

One of Kuwait's leading business newspapers - Al Qabas – recently interviewed Mr Faisal Al Ayyar, KIPCO's Vice Chairman. This is an edited version of that interview.

Al Ayyar: tough decisions and the art of good management

The successful financial entrepreneur, Faisal Al Ayyar, is Vice Chairman of KIPCO Group. KIPCO is perhaps the only investment company in Kuwait to not only survive the financial crisis, but to grow through local and regional expansion. KIPCO has achieved this at a time when other big players in the investment sector are struggling.

We asked Mr Al Ayyar for his views on the current financial situation and the prospects for KIPCO and its companies.

How long do you think the financial crisis will continue in Kuwait?

I believe that there is no financial crisis in Kuwait - only stagnation in some sectors. This is because parts of the economy are paralyzed due to a lack of progress in the implementation of the Government's development plan. Although the plan has stalled, some business sectors - such as retail - are doing well because of the increase in government worker salaries. If the Kuwaiti government had the confidence to take the right decisions and not worry about making mistakes, we would be in a much better situation.

At the start of the year, you were very optimistic about your business strategy. Are you still optimistic given the discouraging market conditions?

Our strategy for 2012 was to repay KD 170 million in loans by the end of the year and to reduce spending by 16 to 17%. By early August we had achieved 80% of this strategy. We also pledged to maintain the performance of our core companies and we're doing this. I'm still optimistic about 2012, but we have to work hard to achieve our objectives.

When do you expect to get official approval for Burgan Bank's acquisition of Eurobank Tekfen in Turkey?

All the necessary documents are with the authorities and we hope to get approval for the acquisition soon. We hope to complete the deal before the end of the third quarter this year.

KIPCO will be a newcomer in Turkey. How are you going to deal with this?

We don't view Turkey as a new market, because it has so many economic, cultural and commercial similarities and relationships with the Arab world. Turkey has a vibrant economy and is becoming a very strong regional power. It makes perfect sense to be there.

You recently delisted UGB from the Kuwait Stock Exchange and said it would become an Islamic bank. Is this still the plan?

Yes it is. The Central Bank of Bahrain has granted UGB a license to set up an Islamic bank and it will try to develop this opportunity over the next few months.

When will your Takaful company begin in Bahrain?

Our team is in place and they will launch their first product in the final quarter of this year. The market is a difficult one to penetrate and will take at least five years before we begin to see profit.

What are the prospects for OSN?

In the past three years, OSN has achieved a remarkable 30% growth in profit and revenues. As a result, many international institutions are knocking at our door asking us to sell part of the company. In many ways, OSN is a model company because its technology is very advanced and it is focused on serving its customer base. We had to invest a lot of money in the company to begin with, but today, OSN is worth three times what we spent.

KIPCO has been in Algeria for many years. What's new there?

We are very active in the Algerian market. We plan to increase Gulf Bank Algeria's branch network to 40 branches by the end of this year and we have approval for a new insurance company there. We also hope to partner with a specialized international company to form a new leasing company in the country. We are also about to start an investment fund with the Algerian government.

The Arab Spring has badly affected many other companies, but not KIPCO. Why is this?

The impact of the Arab Spring on our Group has been small and this is a miracle given that we are focused on the Arab world. For example, in Egypt, you might have expected our insurance companies to

have suffered from the damage caused by the protests and unrest. However, their profits continue to grow because our companies there are well-managed, solid operations.

People say you saw the financial crisis coming. Is this correct?

There is much talk about KIPCO surviving the crisis and being hit the least. I remember that when we sensed the crisis coming, we held an emergency Group meeting and took some very tough decisions. The art of good management is to foresee the worst, act quickly and constantly review the situation. That's exactly what we did.

What are the prospects for next three years?

If we look at the US, Europe and China, all economic indicators show that the next three years will be very harsh. But on the other hand, the Gulf region is the safest today. The political situation may not be good, but from an economic and financial perspective, the Gulf region is the safest in the world.

The global financial system faces new scandals every day. What's your view on this?

What is happening today is more of a moral, rather than financial or economic crisis. When we hear that Libor rates – which are the basis for financial transactions – have been manipulated, it means corruption runs deep. If there is an ugly face to capitalism, then what is happening in the international financial system is an example of this. There seems to be no values, no limits and no restrictions.

KIPCO has shuffled its management team recently. Why did you do this?

The shuffling of leaders in KIPCO is a healthy and necessary part of our strategy. We make leaders and then give them opportunities to use their skills. For example, Sadoun Ali was recently appointed as head of Qurain because his financial background in the oil industry will help the company manage its investments and finances. We have a history of developing careers and if you look at people like Tariq Abdulsalam and see how he's progressed up the KIPCO management ladder to become one of the main players in our Group today, I think our record speaks for itself.

The Al Qabas interview with Mr Al Ayyar was published on 5 August, 2012.