



## First Citizens

**Remarks by  
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for The Trinidad and Tobago Coalition of Services Industries  
Innovation Conference**

**Tuesday 8<sup>th</sup> June 2010**

- David Pensak, Fellow, George Washington University
- Prof. Miguel Carrillo, Executive Director, Arthur Lok Jack Graduate School of Business
- Dr. Bhoendradatt Tewarie, PVC Planning and Development UWI
- Dr. Jose Saavedra, IDB (I)
- Representatives of the Ministry of Trade & Industry, Arthur Lok Jack & First Citizens
- Ladies and Gentlemen
- Members of the Media

Good Morning Ladies and Gentlemen

I am both honored and flattered to speak today at The Trinidad and Tobago Coalition of Services Industries Innovation Conference workshop on the topic of leadership and innovation, a Caribbean perspective.

In a world of increased competition, intensified customer demands and shifting employee demographics, the combination of effective leadership as well the culture of innovation are now more important than ever before.

Leaders instill in their people the hope for success and a belief in themselves. Positive leaders empower people to accomplish their goals.

It is my view that leadership and innovation are the most critical factors for success and growth in this globalized

environment. In their book, the *Innovators Solution*, Christensen and Raynor says that at best only one company in ten (10) is able to sustain consistent growth, yet capital markets demand that all companies seek it relentlessly and mercilessly punish those who fail. There is powerful evidence that once a company's core business has failed, the pursuit of new platforms for growth entails daunting risks. Too often the very attempt to grow causes the entire corporation to crash.

AT & T, for example, first tried to build its own computer division as a result of a shared view in the world at that time, that computer systems and telephone networks were going to converge. This attempt at building their own computer division resulted in annual losses to the company of US\$200mn. The company then switched its strategy in

1991 and acquired NCR, for US\$7.4bn, which at the time was the world's fifth largest computer maker. AT&T lost another US\$2bn trying to make the acquisition work and finally abandoned this growth vision in 1995, selling NCR for US\$3.4bn, about one-third of what it had invested in the company. While AT&T did not collapse, the cost was certainly significant.

There are many more examples like this where companies growth strategies have stalled. What is even more frightening is that some research has shown that if you fail once to deliver growth, the odds that you ever will be able to deliver in the future are very low. This is the conclusion of a study that the Corporate Strategy Board published in 1998. It examined the 172 companies that had spent time on Fortunes list of the 50 largest companies between 1955

and 1995. 95% reached the point at which their growth simply stalled to rates at or below the rate of growth of GNP. Of these companies whose growth had stalled, only 4% were able to successfully reignite their growth even to a rate of 1% above GNP growth. Once growth had stalled, in other words, it proved nearly impossible to restart it.

Why is achieving and sustaining growth so hard? One popular answer is to blame managers for failing to generate new growth – implying that more capable and insightful managers would have been able to identify the innovations that would have spurred new growth. The 2nd common explanation is that managers become risk adverse; a third is that creating new growth business is simply unpredictable. All of these explanations have been shown to really have only a small element of truth and are

certainly questionable. Only infrequently does an idea for a new growth business emerge fully formed from an innovative employee's head.

As Christensen and Raynor says, everyone faces forces that are similar in their mechanism of action, their time and their impact on the character of the product and business plan that the company ultimately attempts to implement. Understanding and managing these forces can make innovation more predictable.

In the Caribbean we have had a number of successful companies which have been able to create their success through innovation. I shall use two examples that I know in some detail. The first is First Citizens, the other is SM Jaleel. At First Citizens we defined our Mission several

*years ago as “to build a highly profitable financial services franchise renowned for innovativeness, service excellence and sound corporate governance.”*

Over the past 14 years First Citizens has shown double digit growth in profit after tax in each year without fail – the only company with such a track record in the Region.

The Company has emerged from being the weakest financial institution in Trinidad and Tobago in 1993 to being the best rated indigenous financial institution in the Caribbean by both Standard and Poor’s and Moody’s over the last five years. It was named Bank of the Year in Trinidad and Tobago by three international institutions in 2009; the only local bank to have achieved this recognition from all three institutions at the same time. It is the only

bank to issue medium term debt on the international financial markets, with investors in Italy, the UK, the USA, Canada and the Caribbean, buying and trading our paper.

The focus at First Citizens has been to continue to identify innovative ways to serve customers. As a consequence, it was the first bank to introduce *real time on line processing* for all its core banking operations. It was the first bank to introduce Internet Banking in Trinidad and Tobago, a decade ago and last week we became the first bank to introduce mobile banking in Trinidad and Tobago.

Whether we are speaking about leadership or innovation, our focus is to achieve sustainable change however large or small, revolutionary or routine. If you are a leader or aspire

to be, you must understand and develop the discovery patterns that drive innovation forward within your organization.

Another example of innovation leading to consistent and increasing success has been SM Jaleel & Company Limited. The company is one of the largest manufacturers in the Caribbean and has one of the largest export bases of any local manufacturer outside of the energy industry. The Company exports its products to 60 countries worldwide through the combination of direct export sales, overseas manufacturing and franchising. It has manufacturing operations in countries as diverse as India and Saudi Arabia. In looking at the innovation history of SM Jaleel you can identify three inflection points for the Company.

The first was the introduction of *Chubby*, a little over ten years ago, which changed the brand image and opened new markets for the Company. The second was the introduction of juices in PET bottles and the pioneering use of aluminium cans and liquid nitrogen technology to package juices without the use of preservatives, and the third was its innovative use of franchising to widen its export markets. This latest innovation will see the Company establishing a firm foothold in South Africa later this year, and attempt, through this foothold, to encompass the entire African continent within the next decade.

The examples of these two companies show us how an insightful understanding of customer requirements and the ability to exploit new market opportunities or access new

technologies facilitate the growth of business. It also shows that even small island companies can introduce disruptive innovation to seize market share ahead of more mature competitors. In both cases, each company had to compete with well established brands which had international parentage.

Christensen and Raynor identifies four critical components which are needed for innovation, which I believe we at First Citizens and SM Jaleel understand intuitively:

1. The innovative process in companies needs to operate rhythmically and by policy. This ensures that new business get launched while the corporation is still growing robustly.

2. The CEO or another senior executive who has the confidence and authority to lead from the top, when necessary, must lead the effort.
3. The Company must establish a small corporate level group whose members develop a practical, reportable system for shaping ideas into disruptive business plans that are funded and launched.
4. It must include a system for training and retraining people throughout the organization to identify disruptive opportunities. The process of innovation is one that requires deep insight, thought and leadership.

Hopefully, in years to come, the practice of innovation will become an integral part of organizations' development and work performance, and this in turn will contribute to

greater successes and increased earnings potential and growth for both the company and the country as a whole.

I thank you.