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STI Policy in Transition Countries Examples in the Middle East

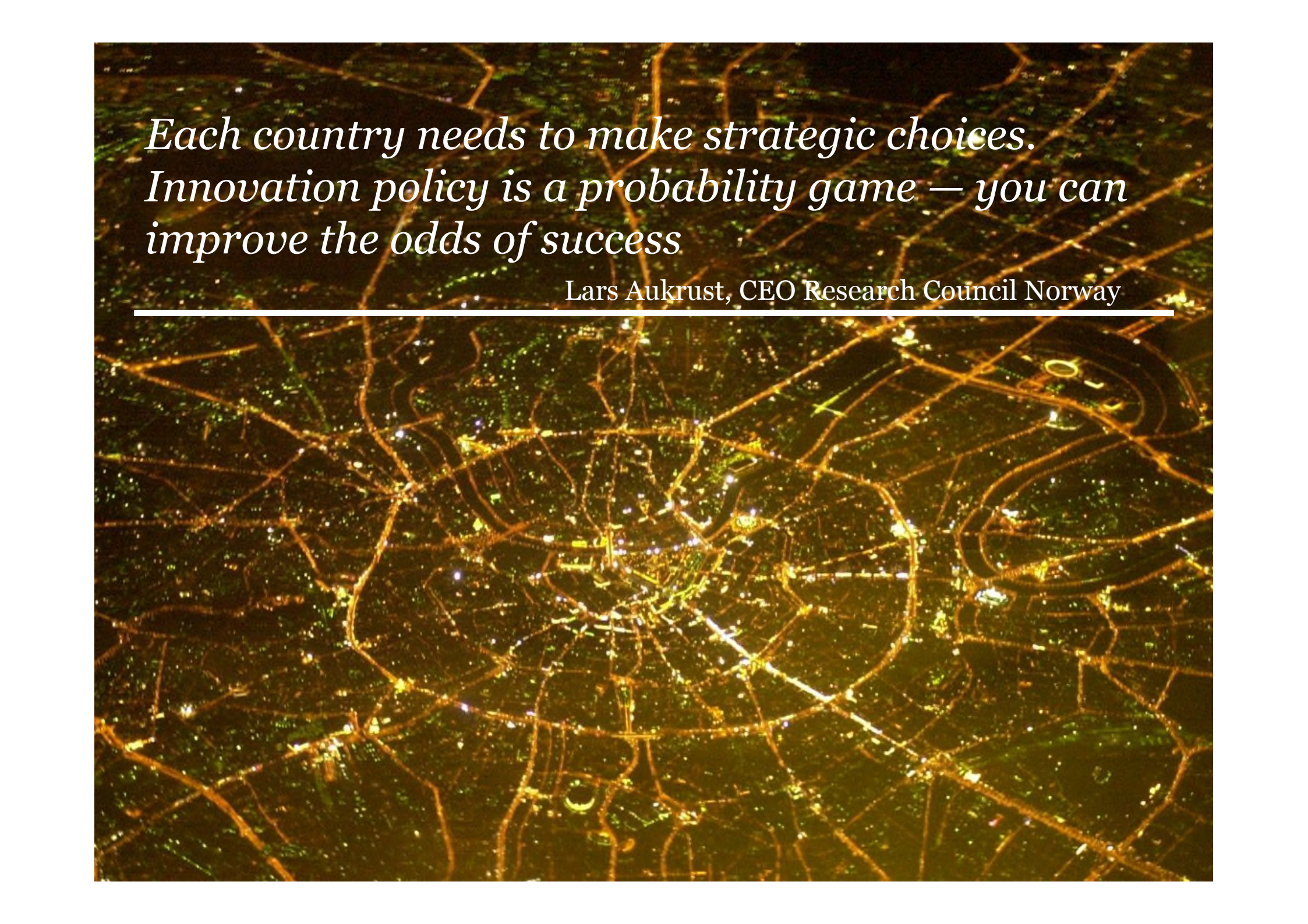
HSE Moscow, September 20, 2011

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This document provides an outline of a presentation and is incomplete without the accompanying oral commentary and discussion.

COMPANY CONFIDENTIAL

An aerial night photograph of a city, showing a dense network of roads illuminated by streetlights, creating a complex, glowing web of light against the dark background of the city and surrounding areas. The lights are primarily yellow and orange, with some blue and green accents.

*Each country needs to make strategic choices.
Innovation policy is a probability game — you can
improve the odds of success*

Lars Aukrust, CEO Research Council Norway

Prosperity



Productivity
(Competitiveness)



Innovation

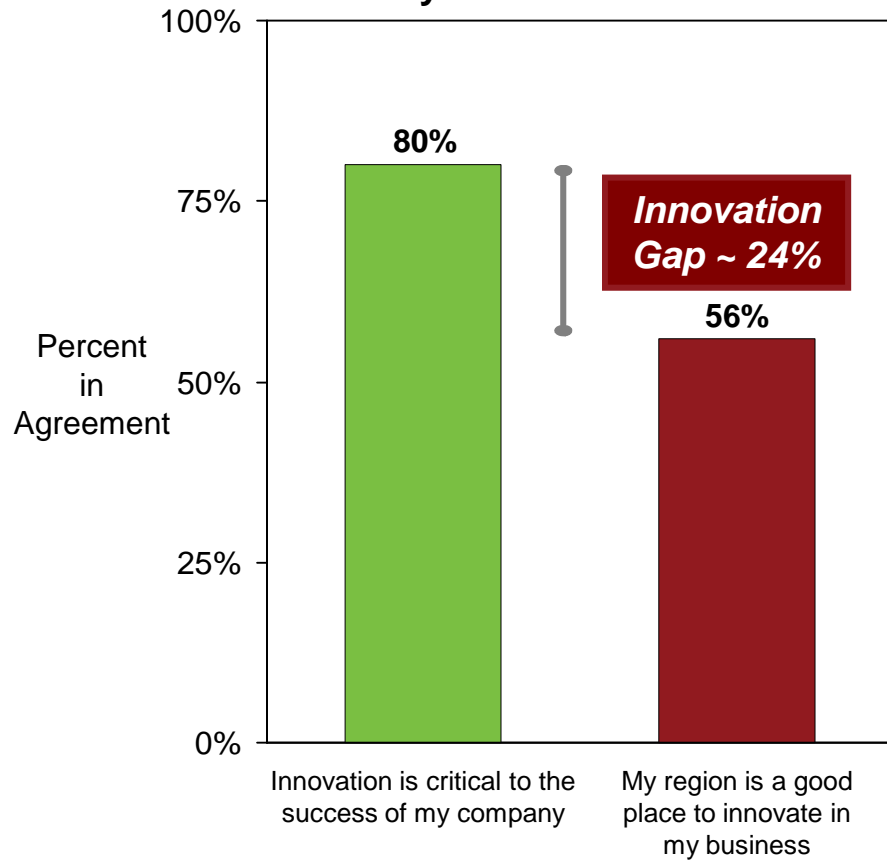
- A high and rising **standard of living** is the proper objective of economic development efforts

- For wages and profits to grow, workers and their firms must **create more value** year after year
- They must boost productivity, or competitiveness

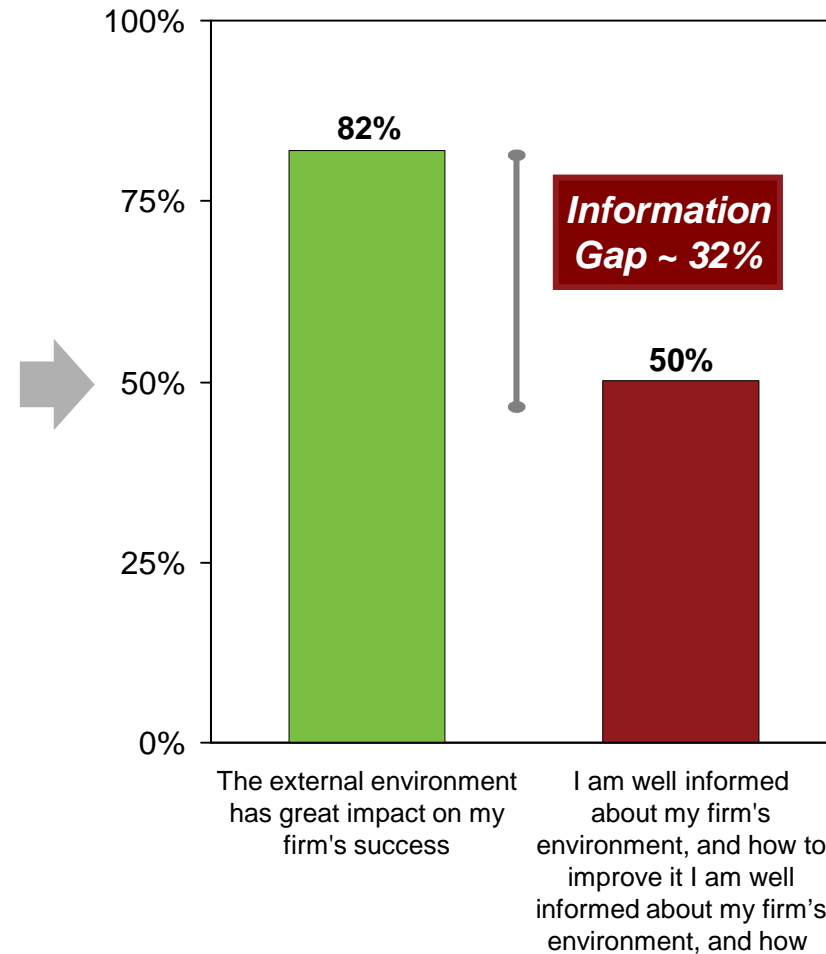
- Productivity will not grow if firms keep making the same goods and services using the same methods and processes
- They must do something **new and better**
- They must **innovate**

Most Executives are NOT Satisfied with their STI Environment

Does the external environment meet your innovation needs?

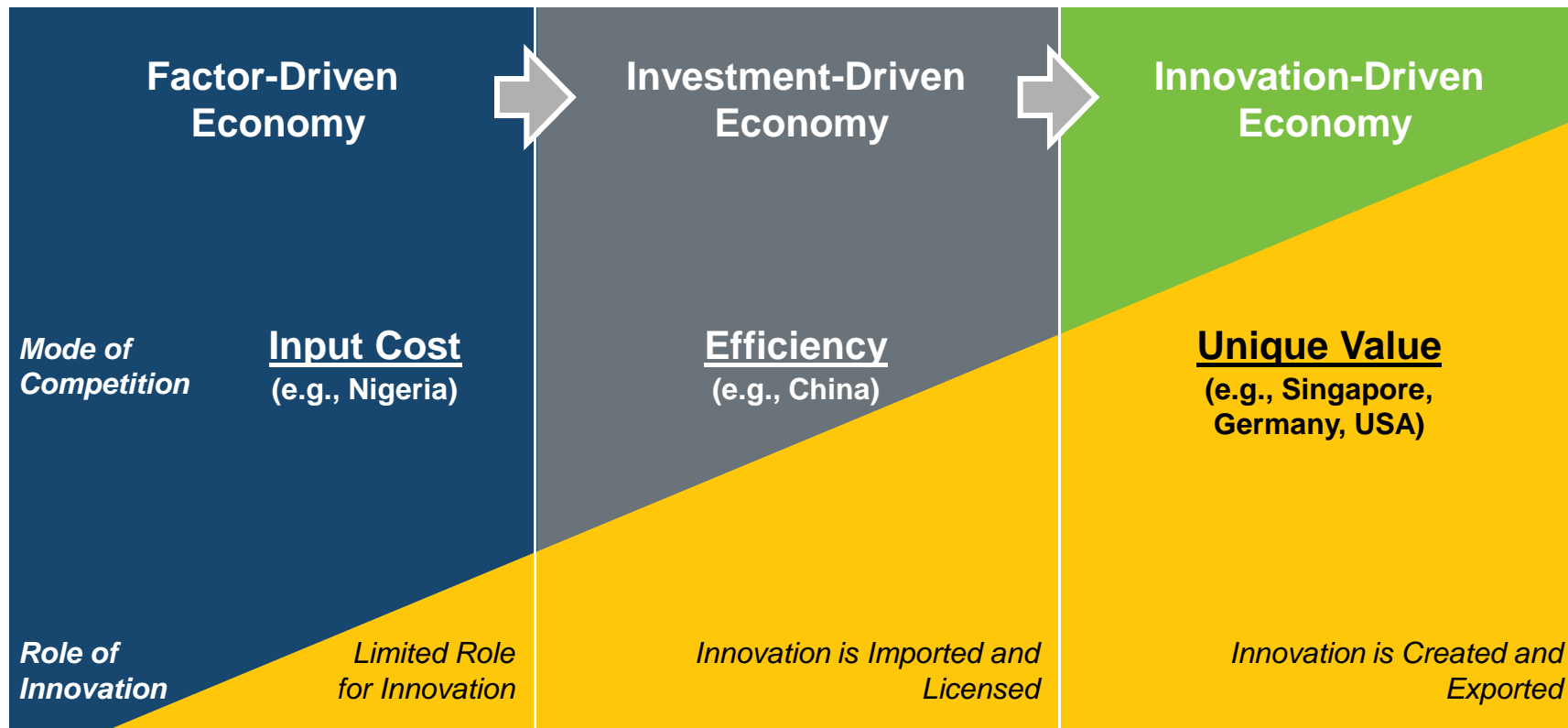


Are you well informed about how to improve your external environment?



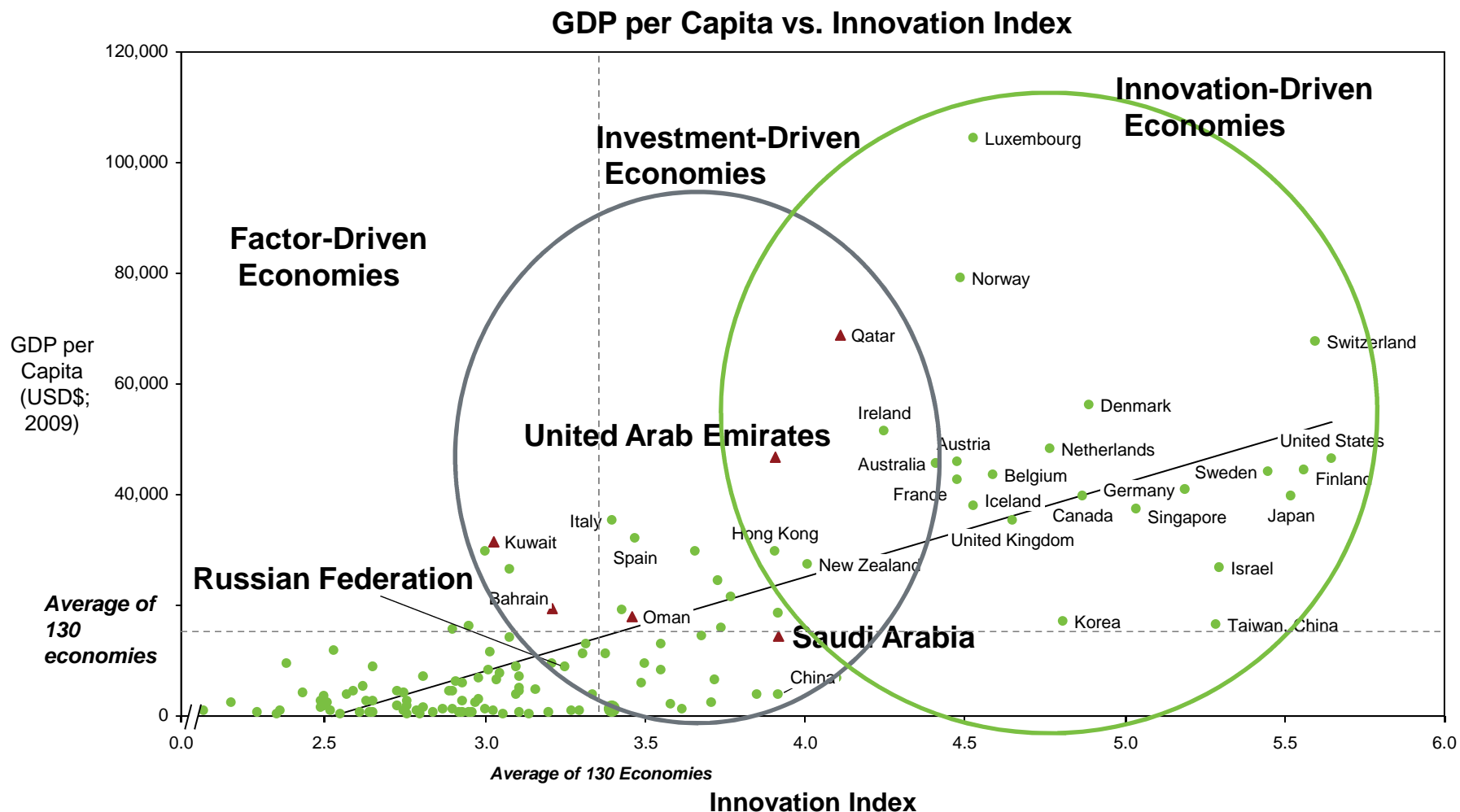
Note: n > 800 for all questions
Source: Monitor's Executive Insight Survey

Be Aware of Stages of Economic Development



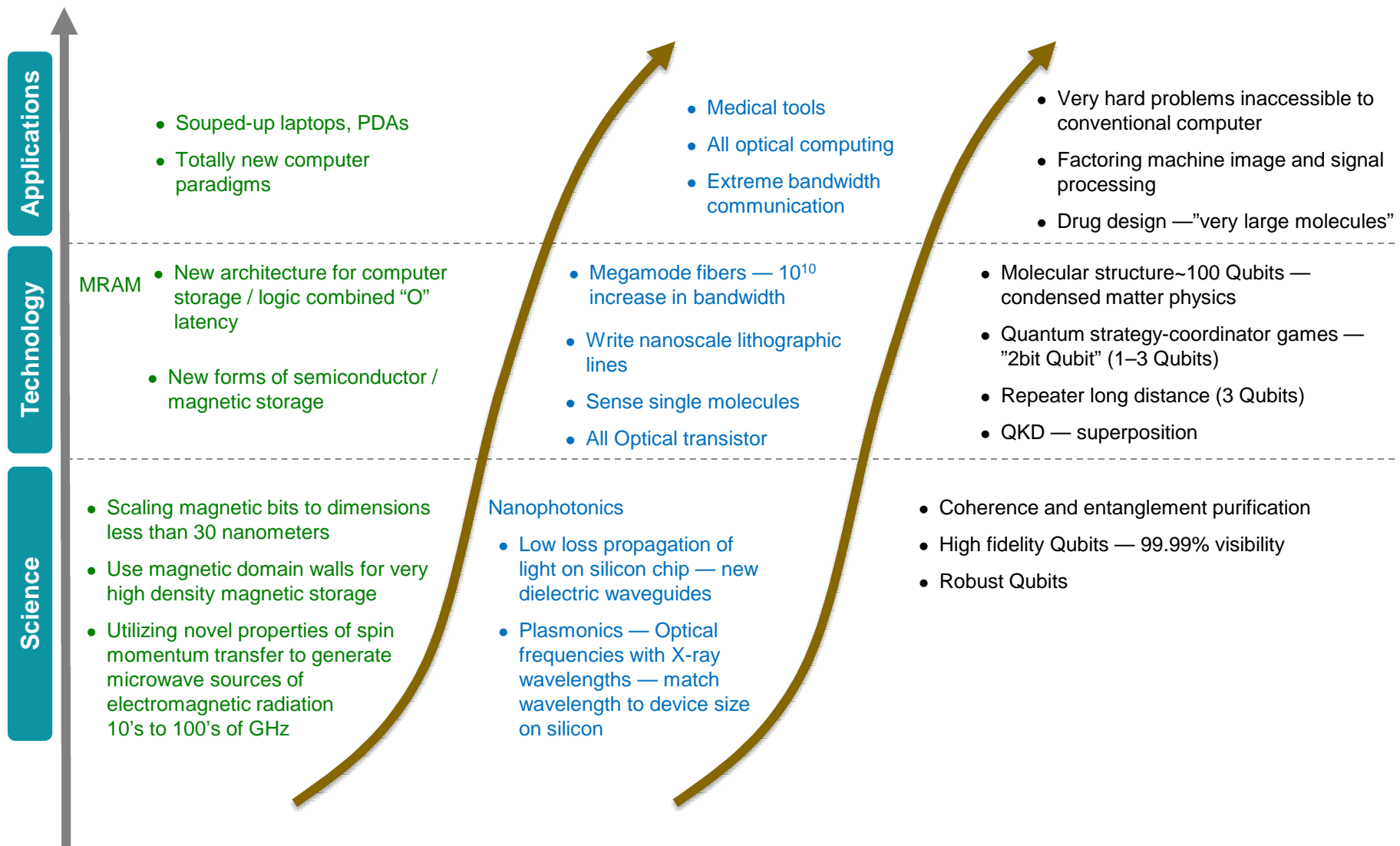
Transition Countries aim towards an innovation-driven economy

Russia Lags Behind on Innovation and Prosperity



Source: World Economic Forum, Global Competitiveness Index 2010, IMF 2009, Monitor Analysis

Drive Progress from Science to Application



Source: Monitor Analysis


Think Broader than Product and Technology

1. Business model 
how the enterprise makes money

2. Networking
enterprise's structure /
value chain



5. Product performance 
basic features, performance and functionality

6. Product system 
extended system that surrounds an offering

7. Service 
how you serve your customers


Finance		Process		Offering			Delivery		
Business model	Networking	Enabling process	Core process	Product performance	Product system	Service	Channel	Brand	Customer experience

3. Enabling process
assembled capabilities


4. Core process
proprietary processes that add value



8. Channel
how you connect
your offerings to
your customers

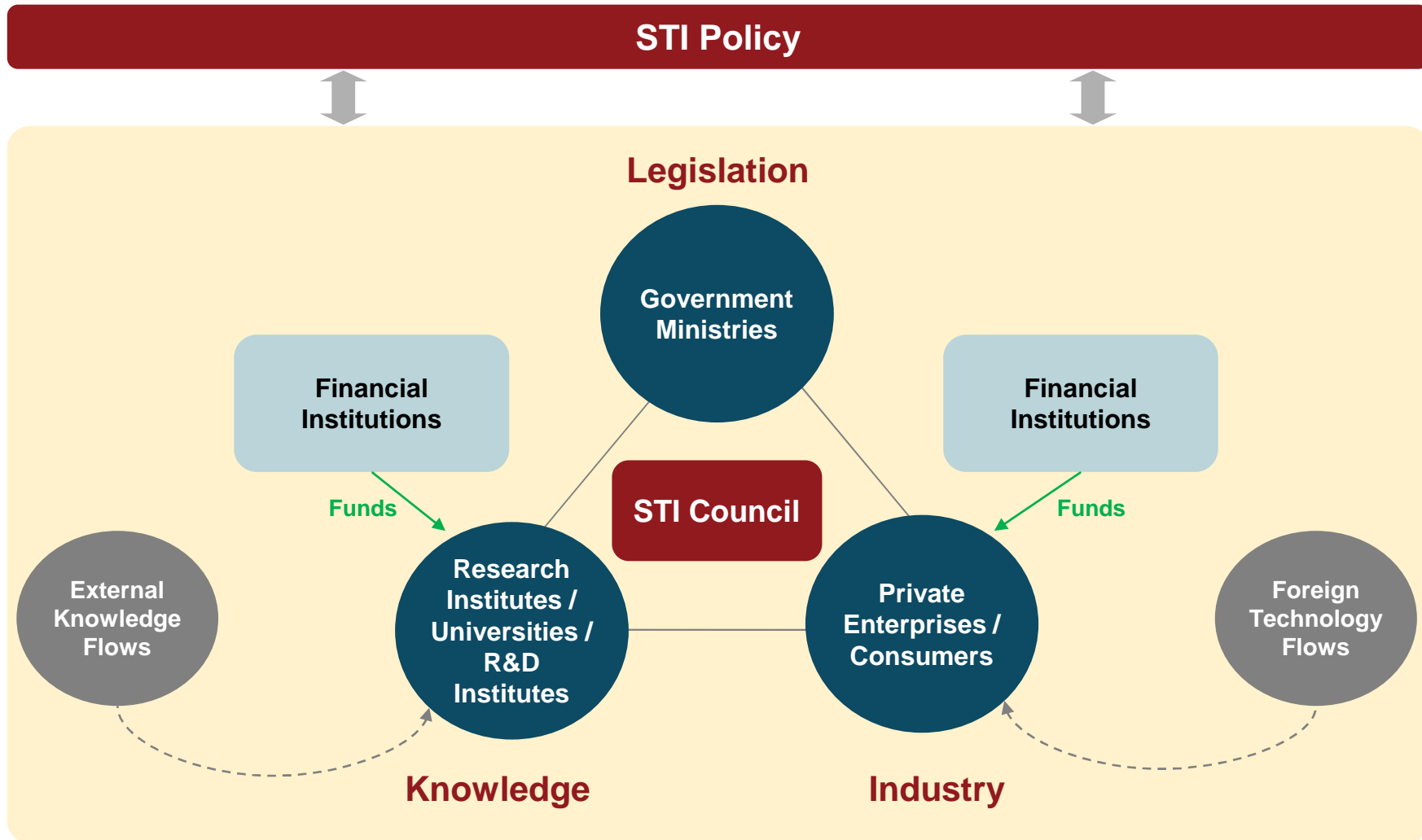
 **Brand**
how you express
your offerings
benefit to
customers

10. Customer experience
how you create an overall
experience for customers



Note: The Ten Types of Innovation™

Ensure Alignment within the Entire STI Ecosystem



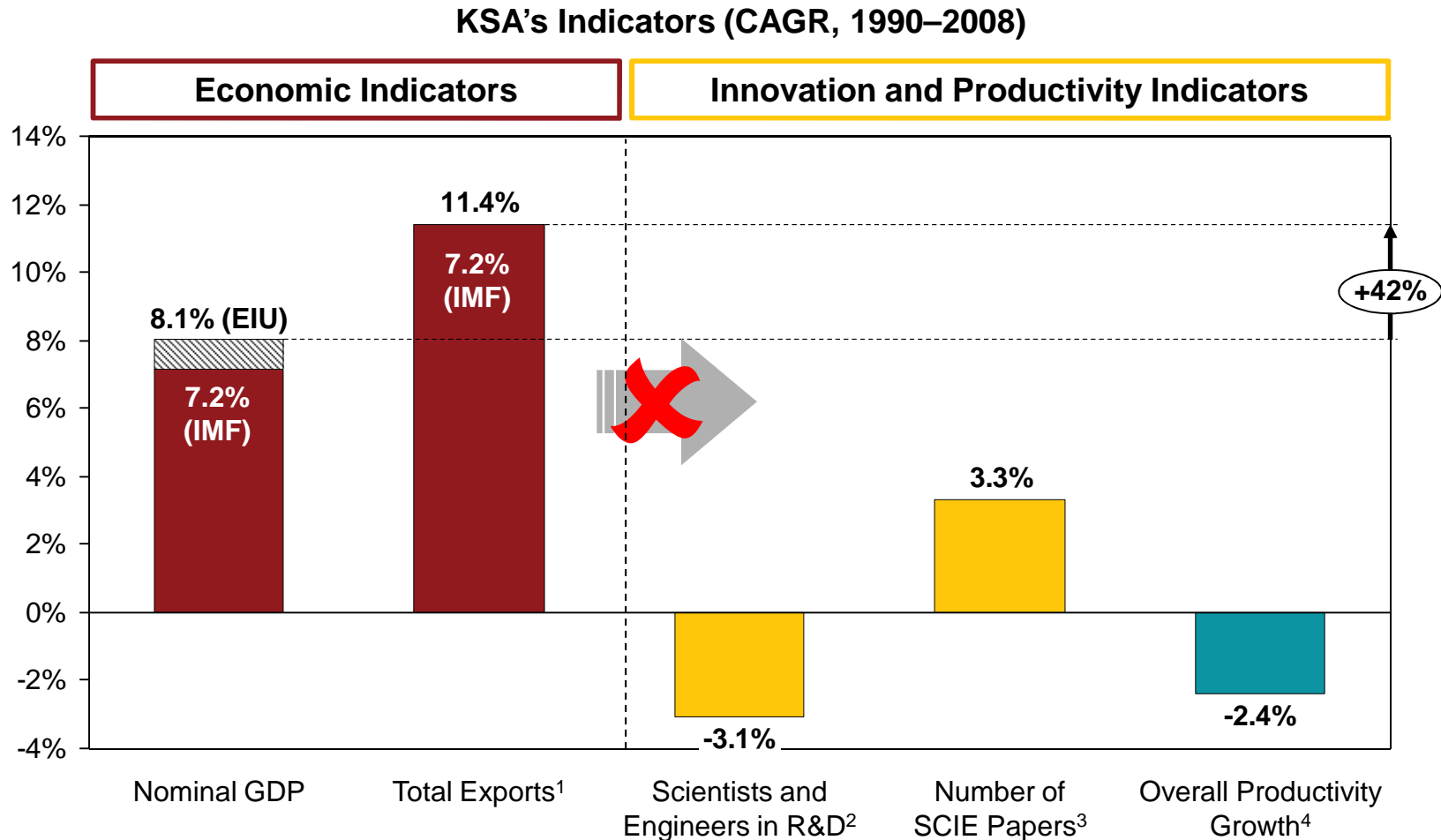
Factors for Successful STI Environment in Moscow

Proven Success Factors	Global Examples	In Moscow in 2011
1 Develop a clear long-term innovation vision	Australia, Finland	
2 Focus city innovation efforts on a limited set of high-potential industries / clusters	Singapore, Slovenia	
3 Support innovative organizations through financing, capability building (education), encouraging R&D, linking businesses with R&D organizations, and access to markets	Singapore	
4 Develop strong infrastructure for innovation and education, and use it as a platform to create knowledge economy	Singapore, Austria	
5 Encourage and support commercialization of innovation research by universities	Singapore, Brazil	
6 Invest into innovation with long lifecycle through focusing on future demand	Singapore, Japan	
7 Adapt and introduce legislation to protect and encourage innovation	Brazil, South Africa	

● Present ○ Not Present

Source: Monitor analysis

Challenge in Saudi Arabia: How to Ensure Sustainable Growth?



¹ Partially explained by increase in oil prices; ² CAGR for 'number of scientists and engineers in R&D' is for the period 1994–2000;

³ Scientific publications selected under Science Citation Index; ⁴ Productivity growth from ILO (1980–2005), Monitor Analysis

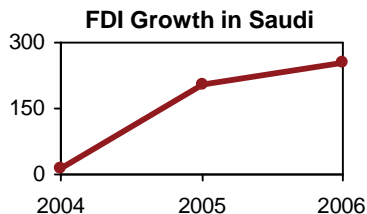
Example Kingdom of Saudi Arabia

Major Questions on Economic and Social Development

Saudi Globalization

Description

Fostered by WTO, Saudi economy is rapidly becoming globally integrated



Saudi Arabia in the WTO

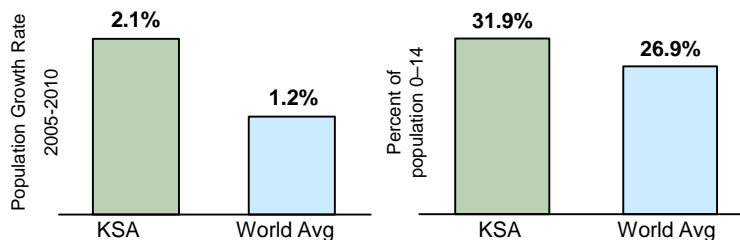


Opportunity or Threat

- Increase competitiveness of main industry sectors, making them global
- Key local industries are replaced by foreign players and / or imports

Young Population Boom

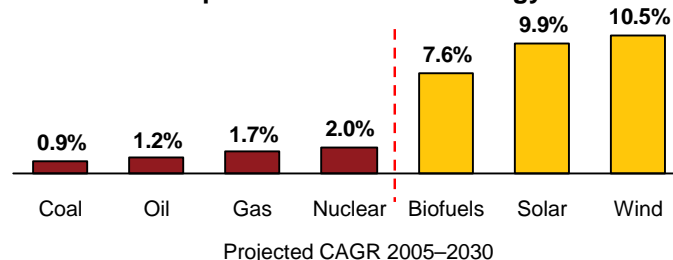
Saudi Arabia has a young and rapidly growing population demanding education and jobs



- Improve skills to use young population as a strong work and knowledge base
- Growing population is not productive and generates social problems

Next Generation Energy

Oil revenue may not be sustainable due to depletion of oil reserves or proliferation of new energy sources

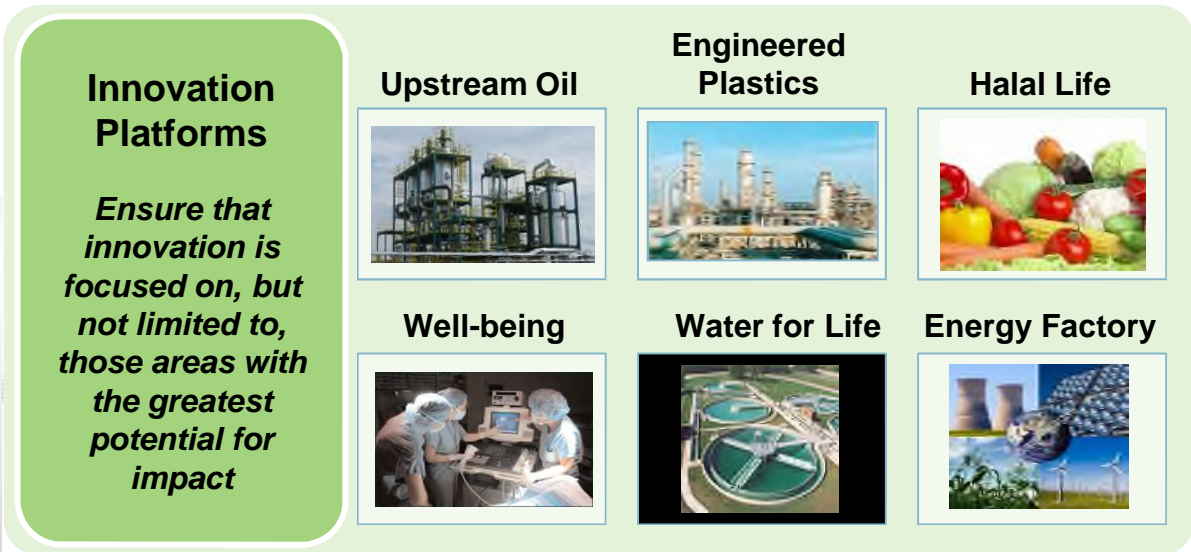


- Develop a new knowledge-based KSA, leveraging new sources of energy
- Main source of wealth of the country is significantly reduced without replacement

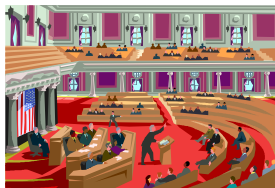
Source: Monitor Analysis

Example Kingdom of Saudi Arabia

Solution: National Industrial Strategy to Drive STI



Governing Institutions



Ensure that governing institutions are in place to coordinate and manage the various innovative activities in KSA

Funding Mechanisms and Support



Provide innovators with the capital, and the business, technical and networking support necessary to succeed

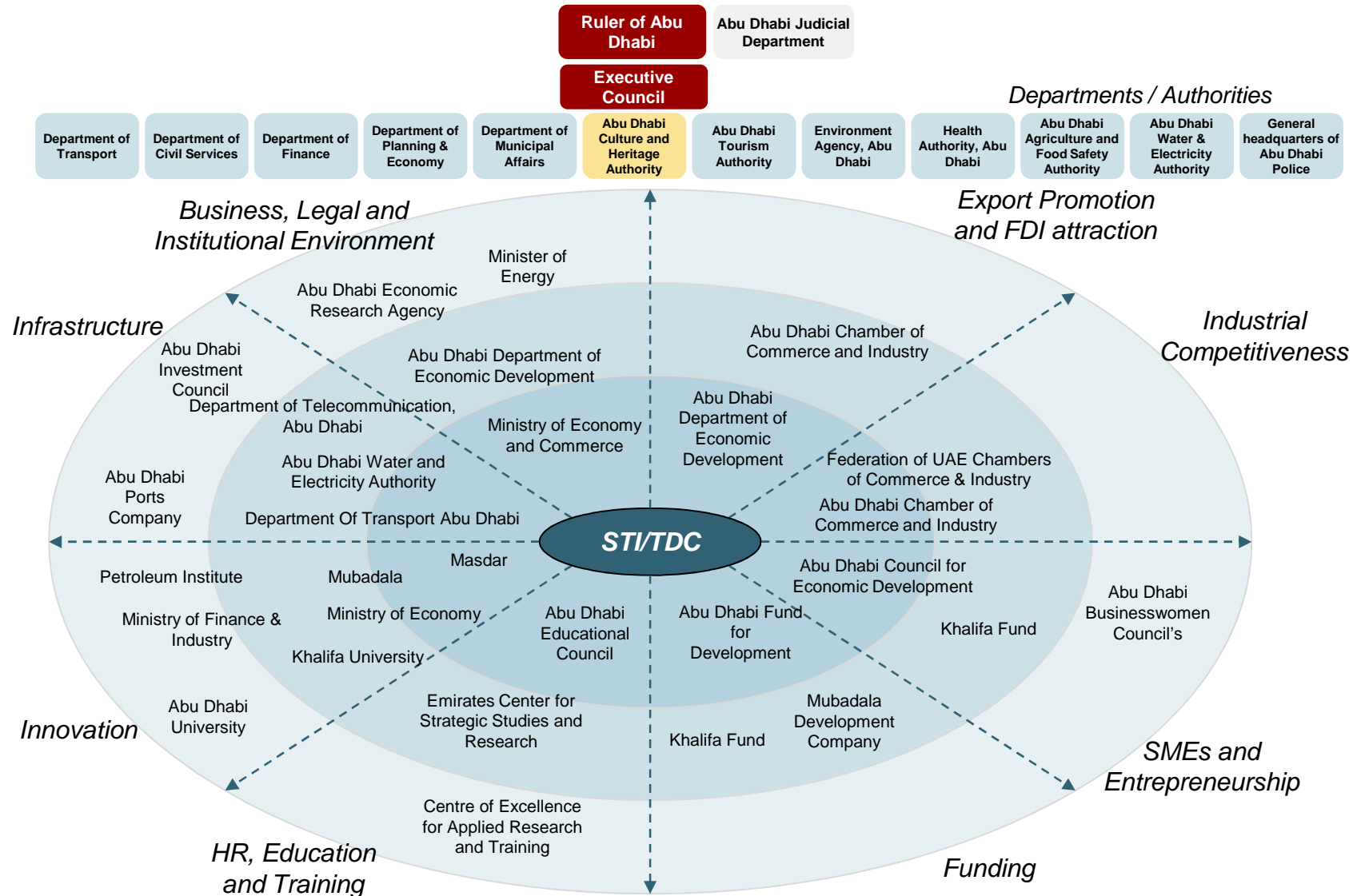
Programs to Promote Innovation Culture



Promote interest in, and awareness of, the benefits of entrepreneurship and innovation across all segments of Saudi Arabia

Source: Saudi Arabia Ministry of Commerce Webpage

Vibrant STI Landscape in Abu Dhabi



Source: Monitor Analysis

Example UAE / Abu Dhabi

Private Sector is Aware of Key Challenges

Competitiveness Issues as Identified by Abu Dhabi Private Companies

Main Issues

- 1 Administrative Barriers
- 2 Work Force Supply Constraints
- 3 Capital Market Fragility

Secondary Issues

- 9 Lack of Institutions for Collaboration
- 4 Weak Innovation Infrastructure
- 5 Underdeveloped Private Sector
- 6 Lack of Private Sector Sophistication
- 10 Lack of Level Playing Field
- 11 Government Effectiveness

Other Issues

- A Lack of Company Legal Framework
- B Direct Competition from Government Companies

Quotes from Private Companies

*“We see many companies wanting to invest in Abu Dhabi but are put off by the **difficulties of obtaining necessary approvals** in a reasonable time period.”*

*“**The lack of people [from educational and training institutions as well as workers with prior on-the — job experience] leads to increase in cost.** Also, the low quality of scientific research causes a drop in experienced people, and we need to offset that by importing them from outside.”*

*“[There are] Issues **with lack of transparency and perceived direct competition from government related companies** getting involved in typically private sector business (property development, property leasing, car leasing, logistics, etc.)”*

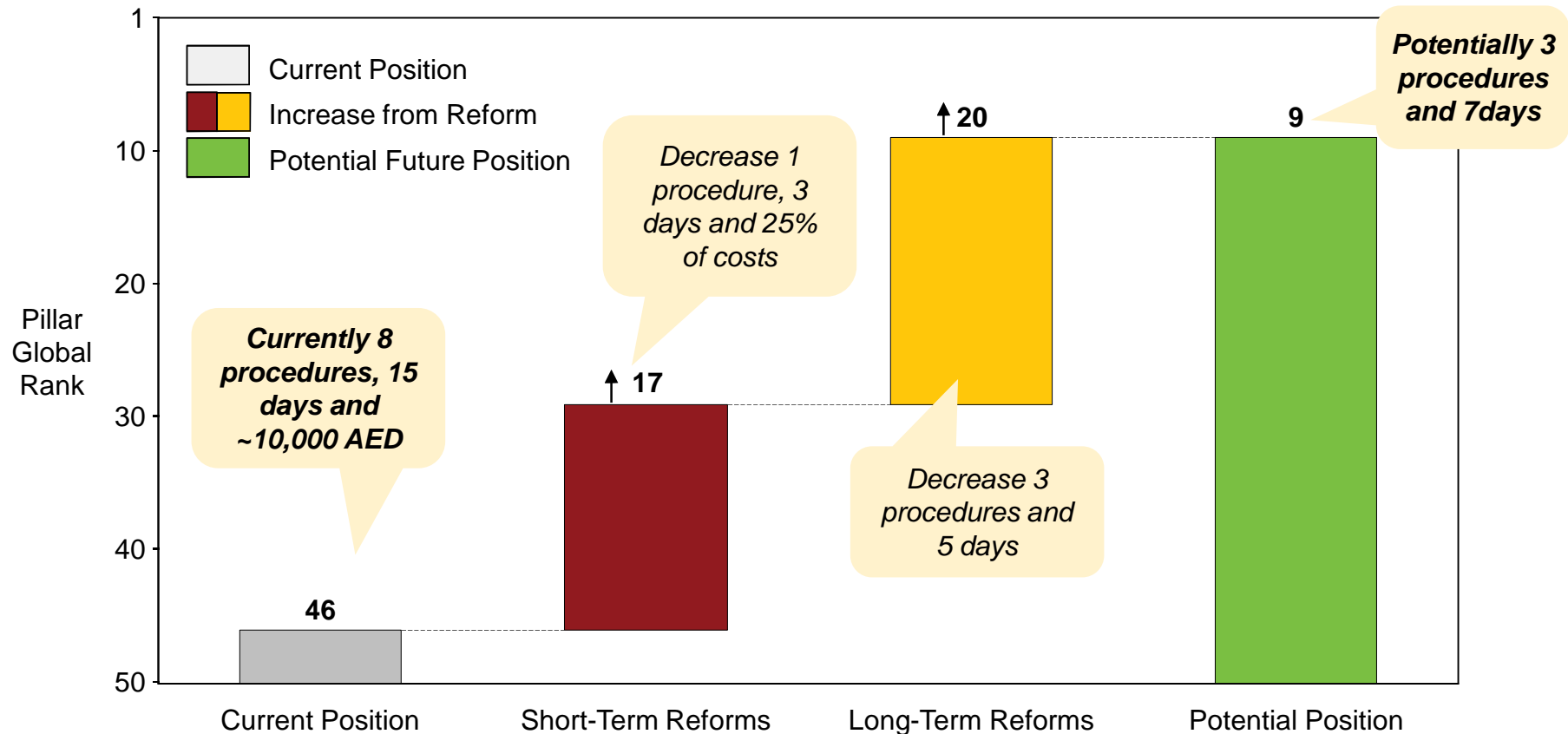
*“More influence of central bank on banks. Besides the rules in general, **[banks should be] litigated in advance in order to avoid crisis**, regulate sectors, balance competition, and quality of business.”*

Source: Abu Dhabi Department of Development Webpage

First Solutions are Identified — Results can be Measured

Potential 'Starting a Business' Ranking Increase from Reforms

Illustrative



Note: Current data available only for UAE; Abu Dhabi specific analysis will be possible shortly. For the UAE, *Doing Business* studies business procedures in Dubai, therefore any changes would have to take place in that Emirate to be recognized

Source: Doing Business Report 2011, Monitor Analysis

Examples

Initial Positive Impact is Already Visible

Abu Dhabi



Successfully developed a Performance Management Framework



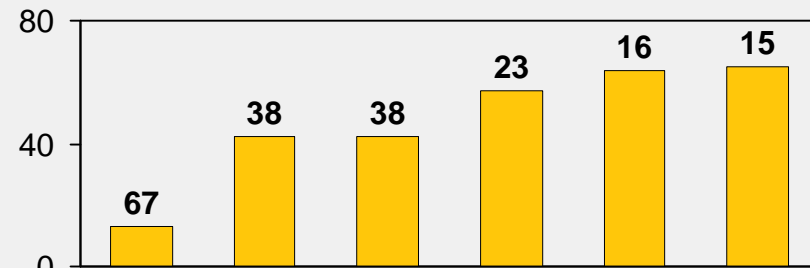
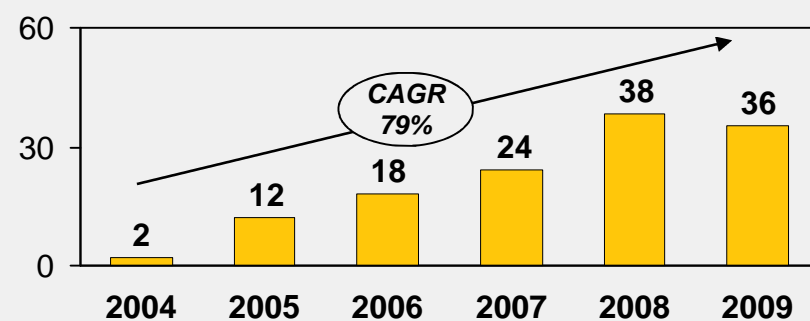
نتقدم باسمى آبات التهناني والتبريكات إلى صاحب السمو الشيخ
خليفة بن زايد آل نهيان
 رئيس الدولة «حفظه الله»
 و الفريق أول سمو الشيخ
محمد بن زايد آل نهيان
 ولي عهد أبوظبي نائب القائد الأعلى للقوات المسلحة
 رئيس المجلس التنفيذي لإمارة أبوظبي «رعاه الله»
 كما نهنئ كافة الجهات الحكومية
 بمناسبة حصول حكومة أبوظبي على
 جائزة الصفاة في بطاقة الأداء المتوازن لتنفيذ
 الاستراتيجيات وإدارة الأداء
 (أول تطبيق شامل على المستوى الحكومي)

Saudi Arabia



Initiated Business Reform to increase Rankings and Foreign Direct Investment

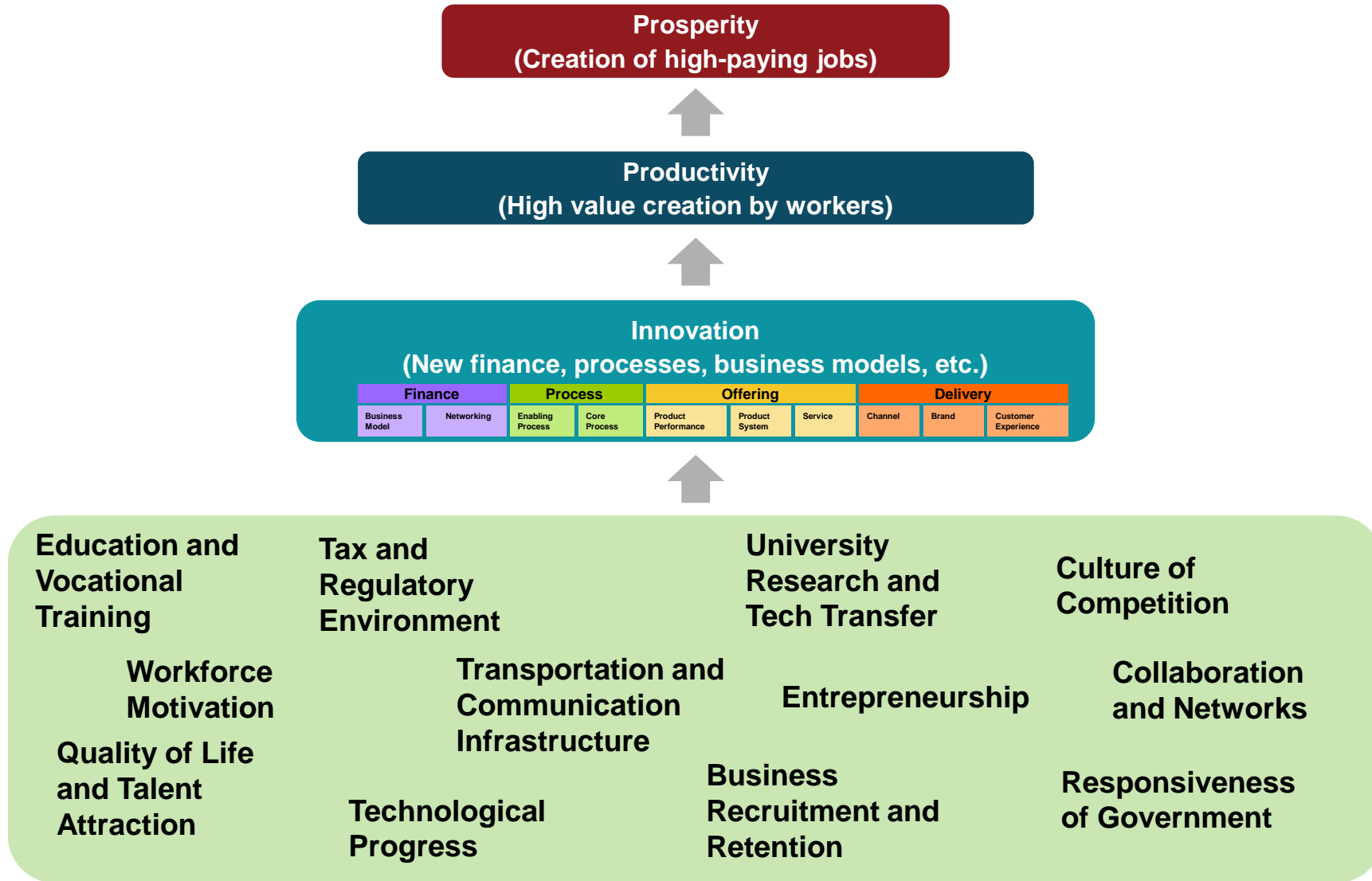
Ease of Doing Business Rank

FDI inflows into Saudi Arabia¹

Note: ¹Due to the financial crisis in 2008 FDI inflows declined by 7%, but declined less than in other countries (e.g., FDI in US declined ~60%)

Conclusion

Long Way to Prosperity — But the Ingredients are Clear



Monitor's Contact Information

If you require additional information or have any questions, we will be glad to answer you:

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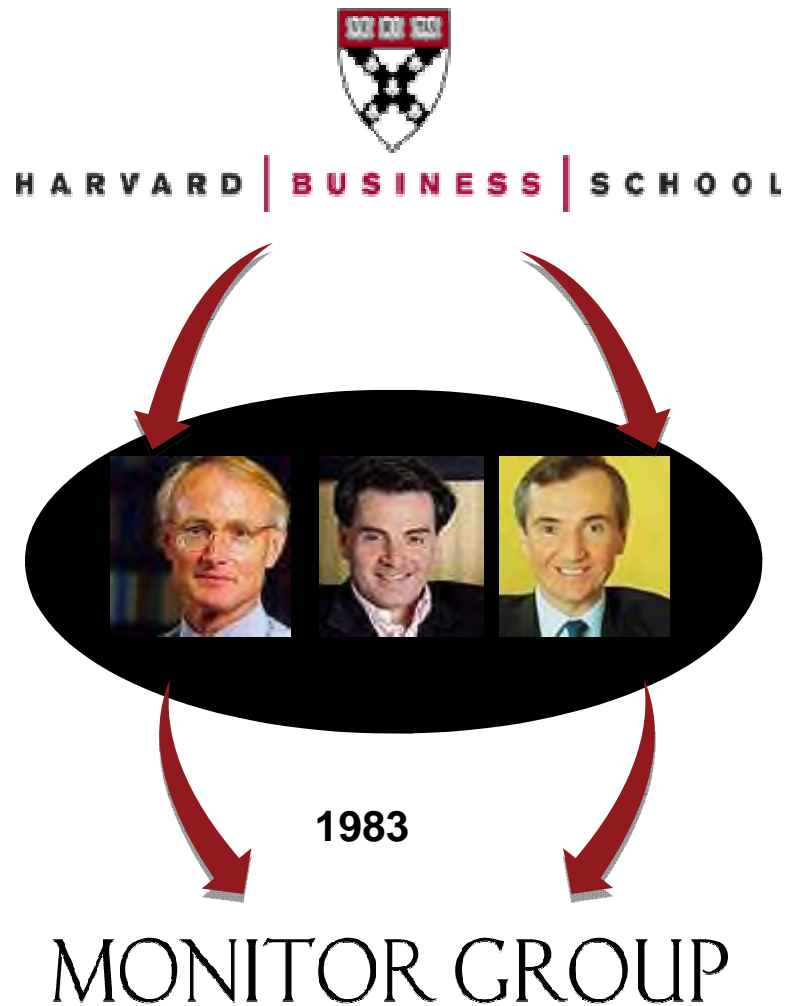
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Introduction to Monitor

Our Origins



- Monitor Group is a strategy consultancy and was **established in 1983**
- Michael Porter, Mark Fuller and Joe Fuller conceived the idea for the firm while faculty members at the **Harvard Business School**. and the three founders continue to be involved with the firm today
- Monitor Group was founded with the purpose of offering a **different style of consulting**, differentiated from other consulting firms, in both the range of services offered and the style in which we offer them

*“**Competitive strategy** is about being **different**. It means deliberately **choosing a different set of activities** to deliver a unique mix of value. A company can outperform rivals only if it can establish a **difference that it can preserve.**”*

— Michael Porter

Overview

- Monitor's mission is to **help our clients win** — to **grow** their enterprise, their value creation, their capabilities, and their social impact
 - We work **around the globe** with executives of corporations, governments, and nonprofits who aspire to world-class leadership and who seek to harness the power of new ideas
 - We also **invest in and run companies** — with \$2.0B assets under management
- Our goal is positive impact
 - We have **doubled growth rates** for relationship clients
 - **85%** of our revenues come from **repeat clients**
 - We achieve **top decile investment management** performance
 - Our philanthropic efforts **touch over 600,000 lives**



Introduction to Monitor Global Footprint

Monitor has over 1,100 professionals in 24 offices functioning as a single firm

