focusing on delivering the next event in the calendar and not on developing their Events Management competency. Staff managing an organization's events are often employed with little or no training in Event Management. Without any Events Management templates, common documents or system of knowledge management, little or no knowledge retention or transfer can take place. Consequently, event managers and coordinators are left to develop their own Event Management competencies, methods, practices and make their own mistakes in the process. With reputations, brands and images at stake, such mistakes could be highly damaging to the event and to the hosting organization as a whole. For this reason, reputational risk is the most important to manage.

Just as an organization's intangible intellectual property, brand and goodwill are now widely recognized as highly valuable assets, events can similarly be recognized with their success measured as a Return on Investment

Risk Management

Accordingly, Risk management is essential, as Event Managers are constantly confronted, fraught and stressed with unexpected problems that arise throughout the Event Management process. Although Event Managers apply risk management to solve problems as they arise, their occurrence and solutions are rarely documented. This can also stifle the development of an organization's events and its competency in managing its events, as risks or problems cannot be foreseen, tracked, resolved and learning from previous mistakes can never be shared. Problems come as a surprise and there is no way to refer to past events or past solutions. As a result, last minute changes and major problems can barely be contained and can reappear across an organization's other events.

The use of a simple risk register resolves many of these common issues. Risks can be more adequately foreseen before they evolve into problems and experience can be shared to enable colleagues and superiors to understand the complexities involved in managing various events. In this way, embedding risk management and its documentation as a core process can continuously help develop event professionals, a practice that is widely acknowledged as an international standard in Event Management.

Event organization

At the organization (operational) level, an event's plan and design are elaborated, prepared, executed and closed. Often, event organization is thought to represent the key activities that take place before an event. Whilst this is mostly true with the bulk of the workload in advance preparation and setup, we must not forget the key organizational and operational activities that also take place during, after and even throughout an event's lifecycle.

Before the event

In this phase of event organization, detailed planning and preparation is undertaken. In planning, key activities involve identifying the full scope of work required to deliver the event and detailing the event's design, the set of key activities and elements that will take place during the event (e.g. theme, topics, speakers, food and beverage requirements, attendee plan, agenda, site design, event documentation). As with most project plans, the event's scope of work is broken down into detailed tasks, scheduled and allocated to event organizing staff (Human Resources) with responsibilities to meet set deadlines. Ultimately, the event plans translate into checklists, a best practice used to drive the rest of the event preparation and setup activities.

In preparation, key activities include procurement of goods and services (e.g. speakers, food and beverage services, equipment), site preparation (e.g. venue decoration, seating), invitations to participants and logistics (e.g. travel and accommodation arrangements, security plans, transport and storage of equipment). These various activities are all coordinated and performed together to work towards the event's date, the target deadline.

During the event

On the day, the participants arrive and the event is staged. During the event, the Event Manager should be physically present, only checking to ensure that all execution activities flow according to plan. This includes registration and attendance of participants, execution of event design elements required to run the event as smoothly as possible (e.g. protocol services for VIPs, food and beverage services, planned performances) and site closure once the event has concluded.

After the event

In the final phase, the event is closed. All outstanding accounts with suppliers and participants are settled and all documentation produced in relation to the event is archived. Most importantly, the event should be measured and evaluated against its strategic objectives. Successes, shortcomings and improvement opportunities should be formally documented and archived for future reference and development.

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Throughout the event life cycle

As with all projects, events very rarely flow smoothly as they are constrained by a budget, set timeframe and key stakeholders. At various points throughout the event's life cycle, there are always risks that are realized and encountered as problems. Plans need to be adjusted, changed and constantly updated. The event's budget always needs to be controlled through allocations and approvals. Key stakeholders (e.g. the event organizing team, management, participants, media, press and marketing agencies, government) also need to be informed through an adequate communication plan. Risk management, communication and budget allocation are therefore key activities actively applied throughout, where Event Managers coordinate efforts, resolve problems, update plans and control budget allocations to ensure the event is ready, successfully executed and properly closed.

Mapping the life cycle of events: a complete process model

Like any project that involves people, each event is unique. New problems emerge and plans need to be constantly updated. The dynamic, flexible and scalable nature of the activities involved in event organization and management are therefore extremely challenging to map in the form of a process. Accordingly, many organizations struggle with mapping, streamlining and improving their Event Management activities.

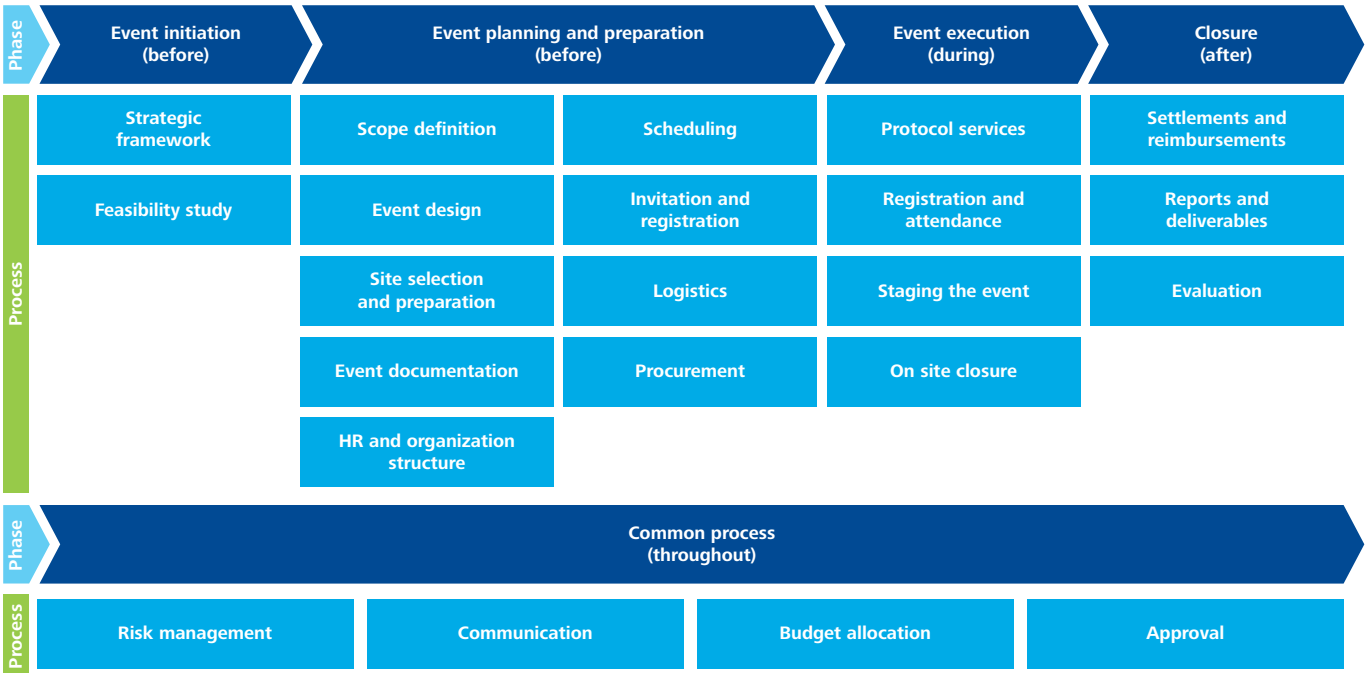
The process model for Events and Event Management as shown on the following page, across all three fundamental levels, integrates all events strategy, management and organization activities throughout the full life cycle of an event. By understanding and applying this process model, organizations can take a significant step towards maximizing the full potential of their events.

Building capability: A path to potential

It is clear that events have become more prevalent and important in the region than ever before. With the considerable investment involved, organizations should recognize their strategically valuable events as assets, developing them as well as their Event Management capabilities over time. The Event Management practices and process model outlined enable organizations to take a first step towards achieving this. However, the journey is far from complete.

Developing a dedicated events team, having the right organization structure in place, installing appropriate technology, training and fostering a knowledge management system are all additional ways in which organizations can build their Event Management capabilities. With these capabilities, governments and businesses can maximize the potential return on the events that they invest in bringing to life.

Events and event management process model



Source: Deloitte, "Events Feasibility & Development: From Strategy to Operations" by William O'Toole, 2011

by **Adil Parvez**, consultant, Strategy & Operations, Consulting, Deloitte Middle East

Endnotes

1 "Qatar 2022 – Business Opportunities" by Qatar First Investment Bank, 2012
2 "The 5th Middle East Meetings Industry Research Report" by Reed Travel Exhibitions & Meetme, 2011
3 "Events Management: An Integrated and Practical Approach" by Razaq Raj, Paul Walters & Tahir Rashid, 2009
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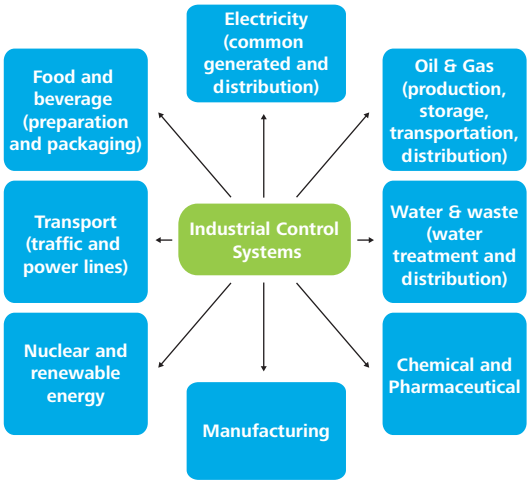
ICS: Protecting the 'other' network

Industrial Control Systems (ICS), those big machines with lights, switches and big knobs common to manufacturing environments, have long been considered a matter for engineers and Operations. But the recent spate and proliferation of cyber attacks - attacks utilizing technology and the Internet, has brought to light how these systems affect our daily lives and are raising questions about how they are being managed and protected.

Since the advent of the industrial age and the rise of manufacturing, large, integrated and highly-complex industrial sites, even cities around the world, have been processing staggering amounts of raw materials or feedstock into final products down the chain. At the very heart of such processes are Industrial Control Systems (ICS): they are what holds everything together and scale to become vastly complex proprietary networks. ICS is the common overarching term for other acronyms such as SCADA (Supervisory Control And Data Acquisition), DCS (Distributed Control Systems), and PCN (Process Control Networks), all types of control systems. For the Gulf Cooperation Council (GCC) countries with significant reliance on process industries such as Oil and Gas, complex ICS systems are considered the cornerstone of operations. With Industrial Operations representing a major portion of the GCC National GDP,[1] significant disruption is not an option.

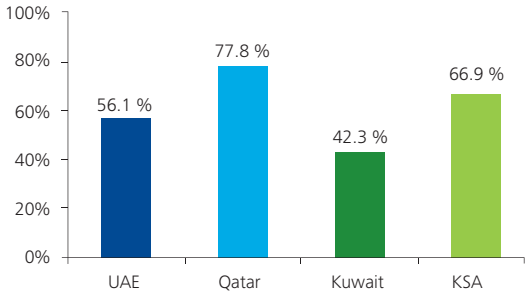
Figure 1: Common industry segments relying on ICS



Source: Deloitte

For the Gulf Cooperation Council countries with significant reliance on process industries such as Oil and Gas, complex ICS systems are considered the cornerstone of operations. With Industrial Operations representing a major portion of the GCC National GDP, significant disruption is not an option.

Figure 2: Industrial sector as % of GDP for GCC Countries[1]



Source: International Monetary Fund

By common classification, ICS fall under what is termed Operational Technology or Operational Systems, hence distinguishing ICS from IT (Information Technology) systems. These systems are not built for what is typically referred to as "Security", namely the protection of information assets from compromise. ICS systems have a fundamentally different premise of operation, having real and significant impact on the physical safety of engineers and operators in the production cycle. An example would be the risk of industrial fires and explosions due to faulty control systems during the manufacturing or refining cycles. Direct access to production control is therefore vital to prevent such incidents, or for responding to them quickly to prevent injury or loss of life.

While information security is founded on three guiding attributes: Confidentiality, Integrity and Availability, ICS reverses these priorities to be more aligned with Availability first, then Integrity of operations.

The issues with ICS and Information Security

With the drive to reduce manufacturing costs and operational overhead, ICS networks have over the past decade opened up to the corporate IT networks. The idea of leveraging existing networks to manage and monitor ICS operations reduces dependency on on-site engineers to monitor and manage the ICS networks and facilitates integrating large, physically-diverse manufacturing operations, from corporate locations. The integration of ICS networks into corporate IT networks, however, has presented a new set of security risks that have been unaccounted for, such as:

- ICS are not designed with Information Security in mind. Reliance on strong physical security and access controls become circumvented when opened up to corporate IT Networks;
- Exposure of ICS to the threats of attacks from the Internet;
- Exploitations are compounded when IT systems with known (or unknown) risks become an entry point into ICS.

While information security is founded on three guiding attributes: Confidentiality, Integrity and Availability, ICS reverses these priorities to be more aligned with Availability first, then Integrity of operations

The fact that the key controls of ICS need to be "accessible" is the same reason why there are "weak" security access controls, and with the exposure of such environments to the corporate and IT networks, the domino effect can now reach all the way to the heart of production. Recently, the exploit dubbed 'Stuxnet' was used as a medium of cyber-attack specifically targeting ICS against nation states. Variations of the same exploit have been associated with other regional high-profile attacks.[2] According to a popular website tracking cyber-attack incidents,[3] the statistics for 2013 (as of March 2013) show that the attacks targeting Industry have accounted for 11.2 percent of the cyber-attacks tracked globally, out of which the Oil and Gas Industry ranked first with about 22 percent, and the Energy Industry ranked third at 11 percent.

The recent and increasing wave of high profile cyber-attacks such as those stated above, have driven organizations in the region to elevate information security to a major board-level agenda item. Senior Management has been demanding that business and IT departments overhaul operations to show that their systems and networks are adequately protected and there are plans for recovery from any compromise. The challenge related to protecting ICS is the traditional Two-Silo approach of management between Engineering/Operations and Information Technology.

In the GCC, the protection of ICS needs to be customized to the unique regional characteristics of the area and should adapt to the changing landscape of security globally with particular attention to the mutual convergence of IT and Operational Technology

According to the National Institute of Standards and Technology (NIST) "ICS have unique performance and reliability requirements[…]considered unconventional to typical IT personnel."[4] It is common in the region to see that this is evident in Oil and Gas operations where the sensitivity and criticality is such that Operations would isolate IT in its entirety from matters related to ICS. However, the IT organization may be much better equipped to handle and respond to Information Security and breach threats, whereas Operations typically would focus on physical security and human safety. When it comes to securing ICS, both engineering and IT need to operate as partners and stakeholders.

Governments also need to look into what controls are in place to ensure the safety of the ICS network of national services of which a breach would possibly affect national and economic security. Similarly, any disruption of critical services such as electricity and water would directly impact citizen wellbeing. Driven by this, the state of Qatar has recently released guidelines related specifically to ICS Security.[5]

Protecting Industrial Control Systems: the task at hand

In the GCC, the protection of ICS needs to be customized to the unique regional characteristics of the area and should adapt to the changing landscape of security globally with particular attention to the mutual convergence of IT and Operational Technology. The approach to address these requirements can be categorized into four points:

- **Increasing awareness:** knowing there is a risk is the first step to addressing it. Regionally, entities need to expand the fold of Information Security beyond just the IT department and address the risks related to ICS. Communication needs to flow top to bottom on the possible risks and what each stakeholder's responsibility should be. Tried and true tactics such as workshops including individuals from both IT and Operations should be conducted to facilitate information flow and build bridges between these traditionally separate functions.
- **Build fit-for-purpose controls:** ICS vary by industry and type of operations. In the Gulf region, given the importance of industries such as Oil and Gas, operations may be part of a larger turn-key project such as a global partnership, where the management or maintenance of ICS may be outsourced in part to external parties. All these qualifying factors need to be taken into consideration when putting together a plan for the protection of industrial assets controlled by ICS.
- **Leverage existing best practices:** there exists a wide spectrum of guidance documents that address each of the layers and components of ICS Security and to such extent, a number of global initiatives with interest in protecting ICS have begun consolidating standards, frameworks and policies. Examples of such initiatives are Europe's enisa[6] and the publications of the Information Technology Laboratory of the National Institute of Standards and Technology (NIST) in the United States.

- **Involvement of assurance:** periodically perform independent assessments of the security of ICS. Teams that have sufficient expertise in both ICS security and the proprietary technology of the ICS being reviewed, should be hired to perform such assessments, as opposed to solely IT-specific assessments by information security practitioners.

Achieving 'Information Security' is a challenge. Achieving Industrial control system information security, with its innate complexities, becomes a much more difficult task. The security and safety of Industrial Control Systems and the environments they manage represent a real and present risk to entities and governments in the region. The compounded effect of the limited exposure and experience of stakeholders in the topic, the exponential growth of Internet-based security attacks driven by geopolitical turmoil and the involvement of nation-states all make this a topic that must find its way on the agenda of the Boards of Directors. Similarly, government agencies entrusted have a role to play with guiding industries to a set of regulations and guidance documents to mitigate the impact of such risks. Organizations should implement measures to ensure that if such compromises were to happen, there are sufficient processes to mitigate the impact of these incidents and the time to recover from them. Protection of Industrial Control Systems also touches upon critical national infrastructure, areas that directly affect citizen wellbeing, in addition to national safety and security.

by **Raddad Ayoub**, principal, Enterprise Risk Services, Deloitte Middle East

Achieving 'Information Security' is a challenge. Achieving Industrial control system information security, with its innate complexities, becomes a much more difficult task. The security and safety of Industrial Control Systems and the environments they manage represent a real and present risk to entities and governments in the region.

Endnotes

1 IMF word economic Outlook 2012
2 http://www.symantec.com/connect/blogs/stuxnet-introduces-first-known-rootkit-scada-devices
3 http://paulsparrows.files.wordpress.com/2013/04/march-2013-targets.png
4 NIST National Institute of Standards and Technology/ Special Publication 800-82 Guide to Industrial Control Systems Security
5 ictQATAR, Controls for the Security of Critical Industrial Automation and Control Systems Guidelines, January 2012
6 European Network and Information Security Agency (enisa), Protecting Industrial Control Systems Annex III

Brick by brick, tile by tile

Building Intellectual Capital in Islamic Finance through Knowledge Management strategy

Islamic Finance is a business and operational model that predominantly relies on its 'intellectual capital', 'knowledge assets' and 'knowledge managers' to drive its evolution and sustainability in both terms, qualitative and quantitative. Yet some institutions offering Islamic Financial Services (IIFS) often lack the tools to help them identify the knowledge assets and the knowledge management value proposition it could develop to deploy resources and achieve efficiency and profitability.

'Knowledge management' is one of any organization's most important strategic resources and is rightfully gaining increasing importance in businesses and companies. However, most IIFS don't yet capitalize on what knowledge value they possess or what knowledge assets they have and should define clear strategies and frameworks to retain and utilize their knowledge assets. Our research did not find or come across a formal definition or process that entails knowledge management in Islamic finance nor do I believe it should be different from knowledge management in other industries or disciplines. Thus Islamic Finance Knowledge Management (IFKM) could be described or defined as 'a practice or set of processes that aims to identify and build Sharia'a and business knowledge resources within the institution to enable and empower capabilities and competencies to excel in conducting Sharia'a-compliant business and realize business objectives.'

A knowledge management strategy could help IIFS build their intellectual capital and strengthen their capabilities on functional, operational and organizational fronts. The discussion highlights the importance of developing a relevant set of tools and resources that help IIFS build capabilities in knowledge management and ultimately build adequate intellectual capital to drive and achieve the desired business objectives. A common theme that emerges from the discussion is that IIFS ought to have a collaborative approach towards the concept of knowledge sharing, leveraging their scarce resources and expertise and proposing practical steps to develop a knowledge-sharing culture in the industry.

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A number of important questions emerge in this regard:

- How will market participants have an effective mechanism to learn about new Islamic finance products, tools, resources, laws, standards, documentation formats or new skills?
- How will they access these tools within large organizations and learn to use them or reuse skills, processes and expertise?
- How will they interact with other stakeholders – including regulatory authorities - and have an intellectual knowledge-sharing dialogue to enhance practice and regulation policies?
- How will regulatory authorities improve practice and regulation development through an effective knowledge-sharing approach with market players?
- How can we best promote regulatory consistency and harmonization amongst different markets and jurisdictions around the world?
- How will the Sharia'a Advisors collaborate to develop the profession's code of conduct and promote it amongst market participants?

A sound Islamic Finance industry would require a better understanding of the knowledge value of each of the above questions and assess what stakeholders can bring to improve practice.

The American management consultant, educator and author, Peter Drucker said: "Today knowledge has power. It controls access to opportunity and advancement." In his book *The Practice Management*, he interestingly describes it with dual functionality depending on our application to knowledge: "If we apply knowledge to tasks we already know how to do, we call it 'productivity'. If we apply knowledge to tasks that are new and different we call it 'innovation'."

To build an effective Knowledge Management (KM) strategy in Islamic finance and ultimately strengthen the intellectual capital of the organization, it is important to take account of the unique fiduciary investment relations and stakeholders structure and business model of the IIFS and address the pertinent factors that may impact strategy development.

- It is vital to assess the individual business[1] and Sharia'a competencies and face up to the need to plug gaps in knowledge and information sharing in the business such as the variations in markets where Islamic finance operates – the socioeconomic, demography structure, economic buoyancy, business and finance infrastructure, Sharia'a Law acceptance, talent and human capital.
- It is also important to take into account any existing knowledge collaboration initiatives, the professional culture level of the IIFS, the talent and human resources availability, the learning and training culture in the IIFS and commitment from its board and executive management.

The IIFS ability to unlock its practitioner's knowledge and sharing this knowledge with peers and industry fellow professionals is extremely important in Islamic finance. This importance arises from the fact that the industry is constantly evolving and expanding and yet still has to reach the scale and scope aspired to. The IIFS leaders are required to exert considerable efforts to sustain forward-looking planning and strategize business priorities and ways to harness growth, efficiency, profitability and succession. Several IIFS, industry regulatory authorities and industry professional services stakeholders have recognized the importance of knowledge management initiatives and the support value it brings to the good practice of this niche market.

The following section suggests some of the core building blocks to set forth the KM function in Islamic finance. Five building blocks have been identified for the process of establishing an effective IFKM strategy.

The IIFS's ability to unlock its practitioner's knowledge and sharing this knowledge with peers and industry fellow professionals is extremely important in Islamic Finance. This importance arises from the fact that the industry is constantly evolving and expanding and yet still has to reach the scale and scope aspired to.

1. The corporate knowledge-sharing competencies will require an institution to look at three main areas to achieve knowledge-sharing behavior:
   - Building the knowledge assets – identify what constitutes knowledge asset? and who to share with? To build knowledge-sharing relationship both within the organization (intra-organization) and with other industry stakeholders, as appropriate (inter-industry).
   - Building knowledge base – Islamic financial service market and customer data
   - Building knowledge value – communicate knowledge assets and apply within the institution.

Chart 1: The corporate knowledge-sharing competencies

Source: Deloitte

The IIFS should leverage on its individual expertise to ensure proper planning, process of its products and measure performance of the KM strategy. Therefore, the strategy development process should be aligned to the IIFS strategic objective, market strategy and business planning.

2. Community of practice

Creating communities of practitioners helps IIFS build intellectual capital and allows Subject Matter Experts (SMEs) to share knowledge assets with fellow peers to optimize business processes and efficiency. More importantly, they help IIFS achieve business objectives and better performance. More recently, the industry had witnessed the growth of 'community of practice' both, within the individual organization, which addresses internal issues, or within the wider industry domain, which address macro industry practice issues. The creation of Thompson Reuters's IFG Community stands out. When considering the creation of a specialized professional community of practice in Islamic finance, the Sharia'a inputs and compliance factors should not be overlooked.

3. Cultural differences and business norms in the one country or market

Key to the understanding of the national cultural difference is the knowledge flow between different stakeholders to better understand customer needs and requirements and thus develop the right products and services.

4. Knowledge-enabled innovation process

Products and services development in Islamic finance is a fundamental driver of sustainable growth in the industry and key to its success is building the knowledge-enabled innovation process. This act forms a practical insight into customer-driven research that helps develop products and services that address the needs of customers. However, some internal and external factors emerge:

- Learning capability
  - Sharia'a considerations and compliance
  - Business, operational, risk management and finance
- Collaboration within the institution/industry
  - Process to enable sharing knowledge across functions
  - Improve internal communications
- Sharia'a-based and customer-focused innovation

5. Developing an IFKM strategy

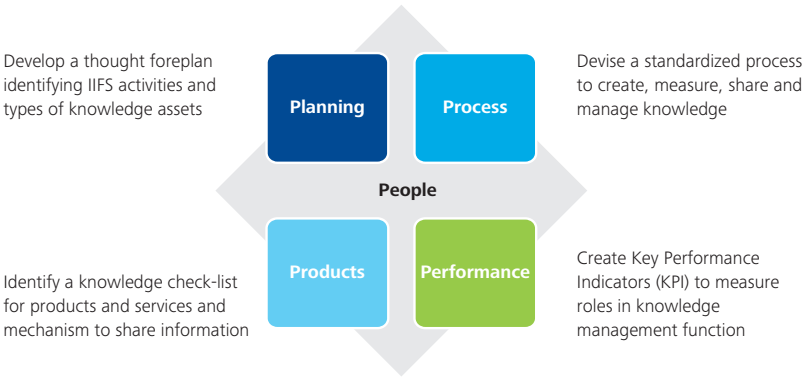
Creating and developing an IFKM strategy begins with people and the IIFS should carefully think organization-wide in the process of shaping the IFKM strategy. The IIFS should leverage on its individual expertise to ensure proper planning, process of its products and measure performance of the KM strategy. Therefore, the strategy development process should be aligned to the IIFS strategic objective, market strategy and business planning. The role of engaging the organization's Sharia'a Supervisory Boards (SSBs) is vital. The SSBs have particular importance in not only vetting products and services and their compliance, but also in mitigating risks and checking on business processes and help achieve the operational efficiency desired.

Nevertheless, any strategy aimed at improving intellectual capital in Islamic finance must consider creating Key Performance Indicators (KPI) of knowledge management to measure performance more effectively. It should also identify what makes knowledge asset, how it can be evaluated, processed, shared and managed.

The creation of an enterprise-wide KM function, with clear governance and oversight from the management and Board helps the IIFS identify skills and resources gaps, better use of available intellectual capital that help organizations achieve business performance.

To conclude, the commonly-used 'five Ps' model to develop KM strategies can work quite well for developing KM strategy for an IIFS. What is required though is that the IIFS define its technical competencies resources and the role of its SSBs in developing a meaningful and workable strategy. The following chart draws the lines of what are the key steps to develop the KM strategy.

Chart 2: Developing an effective IFKM strategy



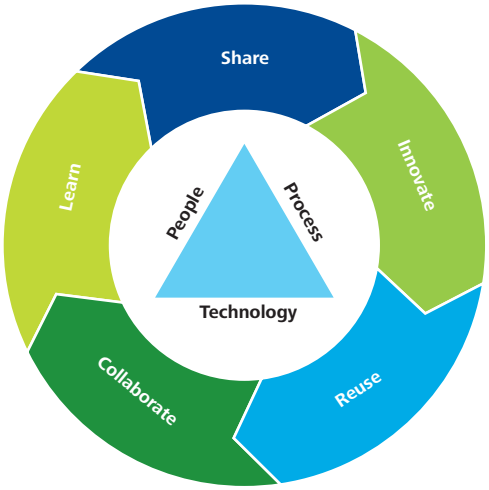
Source: Deloitte

Knowledge management:
Knowledge relates to all the capital owned by people and staff of a company: know-how and expertise, competencies, market experiences etc. Knowledge management helps companies turn this human capital into intellectual capital by creating value.

Intellectual capital[1]: Is intellectual material – knowledge, information, intellectual property, experience – that can be put to use to create wealth.

The human aspects of knowledge sharing is the largest challenge[2]: Though supported by a technological platform, knowledge management is not only a technological tool. Knowledge management is about effectively managing people assets and needs to be balanced evenly between:

- People and learning organizations
- Process and technology
- Collaboration of exchange



Source: Deloitte

by **Dr. Hatim El-Tahir**, FCIB, FCISI Director, Islamic Finance Group Leader, Deloitte ME Islamic Finance Knowledge Centre (IFKC), Deloitte & Touche - Bahrain

Endnotes

1 Thomas Stewart, *Intellectual Capital: the New Wealth of Organizations*, 1997.

2 Deloitte Research and Thought Leadership.

Less is more

With ever-increasing demands on our time, can any leader afford their managers not to respect theirs? If your management is reporting ineffectively, SACK them!

Effective Management Reporting – Fancy term or an essential necessity?

Success of any business is dependent on effective management, largely achieved through a two-pronged approach: Proactive Planning and Efficient and Effective Reporting. In today's fast-paced, information-overloaded world, creating an environment where time is valued and respected is essential. If you start right, you will finish strong.

Time – Friend or foe?

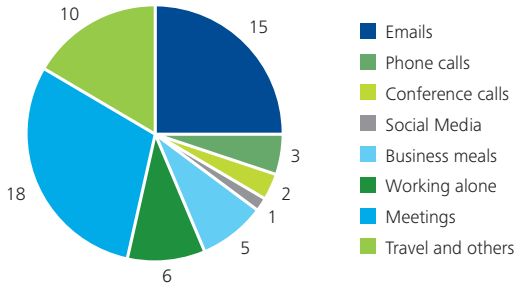
"Time is what we want most, but what we use worst" said William Penn, Seventeenth century entrepreneur, philosopher and founder of the Province of Pennsylvania. Effective time management, especially for champions of industry, is a challenge. Add to the 24/7 smartphone world the increasing usefulness of social media such as LinkedIn, Facebook and Twitter, and one finds oneself constantly connected and accessible, like it or not. Time and time again Senior Management and Directors complain that their biggest challenge is keeping abreast of critical aspects of their business(es) and how difficult it is for them to filter through the mounds of documents, e-mails and management reports to determine what requires their immediate attention.

Daily statistics paint a gloomy picture

So what are the most common demands on time during a day? According to a survey[1] on e-mail statistics, senior management personnel receive about 100 to 120 e-mails and send 30 to 40, a day. The more senior, the higher the number as one gets copied on a lot of unnecessary 'for your information' e-mails as well. In practical terms this means that even if you spend just one minute reading or responding to these messages, it equates to more than three hours of your time on a daily basis.

The chart below represents the typical most common demands[2] on the time of senior management and directors during a 60-hour work week that includes traveling for board meetings. After meetings that take up almost 30 percent of their time, they spend approximately 25 percent of their work week reading or responding to e-mails and reviewing important management reports (including board committee meeting reports). If you combine meetings, e-mail/document reviews and travel time, senior managers and directors only have 30 percent of their time to devote to the other demands of their business. As expected, this creates a huge business risk as they are unable to review all the various management reports for timely and corrective action, thereby having to rely on management to update them on what they deem is critical. As a result, key issues and problems, which inexperienced management may not report upwards, are overlooked, resulting in losses costing possibly millions of dollars to rectify. Imagine the benefits a one or two percent increase in this time alone for the productivity of the business through timely decision making.

Average hours spent in a 60-hour week



Source: Deloitte

Effective time management, especially for champions of industry, is a challenge. Add to the 24/7 smartphone world the increasing usefulness of social media such as LinkedIn, Facebook and Twitter, and one finds oneself constantly connected and accessible, like it or not.

Two-minute rule

Similar to the "two-minute" rule[3] for e-mails being used effectively around the world; it is propitious to create an environment whereby management reporting is articulated in 1-page reports that allow all critical information to be available at your fingertips. If it's not on this one page, it is either irrelevant, or has been deemed unimportant to be brought to your attention. This allows you to substantially reduce your time reading detailed management reports and just focusing on what the Key Peformance Indicators (KPI), status updates and action items are. More importantly, this also allows you to hold management accountable for what is reported and what isn't and for the approvals sought at regular intervals. Detailed reports should only accompany the 1-page report as appendices to enable you to delve deeper if, and when, certain KPI deviate from what management had reported earlier. Accountability, as you know, brings the best out of your team. If you do not have an effective reporting mechanism in place, SACK your management!

SACK© your Management

SACK[4] is an acronym encapsulating a 4-point solution for efficient and effective management reporting that has been developed to specifically assist companies working towards achieving success on their projects and investments.

1. **S = "Stipulate":** Stipulate the requirements for effective and efficient reporting, including the frequency of reporting. Make your management

respect/ value your time as a 1-page report can be read easily on your phone, on your drive to work, or even on the plane ride for a board meeting.

2. A = **"Appoint":** Appoint the right people to undertake this task. If your management team were capable of creating succinct valuable reports, you probably wouldn't be reading this article. This is where the benefits of appointing experts, who can share their experiences and knowledge with you, comes in handy. It makes a huge difference to the bottom line if the issues are identified earlier on, which could result in savings of millions of dollars. After all, a report is only as good as the information used to compile it (the "Garbage In-Out" phenomenon) and an independent advisor can help you overcome this challenge by assisting you and your management validate the integrity and adequacy of reporting from your managers and consultants.
3. C = **"Collaborate":** Collaborate with your management (and advisors) to work hand in hand in determining the project KPIs, required updates and the format you would like to see the critical information being presented. This is where your input is most valuable as let's face it, you are the end-user.
4. K = **"Keep Monitoring":** As with everything else, there is no value addition if there is no subsequent monitoring. Keep monitoring the reports to see what is being reported, what was reported last time, what is missing and what needs to be done to improve the reporting and decision-making process. As we advise our clients, in a continuously evolving business environment there is no end-for-all template. You need to keep monitoring to remain abreast of changes that will allow you to adapt your reporting mechanisms and protocols to remain head and shoulders above your competition.

Success means mastering your time

Successful reporting need not only be efficient (1-page templates that are easier to create and subsequently digest) but also needs to be effective i.e. it needs to capture relevant and important information: identifying inefficiencies, determining relevant KPIs, tracking issues. Streamlined reporting allows for quicker reporting and is easier to digest. It also frees up your valuable time to focus and discuss the areas that are not on track and require more attention. However, the time now saved also means that you probably have sufficient time to review and discuss most projects rather than being selective.

> Similar to the "two-minute" rule for e-mails being used effectively around the world; it is propitious to create an environment whereby management reporting is articulated in 1-page reports that allow all critical information to be available at your fingertips

To sum up, Alan Lakein's[5] words on time management echo true for effective reporting; "Time = life; therefore, waste your time and waste your life, or master your time and master your life." So, master your time…SACK your management!

by **Ghazanfar Shah,** assistant director, Forensics, Deloitte Corporate Finance Limited (Regulated by the DFSA), Middle East

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1 Radicati, Sara. "Email Statistics Report, 2011-2015." Radicati.com. The Radicati Group, Inc., May 2011.
2 Based on statistics from Rachel Emma Silverman, "Where's the Boss? Trapped in a Meeting." *The Wall Street Journal*, 14 Feb. 2012.
3 A concept by David Allen, author of *Getting Things Done*.
4 The SACK© acronym has been developed personally by the author and is used by him to educate and advise his clients in his capacity as a trusted advisor.
5 **Alan Lakein** is a well-known author on personal time management, including *How to Get Control of Your Time and Your Life*.

New business strategies from big data

"The possibilities are numerous once we decide to act and not react"

George Bernard Shaw

The possibilities presented by big data are numerous. But, to paraphrase George Bernard Shaw, how should business leaders act rather than merely react? In seeking to derive maximum value from their businesses, organizations should act before they are faced with challenges. Under the appropriate circumstances, big data can lead to insight within emerging trends that are invisible in small data and thereby provide the means for businesses to be more proactive.

The current state of big data for business

Room to grow for big data

Indeed, in a competitive environment, big data may compel such action and dictate against mere reaction. But assuming that an organization has carefully weighed the benefits of big data applications against the corresponding costs, which among the numerous big data-enabled possibilities is best? Big data presents three types of possibilities:

- Answering existing questions in existing businesses, with a focus on improved efficiency and operations
- Answering new business questions in existing businesses, with a focus on opportunities for growth
- Answering new questions in new businesses, with the goal of reshaping the competitive landscape.

Big data is expected to be one of the top three most disruptive technologies in 2013

While acknowledging that companies may be at many points along their data journey, research suggests the primary focus of big data applications has been on the first category of applications, and that the time is ripe to look more closely at the second two. A recent survey of more than 100 CIOs across multiple industries and geographies showed that big data – including its applications to business and the technologies to realize knowledge discovery – is expected to be one of the top three most disruptive technologies in 2013, third only to cloud deployment and mobile enablement.[1] As defined in Clayton Christensen's *The Innovator's Dilemma*,[2] a disruptive technology should create a new market that will ultimately overtake an existing one. In Christensen's terminology, the bulk of today's big data applications are generally sustaining, in that they merely improve existing products with the goal of making more profits from higher-end customers.

From big data 1.0 to big data 2.0

"If you do not change direction, you may end up where you are heading" – Lao Tzu

New infrastructures or data sources can unlock some value in big data by answering existing business questions. This happens when conventional ways of creating business value from data become untenable due to significant growth in the available data. For example, Rackspace started out with a small customer base in its email hosting service. Over time, the number of its customers grew rapidly to a million users, resulting in a considerable paper trail of 150 GB per day of logs recorded in various formats. The situation created a bottleneck in Rackspace's capacity to respond to troubleshooting requests using its data.[3] Tasks that had previously taken minutes to complete now took hours because the company was still reliant upon a legacy system that could not scale to meet demand. Rackspace could only resume reaping business value from its email-hosting service by migrating to a Hadoop stack-based big data infrastructure.

Beyond enabling faster answers, big data may enable better answers as well. For example, telecommunications companies can improve the value of customer churn analyses by augmenting existing customer data with new data from customer interactions on social networks.[4]

Yet upon closer inspection, in neither of these applications of big data do the fundamental strategies and ways in which businesses are run change. The companies' goal of understanding customer churn,

for example, still remains largely the same, only augmented with attributes gleaned from social media data. This relatively conservative approach seems characteristic of today's big data applications. A survey conducted by *The Economist* magazine in 2010 asked, "What new opportunities do you see for your organizations as the result of the availability of increased amounts of data?" Most respondents cited "increasing operational efficiency" as the top effect (51 percent). In striking contrast, "innovating new services/products" came in only at number four (24 percent).[5] This focus on efficiency may not be surprising given the state of the economy at the time of the survey, when businesses were more focused on cutting costs. However as the economy improves and the focus shifts from cuts to growth, different approaches may be warranted.

To create disruptive innovations, companies should adopt new paradigms and find new ways of creating and stimulating growth. Recall the way that content-creator driven Web 2.0 technologies disrupted the content-consuming Web 1.0 world, contributing to dramatic changes in the ways businesses interact with their customers, innovate in products and services, collaborate, and channel their marketing efforts.[6] Similarly, big data 2.0 strategies can open up new markets, providing leading businesses with small windows of opportunity within which to reap significant benefits that their competitors have yet to identify.

New business strategies toward disruptive big data

Our review of existing research and discussions with business leaders suggest three types of big data strategies for creating disruptive innovation.

The first is a customer strategy of leveraging access to customer interaction data to shape – instead of merely sense – customer behavior. Access to this data can give companies the opportunity to generate new profits by anticipating and directing the market toward unrealized demands. This strategy can be combined with a product strategy, where unrealized demands come in the form of new products or services that monetize big data. As important as these strategies are, relying only on them may not lead to persistent benefits. This leads us to the ecosystem strategy, a third approach whereby companies aim to participate in or even shape a new industry-oriented community in which the sharing of data enhances the overall business propositions of its members.

Access to this data can give companies the opportunity to generate new profits by anticipating and directing the market toward unrealized demands

Customer strategy: shaping customer behavior

"The most significant idea for big data is that it allows you to see around corners and react," according to Michael Cavaretta, technical leader of predictive analytics and data mining at Ford Research and Innovation.[12] Such a reactive stance has been widely adopted by data-driven companies even in their dealings with customers. Until quite recently, the primary way for companies to sense their customers' behavior was by engaging market research firms. Companies sought to respond to the needs of their customers based primarily on what they learned from these studies. Today, even as the expression of market sentiment has gradually shifted to social media, the essentially reactive approach of sensing customer behavior remains dominant.

In some cases, companies do not have sufficient visibility and control of their supply chain to allow the additional variability into customer demand that real-time offers would introduce

Businesses in some domains, however, are beginning to actively shape, rather than remain content to merely sense, their customers' behavior. This involves coupling a comprehensive view of customers, encompassing their behavior, preferences, and competitive actions, together with real-time location data that may be, for example, triangulated from cell tower or wireless hotspot signals. Doing so enables companies to make highly customized offers using the most suitable channels and at the appropriate moments.

Organizations such as Netflix and Amazon tap into such data to identify the tastes and preferences of their respective customer bases and use this information to provide helpful and relevant real-time offers. These organizations thereby influence their customers' purchase behavior. In the case of Netflix, the recommendations are not just limited to new movies but also include older titles to help reduce licensing costs.[13] Retailers, too, gain access to customers' preferences through customer loyalty cards and by leveraging real-time "check-in" data from Foursquare, for example, and then they try to influence customer shopping patterns by sending promotions via mobile apps.[14]

We recently worked with a financial institution to critically assess its loan and borrowing risk exposure by pooling a large variety of data from macroeconomic indicators, such as consumer – and home– price indices, as well as from national-level charge-offs (how many loans are written off as uncollectible). This broad approach shaped the attitudes of financial institutions towards risk assessment by elevating the stress-testing bar to a more realistic level.

Yet implementing this strategy involves particular challenges. The chief concern is that of individual privacy: matters pertaining to personal and sensitive information – even if such information has not been derived from personal data – are best handled judiciously and transparently. From an execution standpoint, companies should also try to anticipate the resulting changes in customer behavior. Given the uncertainty involved in estimating how many customers ultimately become influenced by recommendations, this is hardly a trivial task. In some cases, companies do not have sufficient visibility and control of their supply chain to allow the additional variability into customer demand that real-time offers would introduce. The conclusion is that companies should continuously monitor their customers to learn how much "shaping" is appropriate.

Product strategy: creation of new products and services

There are organizations in the data value chain that are situated in busy spots of data traffic, finding themselves in strategic positions to benefit economically from the data they have access to. These include organizations in the communications, media, and entertainment industries. Such organizations, by virtue of their significant interactions with customers over digital channels, are becoming repositories of vast amounts of valuable customer data.

Many of them have leveraged this data for insights that support the day-to-day business of serving their existing markets and clients. Banks have been collating 360-degree views of their customers from their profiles, transactions, and online and phone banking interactions to improve customer satisfaction. For example, out-of-cash ATM incidents can be minimized and the pricing of products and services can be refined.[15] Others, though, have innovated and designed entirely new business models by monetizing their data and targeting new markets. Telecommunication companies for instance receive a fine-grained and real-time view of their large customer base encompassing location, usage, social networks, and other features through the smartphones being used. They can put this data to use to offer new services, such as location-based marketing. For example, on top of their regular phone services, the three local telcos in Singapore – M1, Starhub, and Singtel – in collaborations with Singapore Press Holding and other retailers have been offering location-based advertising (LBA) SMS to customers. The number of SMS being sent and potentially the rate of consumer responses, then translate into additional revenues for the telcos.[16]

Big data can therefore be used to provide lifestyle-related services to customers in real time. These strategies can help telcos improve customer retention as well as create additional revenue streams. The same concepts can be put to use in other areas as well. For example, insurance companies can create new products and services rather than just sell standardized insurance policies. This could be done by aggregating customer risk appetite, policy adoption, and claim history data over a period of time as inputs to a new service line of regulatory reporting that is more realistic than the conventional approach.

This product strategy is not limited only to established companies and their spin-offs. As the provision of new products or services typically caters to uncharted markets, this strategy offers big opportunities for new

Big data can therefore be used to provide lifestyle-related services to customers in real time

entrants as well. In the retail space, for example, real-time price comparison services such as GetPrice in Australia and PriceRunner in the UK provide customers with enhanced information while also opening up new channels for more targeted online advertisements. In the health care space, Castlight Health, founded in 2008, uses big data to inform patients of health care costs by providing them with pricing not usually available to customers.[17] The community site PatientsLikeMe offers a free forum and friendly environment within which patients can seek others who have similar diagnoses, medications and even lab test results. It generates revenue by reselling data to pharmaceutical manufacturers, all the while remaining transparent with users about its use of their data ratings, reviews and opinions.

Of course the creation of new products and services from big data is not without its challenges. New entrants should be sensitive to the legal and ethical aspects of data usage, especially when involving personal customer data or deriving information from big data of a personal nature for profit-making purposes. Legislation related to data is under constant scrutiny by policymakers around the world, and a growing body of case law in various jurisdictions is being developed. The regulatory landscape for data-monetization and profit-making opportunities will likely remain dynamic in the near future.

As big data technology advances apace, data protection and privacy legislation will likely continue to struggle to encompass all its possible uses

As big data technology advances apace, data protection and privacy legislation will likely continue to struggle to encompass all its possible uses. Therefore, businesses that adopt new customer and product strategies using big data have, at a minimum, an obligation to keep customers aware of how their data is being used and to provide them with sufficient information to enable informed choices. Doing so can allow benefits to be realized by both parties, and such transparency may help maintain regulatory and moral discipline as well as strengthen reputation, customer loyalty, and the brand.

Reliance solely on new products and services for data monetization can pose certain longer-term risks as well. Without being an integral part of an established system, it is possible that the new market can be disrupted by other new developments. From a data perspective, this calls for a viewing of data through the prism of an ecosystem within which data originators, beneficiaries, competitors, and regulators alike thrive and mutually benefit from the sharing of data and insights.

There are organizations in the data value chain that are situated in busy spots of data traffic, finding themselves in strategic positions to benefit economically from the data they have access to. These include organizations in the communications, media, and entertainment industries. Such organizations, by virtue of their significant interactions with customers over digital channels, are becoming repositories of vast amounts of valuable customer data.

Ecosystem strategy: ecosystem view of data

It often happens that a single organization does not have access to enough complementary views of its customers to create a new and compelling product or service. In such cases, organizations can fill in the blanks using complementary sources of data from other organizations within the ecosystem. Such ecosystems are built upon appropriate collaboration strategies implemented in such a way as to benefit all parties involved, from enterprises to consumers. The ecosystem view can take many forms. At one end of the spectrum

is collaboration between companies viewed traditionally as competitors; at the other end are citywide collaborations between various public sector agencies to enable better delivery of services. In addition to the immediate short-term benefits of collaboration, the ecosystem strategy helps generate long-term benefits by ensuring risk diversification.

In the area of insurance, we are already seeing these types of data collaboration emerge. Identifying and preventing fraudulent motor insurance claims, for example, improves profitability but also helps to keep premiums low for drivers. Members of the Association of British Insurers (ABI) in the United Kingdom are now combating this problem by sharing claims data from millions of customers and centralizing its analysis in the Insurance Fraud Bureau – a not-for-profit organization funded by the ABI. The information from its database, called the Insurance Fraud Register (IFR), is already having a significant impact on the estimated number of fraudulent claims made every year. According to the ABI, "The IFR will help insurers identify whether individuals have committed insurance fraud so that they may take appropriate action. The information may be used at any point in the lifecycle of the product from point of sale, at renewal, or when a claim is made and at any other point."[18]

Several music-related organizations, including publishers, music service providers, and songwriter associations, are also helping to shape the music industry's digital future by creating a "Global Repertoire Database" – a single, authoritative view of all songs, for all territories and uses. This data will be usable by all organizations in the music publishing value chain to enable efficient and accurate licensing of music and subsequent payment of royalties for its use. The database marks a step change in approach to rapidly evolving online business models for music service provision, consumption, and licensing.

Although the evidence base is as yet relatively small, the strongest of these intra-industry strategies tend to focus on using big data to address a specific shared risk – regulatory, commercial, or technical – while still allowing participating companies to compete for business from customers as normal. This approach leads to the smallest set of potential conflicts that would otherwise tend to tear the consortium apart and echoes Evan Rosen's view that collaboration among competitors makes sense when such associations create value for both parties, when they begin with structure and clarity, and when they involve non-differentiating processes.[19]

Businesses are incentivized to work with government agencies to share investment costs in data collection where they also have a stake in the downstream impact of the service

Going cross-industry, big data provides telcos and financial institutions with the potential to generate more insight through collaboration than they could individually – particularly as retail payments and mobile technologies converge. By leveraging their respective customer data, they can create a truly differentiated mobile banking platform by collaboratively analyzing their combined data.

Government can also have a role in the ecosystem. Many businesses can benefit from the inclusion of additional data, such as real-time weather and transportation-related sensors, which is collected typically by the public sector, and which would be prohibitively expensive for any single company to replicate. Businesses are incentivized to work with government agencies to share investment costs in data collection where they also have a stake in the downstream impact of the service. For example, when planning transportation of shipments, a company can benefit from integrating its internal freight and booking data with external real-time port data from the sensors

Big data provides businesses the additional opportunity to shape customer behavior, with offers that address needs that customers themselves may not have recognized

and radars deployed by port authority. It is in the interest of the port authority as well to ensure the logistic efficiency and the safety of personnel and ships, hence its willingness to invest in the sensor infrastructure.

Government-industry collaboration is also seen in the emerging ecosystem of open data, which is currently spearheaded by various governments around the world (with huge quantities of open government data now available, for example, on data.gov, data.gov.uk, data.gov.sg, and many other national data portals). Open data typically does not include personal data, which means that it is easier for organizations to handle and mix the data with their own proprietary sources. For example, the Practical Law Company is one of several commercial and academic institutions working hand-in-hand with the UK government to build an accurate and up-to-date repository of UK legislation, published as linked open data on the website legislation.gov.uk.

In collaborating with the government and other supporters to maintain the open data, the Practical Law Company saves considerable time and expense it would otherwise have incurred on maintaining its own data set, but is now able to use the common, authoritative repository to compete for legal services on the open market.

While data sharing and collaborative analytics can bring tremendous benefits, there are considerable hurdles to overcome. The greatest challenge lies in sharing personal customer data that has been collected for other purposes. Recent surveys suggest that customers are wary of companies that share even completely anonymized data.[20] And in many countries, data protection legislation explicitly precludes organizations using or sharing personal data without the explicit and informed consent of their customers. Larger ethical questions also arise as different pools of data are shared between different parties. What was once unconnected, and therefore implicitly private information, is now joined up and exposed to the scrutiny of advanced analytics. There are fears, too, that collaborators could learn too much from each other's data, thus compromising their status of competing on a level playing field. Other potential pitfalls include collusion on the part of the collaborators to either fix prices or other similar trade practice violations. Operationally, the lack of a common data schema among even structured datasets across organizations – let alone unstructured data – makes collaborative analysis challenging. In this respect, governments can have a key role to play as catalysts for promoting standards through their open data initiatives.

What can business leaders do?

Each of the three strategies discussed offers big data opportunities in the right business context. Business leaders can ask themselves a number of questions to determine if they are positioned to tap into the positive disruptive potential of these strategies.

- **Consumer strategy:** Big data provides businesses the additional opportunity to shape customer behavior, with offers that address needs that customers themselves may not have recognized. To determine whether an organization is ready for such a proactive use of big data, it should answer a number of questions. What customer decisions are being made, and what are the processes involved in making those

decisions? Is there an opportunity to influence these decisions with new data? If so, where does the necessary data reside? Does the appropriate infrastructure exist to serve it up cost-effectively and in a timely fashion (including real-time, if necessary)?

- **Product strategy:** Businesses also need to assess whether they are in a position to create new products and services that will give them a competitive edge. This involves answering questions about the value and the volume of the data they possess. Do they have any unique assets? Would these assets in some combination address a market need? Will it be new or existing markets that will respond to the new products and services, and if new ones, what channels can be used to penetrate new markets? Will the investment into new products or services come at an opportunity cost to their existing business operations?
- **Ecosystem strategy:** A business should analyze whether it is in a position to derive maximum value from strategy shifts in isolation or whether it would be better off collaborating with other businesses to form a unique, enhanced interpretation of that data. Do businesses have complete visibility of all other players in their business value chains? If so, business leaders should determine whether datasets or business insights owned by these players can complement their own businesses. Furthermore, business leaders should also establish whether it is possible to share data without losing their competitive edge.

Not every business will be in a position or have the necessary capabilities to implement all three strategies simultaneously, or they may need to implement only one or two of the strategies to improve performance in aspects of business they are targeting. Whichever strategy is chosen, businesses ought to develop the appropriate kinds of big data resources, from empowering and harnessing the desired talent, to investing in appropriate technology infrastructure to sustain operations. Companies should be mindful of the economics of big data and weigh the costs of the infrastructure and expertise required to store, sort, and analyze large volumes of data against the potential benefits big data can bring to business.

Is big data revolutionary? While there is certainly increased awareness and a growing number of tools related to big data, for the majority of businesses, the transformation has not yet been disruptive

Is big data revolutionary? While there is certainly increased awareness and a growing number of tools related to big data, for the majority of businesses, the transformation has not yet been disruptive. There will be new players that will emerge strongly and new markets that will open in the near future as people leverage the benefits of big data and advance new business strategies that go hand in hand with big data. Those businesses that ignore the hype and focus on how big data might be used to ask new business questions and meet market needs will be well positioned to use the data to drive sustainable competitive advantage.

*Note that precedents exist for the "ecosystem strategy" of data pooling described here. For example, insurance companies routinely write commercial and professional liability contracts for relatively small numbers of heterogeneous risks. For such heterogeneous and low frequency/high severity insurance products as Medical Professional Liability (Medical Malpractice) or Workers Compensation insurance, few insurers collect enough data to reliably estimate the cost of providing insurance to the multitudinous types of risks seeking insurance. (For example, there are hundreds of medical

specialties and types of businesses.) It is therefore not merely advantageous but essential for insurers to pool data through insurance rating bureaus. The bureaus in turn use this pooled data to actuarially estimate the expected loss frequencies and severities by risk classification.

The major U.S. credit bureaus provide another long-standing instance of the ecosystem data strategy. These bureaus collect small amounts of borrowing and payment information from each of a number of financial institutions. In return, they provide more complete profiles (credit scores, cluster assignments, collections of variables, and so on) of individuals' financial positions and financial stability.

It is reasonable to anticipate many more such arrangements emerging as individuals leave behind ever more digital "traces" of their daily activities.

Evolution of big data business strategies – a taxi company example

Big data 1.0 strategy

Technology for scalability: A Singapore-based taxi company, ComfortDelGro, at one point served taxi booking requests only via phone conversations with human operators. Over time, as the number of its customers grew, this booking channel became congested, presenting the need to invest in big data. The company spent over $60 million[7] to ramp up an advanced taxi booking system based on an automatic dialing system and smartphone application. At the back end is a data infrastructure that supports storage and processing of hundreds of thousands of trips,[8] 15,000 taxis, and billions of data points on real-time GPS location data.[9] This move has scaled up the company's capacity to serve 20 million taxi bookings per year.

Big data 2.0 strategies

Shaping customer behavior: ComfortDelGro had collected years' worth of data on taxi usage and the fluctuating demand for taxis through the course of the day. Responding to a persistent increase in taxi demand at certain times of days and weeks, largely produced by Singapore's population and tourism growth, the company revised its fares by applying various surcharges at different times and locations.[10] This move actually helped shape the customers' booking patterns in a way that allows the company to meet their demands more consistently.

Creation of a new product or service: A taxi company with access to real-time customer and taxi locations, and in combination with its stores of historical booking records, can technically forecast optimal routes that are not crowded during different times (at different times of day or on the weekend, for example). Based on this capability, the company can offer a new service in the form of real-time rerouting recommendations, on top of its usual taxi operations.[11] Not only can this service improve the ability of its taxi drivers to anticipate both demand and traffic, it can also be sold to any other drivers in the city.

Ecosystem view of data: A reliable traffic auto rerouting service can be made from an ecosystem view of data shared among taxi operators and national land and environment authorities. These entities have complementary data and interests in this context. While the land authority owns temporal snapshots of traffic density across the city, the taxi operator stores sparser but more detailed trajectories of traffic movement collected from its active fleets. These data, combined with real-time weather and road-flooding information from the environment authority can enable better forecasts of route congestions. This service benefits the three entities simultaneously. Reduction in citywide traffic congestion is one of the primary goals of the land authority. Less congested roads translate to higher revenues for taxis. And finally CO2 emission is reduced with less traffic jams, something that is in the interest of the environment authority.

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Blowing in

Whistleblowing, or 'Ethics' hotlines, have gained prominence in the Middle East over the last few years, although it is difficult to identify any legislation to protect 'whistleblowers' within the various Middle East government sectors. However, history provides many instances where the whistleblower, and not the alleged offender, is the one penalized and people in the Middle East are uncomfortable with the process, which allows for anonymous reporting.

the wind?

The Middle East is relatively new to the concept of anonymous reporting and there is a fear that unfounded allegations could jeopardize someone's job. The other point is that the Middle East culture historically has not included the concept of informing on someone.

The Sarbanes-Oxley Act in the U.S. and other legislation in Europe and the Far East have seen an increased use of hotlines in the business community. Under Section 301 of the Sarbanes-Oxley Act, companies trading on the U.S. stock exchange must provide a mechanism for employees to remain anonymous when reporting concerns about accounting or audit irregularities. This is at odds with legislation in certain European countries, where anonymous allegations are not sanctioned.

The Australian Standard 8004-2003 'Whistleblowing Protection Programs for Entities' is only a guideline but is increasingly being used as a basis of 'best practice' in other countries, in the absence of any other appropriate guide. That, coupled with an increased awareness of corporate governance, has also helped the increase in hotlines. Indeed, some organizations have been created solely to provide outsourced hotline services.

Regular statistics from the Association of Certified Fraud Examiners surveys identify that 'tip-offs' still provide a significant percentage of fraudulent behavior detections. However, there is a need to balance the whistleblower's requirement to maintain anonymity against the organization's need to establish whether the information provided genuinely raises allegations of inappropriate behavior.

The whistleblower also has to rely on the organization's policy of protecting a genuine whistleblower, without any backup from legislation. So can the whistleblower rely on the organization to protect him? What must the organization do to provide a whistleblower with that sort of comfort? The answers to these questions are normally found at the top of the organization. The directors and senior management are responsible for setting the culture of the organization. Therefore, the message has to go out from the top. The term 'tone from the top' is often used in corporate governance and culture rhetoric, but it holds true. If the senior players don't provide the leadership, who further down the chain is going to bother?

By providing outsourced whistleblower hotline management, organizations can send the message to their employees that the initial communication will be handled independently to ensure that the allegation is recorded and passed to the appropriate person. What occurs subsequently depends on the nature of the allegation and the organization. Although internally-operated hotlines can also work well, they are disadvantaged by the fact that all allegations are initially received by employees of the organization where the subject of the whistleblower's allegation is also employed. This has always been a point of concern.

The processes required to establish the bona fides of allegations involving junior or middle ranking staff tend to be fairly straightforward. Either internal or external investigators are normally appointed to review the matter and report on the allegations raised. Usually an appropriate senior manager will then deal with the matter after legal and HR advice.

If the allegation is against a senior manager, the situation becomes a little murkier and the issues may become confused. Unless the organization has a robust policy for dealing with such a scenario, investigations run the risk of becoming compromised by senior management involvement, or of allegations being ignored.

There is a need to balance the whistleblower's requirement to maintain anonymity against the organization's need to establish whether the information provided genuinely raises allegations of inappropriate behavior

It is really at this level that the true ethical nature of the organization becomes clear.

In reality, the use of a whistleblower hotline is another alternative to reporting issues to management and is normally only used where the whistleblower is uncomfortable in approaching their line manager or HR department. One of the major issues in dealing with whistleblowers is that the person taking the initial call is unaware of the history leading up to the contact. For example, it is possible that the whistleblower has resorted to the hotline as a final act following the unsatisfactory resolution of other avenues. As such, the whistleblower may be under extreme psychological pressure, having invested a significant amount of emotional capital in the matter.

With this in mind, from an investigative perspective it is advantageous that the initial contact should be with an experienced investigator or operator who has the ability and training to deal with stressed and anxious callers. Sometimes, if the whistleblower refuses to give their details or contact number, the call receiver may only get one chance to get all the information, although the call receiver may actually be able to convince the whistleblower that better assistance can be provided if the person identifies themselves. It is becoming more common for hotlines to be Internet- and e-mail-based. Although this makes it easier to report concerns, it removes the ability of the hotline operator to gather potentially critical additional information at the outset.

Few studies have been undertaken into the motivation of whistleblowers. Only in the U.S. is there a provision to provide whistleblowers with financial rewards following successful prosecutions. Anecdotally, the vast majority are motivated by ethical issues concerning inappropriate conduct by the subject of the whistleblowing. However, it is also possible that some whistleblowers may be motivated to make allegations with the intent to embarrass someone or for the sake of revenge.

It is only by talking at some length to whistleblowers that an understanding of their motivation may be gained. This can prove critical in understanding how the matter should proceed.

Ongoing support for the whistleblower is also important to ensure that they are comfortable with what is occurring and are not suffering any adverse treatment as a result of their actions. This fear seems to be the major reason whistleblowers initially wish to remain anonymous.

Essentially, the key to an effective whistleblower program is two-fold. The first part is dealing with the allegation, but just as important is the ongoing management of the whistleblower. Policies should ensure that any 'detrimental' action taken against the whistleblower as a result of their allegation should be treated as a serious matter and appropriate action taken.

Whilst the major focus of most whistleblower policies is on whistleblowers, processes should also be put in place to deal with the person(s) against whom the whistleblowing allegation is made.

As part of any investigation, the subject should be interviewed and provided with any evidence supporting the allegation and offered an opportunity to respond to the allegation. This is known as the duty of fairness, which underpins most legal processes. Once a determination has been made, the subject of the allegation should be advised of the finding. If the allegation is found to be unsubstantiated, any harm caused to the subject of the allegation should be remedied, including a statement of outcome from senior management if the matter had been made 'public'.

> From an investigative perspective it is advantageous that the initial contact should be with an experienced investigator or operator who has the ability and training to deal with stressed and anxious callers

The final issue, especially where no legislation exists to protect the whistleblower, still reverts to the question of trust. Can the management be trusted to respond to whistleblower allegations in an appropriate manner? The answer comes back to the issue of culture, mentioned earlier. The increasing global acceptance of the need for a whistleblower process means that the Middle East needs to adopt the process in order to comply with overseas expectations and requirements. Obviously, no one is going to use the system if they don't trust it. As with most other cultural issues the buck stops with senior management. If senior management can demonstrate that the whistleblower system is fair, transparent and has sufficient safeguards to both the complainant and the accused, the program has a lot more chance of succeeding than where it can't demonstrate them.

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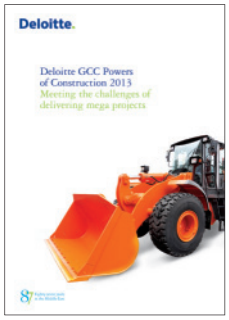

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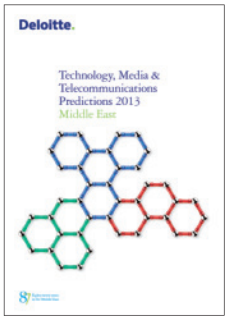

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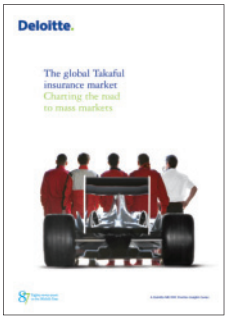

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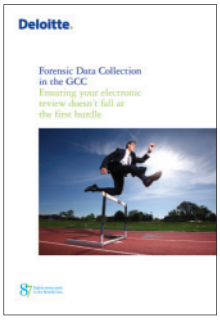

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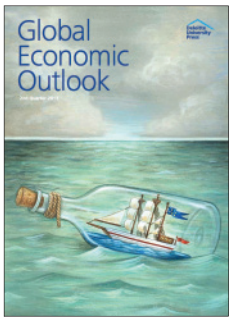

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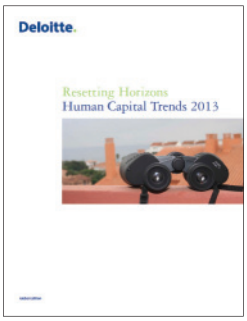

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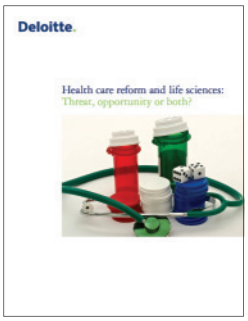

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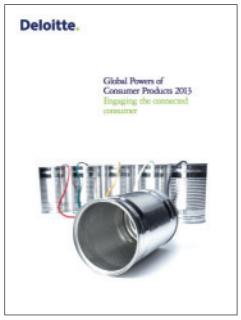

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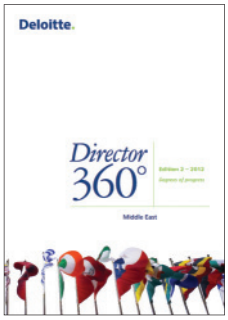

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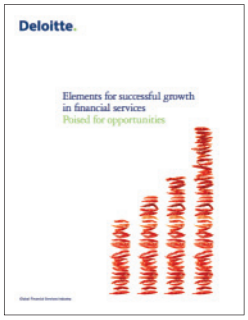

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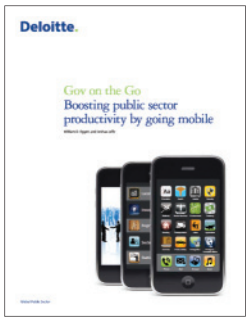

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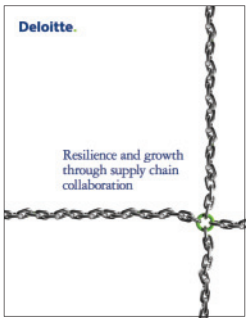

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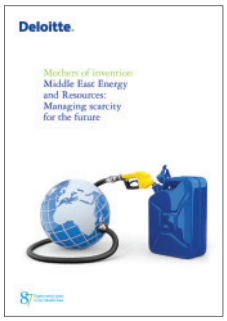

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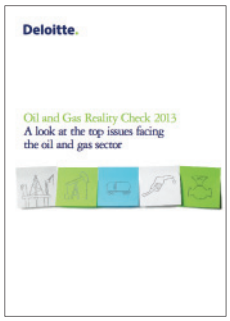

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