|  |  |
| --- | --- |
|  | **logo_greyscale** |

9B18M028

IOI’s global challenge: Moving up the palm oil value chain

Marleen Dieleman wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

*This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e)* [*cases@ivey.ca*](mailto:cases@ivey.ca)*;* [*www.iveycases.com*](http://www.iveycases.com)*.*

Copyright © 2018, National University of Singapore and Ivey School of Business Foundation Version: 2018-02-12

Introduction: The global challenge

In early 2017, Dato’ Lee Yeow Chor (Lee), the chief executive officer (CEO) of IOI Corporation Berhad (IOI), considered his strategic options. The firm founded by his entrepreneurial father had come a long way. Starting with palm plantations in Malaysia, IOI had grown and vertically integrated, and it now manufactured ingredients for food and personal care products across Asia, Europe, and North America and had a market capitalization of US$6.7 billion in 2017.[[1]](#footnote-1)

Lee, a humble leader with a structured approach, was proud of IOI’s track record (see Exhibit 1), and he was keen to build a globally admired, Asian family firm. Rapid expansion into what Lee called a “mini-multinational” had placed great demands on IOI and its leadership. The company’s specialty oils and fats team, which led most overseas operations and handled IOI’s most innovative products, had just presented an ambitious global growth strategy. However, over the past year, the company had experienced a serious sustainability crisis that had resulted in financial and reputational setbacks, and this had made Lee more cautious. Was the ambitious growth strategy proposed by his team the right thing to do at this moment?

Legacy: The Lee family

In 1981, Tan Sri Dato’ Lee Shing Cheng (Lee Sr.) took over a publicly listed company called Industrial Oxygen Incorporated (IOI) in Malaysia. Lee Sr., born in 1939, worked as a plantation supervisor at the beginning of his career, and he subsequently revamped IOI as a plantation and property company. His younger brother Lee Cheng Leang joined him. Lee, Lee Sr.’s eldest son, was appointed to the board as an executive director in 1996 after returning from the United Kingdom with a law degree, and his younger brother Lee Yeow Seng followed in 2008. In 2014, Lee became CEO of the palm oil company. His younger brother became the CEO of the property business, which was split off from IOI Corporation. Lee Sr. remained as executive chair.

Lee Sr. was a hands-on leader involved in all major decisions across the corporation, although he personally focused more on the plantation business. He enjoyed getting involved in the details of the plantations. He was close to IOI’s managers on the ground, paying frequent visits to the estates. His son, Lee, had greater involvement in the palm-based manufacturing business, including the manufacturing facilities outside Malaysia.

The Lee family controlled nearly half of the shares in IOI Corporation and occupied all executive director roles and a majority of the board seats (see Exhibit 2). As such, the Lee family was able to exercise a strong influence on the culture of IOI. IOI was known for entrepreneurial decisions that resulted in a proactive growth strategy combining organic growth with acquisitions in new areas.

IOI prioritized efficiency and hands-on leadership, with the family directors closely involved in all aspects of the operations. There was a strong sense of loyalty among senior executives, especially those with longer tenures, who were very familiar with members of the Lee family and had regular discussions with them. Like the leaders of many family firms, the Lee family focused on cost control and led by example. Executives praised the chairman for travelling by car, not helicopter, and for spending time on the ground. IOI did not spend on lavish celebrations or high-profile consultants, and the company was housed in sparsely decorated headquarters. Lean operations became a way of life, and the family was proud of IOI’s core values and its excellence in execution (see Exhibit 3).

Palm oil: The industry

Oil palm thrived only in certain tropical areas; the bulk of the world’s palm oil plantations were in Indonesia and Malaysia. After harvesting, the product was milled and refined to produce crude palm oil, which was one of the world’s largest agricultural commodities. Further processing prepared the oil for three applications: vegetable oil (specialty oils and fats) for the food industry; oleochemicals for soaps, candles, skin care, and cleaning products; and biodiesel, a substitute for fossil fuels. The key customers for the first two applications were large fast-moving consumer goods companies (FMCGs) such as Nestlé SA (Nestlé), Unilever, and the Procter & Gamble Company; their manufacturing was often located close to consumer markets.

Global demand for palm oil rose steadily as the world’s population increased, and this in turn drove rapid expansion in plantations. It took four to five years for palm trees to mature, so crude palm oil output lagged behind planting activity. The Malaysian government had supported the palm oil plantation industry in the 1970s and 1980s, particularly in Malaysian Borneo. Since the 1980s, the government had also stimulated investments in the downstream processing industry, stimulating palm oil companies to achieve greater added value. Indonesia followed much later and, due to the lack of available land for expansion in Malaysia, it overtook Malaysia as the world’s largest palm oil producer in 2006. Most large palm oil companies took advantage of land availability and cheaper costs and scaled rapidly in Indonesia.

The industry, which had been fairly fragmented, evolved towards greater concentration, and a number of leading players that controlled vast plantations emerged in the 2000s; these included Golden Agri-Resources Ltd. (GAR), Wilmar International Ltd. (Wilmar), Kuala Lumpur Kepong Berhad, IOI, Sime Darby Berhad, Indofood Agri Resources Ltd. (Indofood), Felda Global Ventures Berhad, and PT Astra Agro Lestari Tbk. Consolidation, industry growth, and high prices meant the key players had sufficient capital and motivation to invest further in downstream industries. This trend started in Asia, but palm plantation companies increasingly invested in refineries and manufacturing plants close to end markets, including Europe, the United States, and China.

The frantic expansion of plantations, in particular in Indonesia, drew criticism from non-governmental organizations (NGOs), which associated the leading companies with forest clearance, peat land fires that caused a periodic haze across Southeast Asia, and the destruction of animal habitats. All relevant industry stakeholders jointly established the Roundtable of Sustainable Palm Oil (RSPO) in 2004, and this organization set standards and initiated the certification of plantations. IOI was one of the founding members.

Despite this, NGOs exposed various cases of violations, and this led the ultimate clients (for example, Unilever and Nestlé) to suspend their purchasing. Activist NGOs such as Greenpeace raised public awareness, particularly in developed markets like Europe and the United States, about the side effects of large-scale palm oil cultivation. Due to such pressures, most palm oil companies stepped up their sustainability programs, disclosures, and engagement with stakeholders and the media. Most large players also focused on sales to large emerging markets, where the demand growth was greatest and risks associated with sustainability were lowest.

IOI: The business

The timing of IOI’s entry into palm plantations in the 1980s was fortunate: the industry was receiving government support, and demand was growing. Most of IOI’s plantations were in Malaysian Borneo. Due to its focus on efficiency and hands-on management, IOI had high yields, making it very competitive. Despite being a relative latecomer in plantations, IOI was able to join the ranks of the world’s largest palm oil companies with two growth strategies: mergers and acquisitions, and organic growth. However, since the 2000s, some of its competitors, particularly Indonesian competitors such as Wilmar and GAR, were far more aggressive in expanding their plantations (see Exhibit 4).

IOI only reluctantly and belatedly moved into Indonesian plantations; according to one IOI executive, it was “the last one.” The company established some plantation estates in Indonesia and took a substantial minority stake in an Indonesian plantation company. Overall, IOI fell back to ninth place globally in terms of planted area, although it ranked third in terms of market capitalization.[[2]](#footnote-2) An IOI executive said that the company was “not scared of Indonesian rivals, but also ‘not not scared.’”

As large players expanded, they also moved further downstream into specialty fats, oleochemicals (i.e., resource-based manufacturing), and biodiesel. Some local players, including Indofood from Indonesia, also had consumer goods businesses that competed with the global FMCGs; but most, including IOI, focused on business-to-business sales. IOI made a significant move into resource-based manufacturing in 1997, when it acquired Palmco Holdings, a pioneer in oleochemical manufacturing in Malaysia. Later, in 2002, it acquired Loders Croklaan, formerly part of Unilever, a specialty fats manufacturer with substantial research and development (R&D) capacity in the European Union and the United States. Those two regions accounted for 15 per cent of IOI’s total assets after the acquisition. This simultaneously turned the family-run IOI into a “mini-multinational” and the front-runner among palm oil players in these developed markets.

IOI Loders Croklaan: The mini-multinational

The integration of the former Unilever division, Loders Croklaan, into IOI posed both challenges and opportunities. Personalized hands-on monitoring became more challenging with so many new overseas employees, including chemists with PhDs, who were turning out patents. IOI needed to take into account the leaders’ constraints in terms of time and knowledge. Lee experimented with various approaches that could instill the distinct IOI culture of hands-on operational excellence, loyalty, and speed in decision making, while also giving substantial autonomy to executives in the different markets. His approach worked. One executive, IOI Loders Croklaan’s Chief Business Development Officer Manuel Laborde, compared the Unilever and IOI parentage: “IOI very quickly came in and set the tone of accountability, hands-on management, and excellence—results oriented. It was a change, but a welcome change to move faster. Most of the things that were accomplished were very impressive.”

Subsequently, the Lee family expanded aggressively in Europe and North America by increasing capacity. The 2017 annual report showed that approximately half of IOI’s revenues were derived from developed markets, far more than its competitors’ revenues. Competitors also invested in developed markets, but they focused much more on expansions to their plantations and manufacturing plants in emerging markets, which had greater volume and growth. IOI did not move into biodiesel.

These bold actions provided IOI with an opportunity to stand out by positioning itself strategically with a sustainable, efficient, and fully integrated supply chain, particularly in developed markets. The integrated approach was designed to generate higher margins and reduce volatility, and the stock of patents acquired through IOI Loders Croklaan provided a springboard to more innovative products with greater value added.

Plantation companies, as commodity players, were typically focused on cost and were not known for innovation. They tended to have low R&D spending, and IOI was no exception: it initially innovated mostly in terms of efficiency gains. However, with this new integrated supply chain approach, IOI increasingly sold to FMCGs with a customer-centred approach and innovative new products, manufacturing processes, and applications. The acquisition of IOI Loders Croklaan’s R&D capability helped propel IOI into a new league.

Specialty fats: The growth strategy

In 2013, Lee appointed Julian Veitch as CEO of IOI Loders Croklaan, the former Unilever division. He was supported by chief operating officers for the three regions of Europe, the United States, and Asia. Veitch had recently come up with a bold plan: to double business volume and triple profits by 2025. To achieve this, he focused on accelerating two avenues of growth: (1) creating new products and increasing sales of current products in new ways and (2) expanding into new geographical regions to penetrate new markets and gain more customers. Veitch explained:

Our go-to-market strategy is to focus on customer intimacy. It is in line with our three pillars: innovation, sustainability, and going the extra mile. The latter encompasses customer intimacy and requires flexibility in operations and transparency in the way the relationship is conducted. . . . It is a strategy to lock yourself in with the customers.

In terms of new products, IOI Loders Croklaan submitted over 200 patent applications since IOI took control of the company (see Exhibit 5). Its scientists developed new applications for fats that resulted in new products, and this in turn drove new investments for IOI, something executives referred to as “push innovation.” For instance, Loders Croklaan had invented a fat blend that mimicked human milk fat; this had received 17 patents by 2013.[[3]](#footnote-3) The company turned this into a product branded Betapol. IOI saw potential in infant formula for lactose-intolerant babies, and Lee perceived the Chinese market as particularly attractive. The innovation was initially driven from Europe, but IOI later moved the production to Malaysia and scaled it to improve cost efficiency. It also constructed a US$65 million manufacturing plant in Xiamen, China, and signed a joint venture agreement with an Irish multinational corporation with infant nutrition experience. However, it took a while to get to this stage, which brought the IOI Group into new territory in terms of products, consumer segments, and geographies. Veitch said, “Where we need shareholder approval for a project . . . that is where the traditional family business conservatism is sometimes hard to match with the growth aspirations of the subsidiary. There is a natural conservatism when assessing new market segments and geographies that are less familiar.”

IOI Loders Croklaan increased its budget for innovation from €3 million[[4]](#footnote-4) in 2011 to €6 million in 2016, and IOI Loders Croklaan’s Chief Technology Officer Loek Favre said, “I praise Dato’ [Lee] for his long-term commitment to innovation.”While the innovative products were long in the making and the patents on which they were based went back many years, the key difference that IOI brought to the table was how it monetized them. Loders Croklaan had the innovation experience and client focus, and IOI provided entrepreneurship and cost discipline. However, coming up with such innovations and subsequently scaling them required extensive investments. Lee realized that it would take many such star products to grow IOI. Lee said, “For this infant formula, it is actually a high margin and growing business, so in that sense it is like our ‘star’ product, but we do not think it can be a mainstream product soon.”

The second approach to growth involved selling more of its existing products. Lee said, “We always emphasize organic growth in existing plants. For example, in America, we doubled the capacity four or five years ago, and now it is fully utilized. So that is one good example of how we emphasize growth of existing plants.”

Veitch also saw an opportunity to leverage IOI Loders Croklaan’s expertise in different geographical locations to grow sales of existing products. Products that sold well in the United States did not in Europe, and there was potential to cross-pollinate across regions. For instance, baking products were the most important source of profits in the U.S. market, and IOI Loders Croklaan had successfully introduced a variety of shortenings there that effectively improved the mouth-feel of final consumer products such as cakes while delivering improved nutrition by eliminating trans fats. However, IOI had not succeeded in breaking into the European market with such products on a large scale. This was not only because baking and cooking customs were slightly different in Europe, but also because the organizational structure of IOI Loders Croklaan was decentralized by region. Consequently, there was great adaptation to local demand in both Europe and the United States but comparatively little effort to push innovations across geographic boundaries. Veitch said, “We take knowledge from one region and apply it to another. It sounds easy to do, but you will be amazed by how difficult it is in practice and how much investment in time and resources is needed.”

Sustainability: The test

The period 2015–2016 proved to be very challenging for IOI. Revenues stagnated, profits all but dried up, and the company’s leverage increased to one of the highest in the industry. This was due to a combination of factors—including foreign exchange losses on borrowings and a low palm oil yield due to the El Niño phenomenon—but the most notable contributor was a corporate sustainability crisis that shook the company profoundly.

In April 2016, the RSPO suspended IOI’s sustainability certificates after an NGO lodged complaints over IOI’s practices in one of its few plantations in Indonesia. Earlier complaints had been isolated issues limited to the specific plantation estate involved, but this time, the entire company was suspended and customers—including Unilever, Kellogg Company, Mars Inc., Nestlé, and Cargill Inc.—promptly dropped IOI as a supplier. Ben Vreeburg, head of sustainability for IOI Loders Croklaan, explained:

IOI is a typical plantation company that is managed on costs and yields. But the game has changed. It’s about how you deal with stakeholders—not just customers and bankers, but also NGOs. The benchmarks for plantations have been raised substantially. Without meeting the sustainability criteria as set by the market the company operates in, the company loses the license to operate.

IOI learned this the hard way. It suffered severe reputational damage and was faced with a corporate crisis. It tried to rectify the problem on the ground and engage with stakeholders, customers, and the media to mitigate damage. Its lean approach and focus on efficiency meant the crisis demanded extraordinary time and effort from existing leaders located in different time zones. While IOI Loders Croklaan, which dealt directly with FMCG clients, had already built the capability to engage with various stakeholders, there was limited capability at IOI headquarters or in the plantations. The strong focus on cost control meant that IOI had limited slack resources, and Lee had to hire additional permanent staff and external experts.

As IOI was the industry player with the greatest exposure to the developed markets, where sustainability awareness was high, and had tight collaborative relationships with its large FMCG customers, Lee realized he had to act fast. He first sued the RSPO in an attempt to challenge the decision, but he later dropped the case and engaged NGOs on the ground, and strengthened procedures in plantations. However, the effects were felt most in the downstream operations in Europe and the United States. As Lee noted,

With regards to the sustainability side, we took the approach that, since they [IOI Loders Croklaan] are closest to the customers in Europe, they can do what they need to do when it comes down to sustainability, to make them competitive in the industry. However, this caused a problem, which was apparent in April this year. . . . We joined RSPO as a company. So, when RSPO suspended the plantation, they decided to suspend the entire company. . . . The first lesson that we learn here is that, despite how we decentralized and gave more autonomy, in the end we are still one group. A problem in a small portion of our plantation can affect the entire group.

As the RSPO restored IOI’s certification in August 2016 and the dust settled, Lee realized he had to reconsider his control structure and approach to growth—as one transgression in one plantation could lead to activists blocking the factory gates in Europe or the United States. The crisis reinforced the need for board-level coordination in different countries across the company. Giving autonomy to the different units without an overriding coordination and control mechanism implied inherent risks; but centralization in the hands of family leaders, as had been possible when IOI was smaller and more focused on plantations, appeared difficult at this stage. The dilemma loomed large and made Lee wonder whether he had a strong enough organizational base to grow from.

Global coordination: The constraints

Only those companies that stayed relevant and were willing to invest in new products and business models survived. However, his experience with the Betapol product taught Lee that successful new products would inevitably bring IOI into new territory where the family had little or no experience and too many innovations would stretch its leadership. He strongly felt that IOI should be conservative and avoid creating too big a geographical footprint or going into too many new areas. It was not easy to keep in touch with the details of all operations, and attention to detail and operational excellence was part and parcel of IOI’s success. To make things worse, several trusted high-level managers had left IOI in recent years, including, most recently, the group chief financial officer. Thus, the talent available in headquarters was limited.

Coordination between the downstream and upstream operations was currently routed via Lee as IOI Group CEO, and he was the essential link overseeing all the businesses. A regular global meeting provided an additional communication forum for all top management, and informal coordination was encouraged, but it was not formalized. Was this a sufficiently strong basis for growth? Lee said,

[Segment leaders could] see the connectivity and the commonality and see what has been done in [the United States] and hence possibly can be done in Europe as well for this kind of product. But then there are also issues locally. . . . More consultation needs to be done. So, we have to have both ways: global strategies but you need the buy-in from the local [heads] for the execution.

Should he perhaps add another layer in the form of a chief operating officer to improve coordination, or would that increase costs and limit IOI’s excellence in lean execution? How would such changes affect other parts of the business—for instance, the oleochemicals? Veitch wondered, “Does he [Lee] want to create an integrated management structure for the integrated palm oil business? Or will it continue to be managed as a portfolio of interrelated businesses?”

Outstanding Asian family firm: The way forward

Lee had the proposal from the IOI Loders Croklaan CEO on his desk. Veitch suggested capturing synergies across Europe, the United States, and Asia. He also suggested expanding into new geographies such as Brazil and India by building new plants or through mergers and acquisitions. Investing in both types of growth was necessary to achieve his ambitious targets.

Lee realized that the strengths that his family had instilled in IOI, which had made the company so successful, had their limitations, too. The question was how to keep the legacy and build additional managerial capability at the same time. He wondered how to create an excellent organization with smooth coordination yet without too much complexity or overhead costs. Expanding into unknown areas involved new risks, as he had learned through the RSPO suspension. Therefore, he was forced to rethink how fast IOI could grow and whether it had a solid base to grow from. On the other hand, sustainable long-term growth depended on the ability to renew the organization and to innovate, and his family had a successful entrepreneurial history.

Should he go ahead with the vision 2025 plan? Lee liked the entrepreneurship that his team displayed, but he wondered if it would involve taking too much risk or take the company too far from what had made it successful in the first place. He wondered whether approving the strategy would cause the organization to grow faster than his ability to control it. The key question was how to grow IOI and at what speed. The answer would determine whether he could reach his goal of creating a widely respected, family-owned, Malaysian multinational. Lee knew he had to get it right. He could not allow himself to be derailed from the core values and traditions of IOI. Should he adopt the 2025 vision plan as proposed, reject it, or implement it in a different way?

This case is supported by NUS Business School Case Research Grant under WBS N-311-000-341-001.

Exhibit 1: IOI Financial Summary

Balance Sheet (in MYR millions unless otherwise stated)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** |
| **Assets** | | | | | | |
| Non-Current Assets |  |  |  |  |  |  |
| Property, Plant, and Equipment (PPE + Land Held) | 10,086.9 | 9,999.3 | 6,649.8 | 6,410.0 | 7,772.5 | 7,572.6 |
| Prepaid Lease Payments | - | 21.1 | 32.5 | 30.1 | 129.2 | 29.6 |
| Investment (Properties + Associates) | 1,121.1 | 944.4 | 946.8 | 895.2 | 2,820.1 | 2,143.9 |
| Jointly Controlled Entities | - | 31.7 | 35.2 | 33.0 | 3,686.1 | 3,483.1 |
| Other Assets | 781.7 | 708.0 | 643.5 | 577.3 | 647.1 | 650.1 |
| Total Non-Current Assets | 11,989.7 | 11,704.5 | 8,307.8 | 7,945.6 | 15,055.0 | 13,879.2 |
| Current Assets | 6,035.0 | 5,851.6 | 5,126.1 | 7,386.0 | 8,846.7 | 9,185.6 |
| Total Assets | 18,024.7 | 17,556.1 | 13,433.9 | 15,331.6 | 23,901.7 | 23,064.9 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Equity and Liabilities** | | | | | | |
| Share Capital | 783.8 | 646.2 | 645.9 | 645.0 | 643.4 | 642.7 |
| Reserves | 6,673.6 | 6,491.9 | 4,413.2 | 5,391.8 | 13,028.6 | 11,985.2 |
| Total Equity and Reserves | 7,457.4 | 7,138.1 | 5,059.1 | 6,036.8 | 13,672.0 | 12,627.9 |
| Minority Interests | 261.3 | 278.9 | 189.3 | 196.3 | 280.0 | 288.0 |
| Total Equity | 7,718.7 | 7,417.0 | 5,248.4 | 6,233.1 | 13,952.0 | 12,915.9 |
|  |  |  |  |  |  |  |
| Non-Current Liabilities | 6,666.4 | 6,314.7 | 6,320.2 | 5,601.7 | 8,280.9 | 7,946.5 |
| Current Liabilities | 3,639.6 | 3,824.4 | 1,865.3 | 3,496.8 | 1,668.8 | 2,202.5 |
| Total Liabilities | 10,306.0 | 10,139.1 | 8,185.5 | 9,098.5 | 9,949.7 | 10,149.0 |
| Total Equity and Liabilities | 18,024.7 | 17,556.1 | 13,433.9 | 15,331.6 | 23,901.7 | 23,064.9 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Income Statement** | | | | | | |
| Revenue | 14,127.3 | 11,739.3 | 11,621.0 | 12,664.0 | 13,516.5 | 15,640.3 |
| Profit before Interest and Taxation | 1,560.2 | 1,449.6 | 1,460.5 | 2,276.6 | 2,733.8 | 2,520.3 |
| Net Foreign Currency Translation (Loss)/Gain | −298.8 | −318.5 | −735.3 | −22.0 | 200.4 | −290.4 |
| Net Interest Expenses | −174.2 | −165.3 | −268.2 | −218.3 | −427.4 | 149.1 |
| Profit before Taxation | 1,087.2 | 965.8 | 457.0 | 2,036.3 | 2,506.8 | 2,379.0 |
| Taxation | −331.5 | −319.5 | −284.6 | −533.8 | −512.2 | −550.4 |
| Profit for the Financial Year from Continuing Operations | 755.7 | 646.3 | 172.4 | 1,502.5 | 1,994.6 | 1,828.6 |
| Profit for the Financial Year from Discontinuing Operations | 10.4 | - | - | 1,887.2 |  |  |
| Profit for the Financial Year | 766.1 | 646.3 | 172.4 | 3,389.7 | 1,994.6 | 1,828.6 |
| Attribute to: |  |  |  |  |  |  |
| Equity Holders of the Company | 743.2 | 629.7 | 168.1 | 3,373.0 | 1,970.1 | 1,789.4 |
| Minority Interests | 22.9 | 16.6 | 4.3 | 16.7 | 24.5 | 39.2 |

Exhibit 1 (continued)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** |
| Basic Earnings per Share | 11.82 | 10.00 | 2.60 | 52.90 | 30.80 | 28.00 |
| Gross Dividend per Share | 9.50 | 8.00 | 9.00 | 20.00 | 15.50 | 15.50 |
| Net Assets per Share | 119.00 | 114.00 | 80.00 | 95.00 | 214.00 | 197.00 |
| Return on Average Equity (%) | 10.18 | 8.90 | 3.00 | 34.30 | 15.00 | 14.50 |
| NOPAT/Average Capital Employed (%) | 5.68 | 5.10 | 2.90 | 9.30 | 10.00 | 9.90 |
| Net Debt/Equity (%) | 78.07 | 76.30 | 96.10 | 58.60 | 32.30 | 29.80 |

Notes: MYR = Malaysian ringgit; MYR1.00 = US$0.23 as of January 2017; NOPAT = net operating profit after tax; figures were obtained from the annual reports from respective years and were not restated; Net Foreign Currency Translation Loss/Gain figures for 2012–2014 were obtained from the 2016 annual report and were previously categorized as “finance cost;” in January 2014, IOI Properties Group Berhad, a core subsidiary of IOI Corporation Berhad, de-merged and became a separate listed company.

Source: Created by the case author based on company documents.

Exhibit 2: IOI Corporation Board and Management Team

Board of Directors

TAN SRI DATO’ LEE SHIN CHENG

Executive Chairman,

Malaysian, Age 77, Male

DATO’ LEE YEOW CHOR

Chief Executive Officer,

Malaysian, Age 50, Male

LEE YEOW SENG

Non-Independent Non-Executive Director,

Malaysian, Age 38, Male

LEE CHENG LEANG

Executive Director,

Malaysian, Age 68, Male

TAN SRI PETER CHIN FAH KUI

Senior Independent Non-Executive Director,

Malaysian, Age 71, Male

DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY

Independent Non-Executive Director,

Malaysian, Age 66, Male

CHEAH TEK KUANG

Independent Non-Executive Director,

Malaysian, Age 69, Male

LIM TUANG OOI

Non-Independent Non-Executive Director,

Malaysian, Age 54, Male

Exhibit 2 (continued)

Senior Management Team

|  |  |
| --- | --- |
| Executive Chairman: Tan Sri Dato’ Lee Shin Cheng  Chief Executive Officer: Dato’ Lee Yeow Chor  Executive Director: Lee Cheng Leang  **CORPORATE**  Chief Financial Officer: Kevin Wong Tack Wee  Group Legal Counsel: Farah Suhanah Ahmad Sarji  Group Head of Sustainability: Dr. Surina Binti Ismail  Chartered Secretary: Vincent Tan Choong Khiang  **PLANTATION**  Senior General Manager: Sudhakaran a/l Nottath Bhaskaran  General Manager, Lahad Datu: Ragupathy a/l Selvaraj  General Manager, Indonesia: Goh Hock Sin  **COMMODITIES MARKETING**  General Manager, Commodities Marketing: Lim Jit Uei | **REFINERY**  General Manager: Shyam a/l M. K. Lakshmanan  **OLEOCHEMICALS**  Executive Director: Tan Kean Hua  Chief Operating Officer, Johor: Gurdev Singh a/l Darshan Singh  Chief Operating Officer, Penang: Lai Choon Wah  Chief Operating Officer, Germany: Thomas Kummer  **SPECIALTY OILS AND FATS**  Chief Executive Officer: Julian Veitch  Chief Operating Officer, Americas: William (Bill) Troy  Chief Operating Officer, Europe: Dr. Loek Favre  Chief Operating Officer, Asia: Michael van Sallandt |

Source: Company documents.

Exhibit 3: IOI Core Values

**INTEGRITY**

which is essential and cannot be compromised

**COMMITMENT**

as we do what we say we will do

**LOYALTY**

is crucial because we are one team sharing one vision

**EXCELLENCE IN EXECUTION**

as our commitments can only be realised through actions and results

**SPEED OR TIMELINESS**

in response is important in our ever changing business environment

**INNOVATIVENESS**

to provide us additional competitive edge

**COST EFFICIENCY**

is crucial as we need to remain competitive

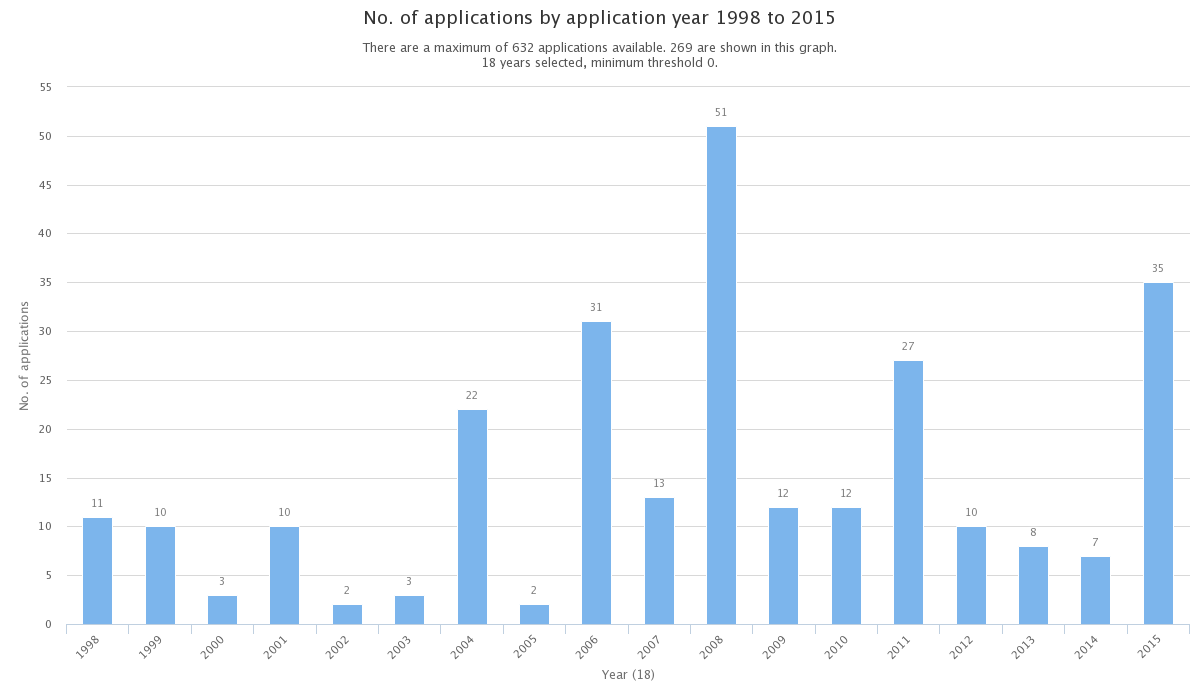
Source: Company documents.

Exhibit 4: Plantation size of major players

Note: Wilmar = Wilmar International Ltd.; GAR = Golden Agri-Resources Ltd.; KLK = Kuala Lumpur Kepong Berhad; Astra Agro Lestari = PT Astra Agro Lestari Tbk

Source: Compiled by the case author based on company documents.

Exhibit 5: IOI Loders Croklaan patent applications

****

Source: Company documents.

1. “IOI:MK, IOI Corp Bhd,” Bloomberg Markets, accessed May 29, 2017, https://www.bloomberg.com/quote/IOI:MK. [↑](#footnote-ref-1)
2. “Regional Industry Focus: Plantation Companies,” DBS Group Research Equity, accessed November 10, 2016. [↑](#footnote-ref-2)
3. IOI Corporation Berhad, *IOI Group: Expanding Our Reach, Annual Report 2013*, 41, 2013, accessed January 9, 2018, www.ioigroup.com/Content/IR/PDF/AnnualReport/Corp/2013\_AR.pdf. [↑](#footnote-ref-3)
4. € = EUR = euro; €1.00 = US$1.05 on December 31, 2016. [↑](#footnote-ref-4)