
foreword

frontiers in finance September 2009

Levelling out...



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Markets may often over-react. Sentiment can turn from confidence to despair, and back again, with relatively little justification. Many developed economies have obviously experienced a shock. But those predicting the end of capitalism as we know it were overly pessimistic. Equally, the chorus of commentators now pointing to signs of recovery, green shoots, corners being turned, are probably overstating the prospects for an early return to the good times. As we have noted in recent issues of *frontiers in finance*, the recovery is likely to be drawn-out, fragile and with possibly a few more nasty surprises in store.

Nevertheless, for those financial services firms which have cleared the first hurdle – survival – they should turn their attention to life after the crisis. It is unlikely to be a return to business as usual, at least as we used to know it. The experience of the last two years will cast a long shadow. Attitudes have changed; regulation will be tighter; for many, public perceptions will matter more; government and taxpayer support for the financial system will be necessary for some years to come. But while the landscape has changed, the challenges for financial services should be more familiar: developing a competitive business model, managing risk, building a winning brand, competing profitably and cost-effectively. So it is not so much what we have to do that changes, but how we adapt to address these challenges in the new environment that matters.

This edition of *frontiers in finance* explores many of these issues. An underlying theme is the need to focus clearly again on the core strategic challenges facing financial services companies, in particular what we can summarize as being in the right business, in the right place, at the right cost and price. In the new era

now emerging, all of these areas should be re-evaluated. Clarity, simplicity, focus and a thoroughly developed business strategy will be essential. Issues of customer service, trust and brand should again become key concerns of chief executives.

Outside the major western economies, the crisis has been serious, but perhaps not as traumatic. The financial services sectors in countries as diverse as Israel, Korea, Russia and Turkey all have interesting stories to tell – and perhaps provide some lessons for the rest of us. Offshore centers are also increasingly seeking a more integral position in the global financial community.

We strive in *frontiers in finance* to get behind the issues of the day and explore where the underlying forces and trends may be leading. The future remains very uncertain. But I hope this issue provides some pointers as to how the industry should prepare for the months ahead.

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