



## Tony Fernandes on driving ASEAN entrepreneurship

The founder and CEO of AirAsia discusses Southeast Asia's tremendous opportunities—and significant challenges.

**Since starting AirAsia,** in 2001, Tony Fernandes has become one of Asia's better-known business figures and entrepreneurs. He has built AirAsia into the leading low-cost carrier in the Association of Southeast Asian Nations (ASEAN), serving 65 destinations in 18 countries. Indeed, AirAsia is one of ASEAN's biggest business success stories. In an interview with Clay Chandler, Fernandes discusses how his airline makes the most of the ASEAN market and how the region could take greater advantage of its strengths.

**McKinsey:** *You're one of the world's best marketers. How would you rate the marketing of ASEAN? Does it do enough to promote the ASEAN brand?*

**Tony Fernandes:** To the people of ASEAN, what does ASEAN mean? Pretty much zero, I would say. It's time that ASEAN raises its consciousness level. Why is it relevant to the 700 million people in the region? There are simple things we could do. We have the ASEAN Games, but they are actually called the Southeast Asian Games—SEA Games. And I've been saying it should be renamed the ASEAN Games because that's what it is.

**McKinsey:** *And outside the region? What does ASEAN mean to the rest of the world?*

**Tony Fernandes:** I think ten years ago, Americans and American-based companies and people in Europe, when they thought of Asia, they thought of China and India. But now, ASEAN's relevance is becoming clearer. ASEAN is growing up and feeling a little bit stronger. In strange ways, situations like territorial disputes might bring ASEAN closer together quicker.

**McKinsey:** *You've built a business by bringing people together, making it easier for the people of ASEAN to cross borders, circulate, and connect with one another. How would you evaluate ASEAN's record for bringing people together and removing trade barriers?*

**Tony Fernandes:** If you had told me 13 years ago, when I started this airline, that we would have the ASEAN Economic Community in 2016, I would have laughed at you. An enormous amount of work has been done. As a businessman and entrepreneur, I'm always looking for more. But I'm optimistic because, if I take an airline analogy, we're on the taxiway. We didn't even have an airport before.

[There is still] a lot to do, and the problems aren't going to be solved overnight—[there are] lots of nationalistic issues, lots of vested interests. At least we have a framework now to build on. And we can start pushing for liberalization and for ASEAN institutions, whether it's a stock market, a common work visa, freedom of labor, etc. It gives me a platform to build on.

**McKinsey:** *In your industry—aviation—what opportunities for progress do you see?*

**Tony Fernandes:** You know, I went out there and built an ASEAN airline by putting airlines in four countries. I found ways of doing it. I didn't wait for the ASEAN community. And we've connected ASEAN. Sixty percent of our destinations are destinations that were never done before within ASEAN. We built an ASEAN tourism market.

Just three weeks ago, I went to Boracay [in the Philippines] and launched our flight there. I'd never been to Boracay. I'm 50 years old. I'd never been there. [It's the] best-kept secret. And I went out there and thought, "This is the most beautiful place in the world." The beauty of AirAsia is that I can come back and say, "Let's start a route there next week." And we did a month later. Flights are full. Malaysians are coming by the planeload to Boracay.

For AirAsia, I'm hoping that an economic community will help reduce costs by having common standards: one air-traffic-control system, one engineering system, one [set of] standards. And obviously [we need] open skies—true open skies—and common ownership. As an ASEAN company, why can't I own 100 percent of a Filipino airline? And why can't a Filipino own 100 percent of a Malaysian carrier? That, I think, is what I'll be pushing for.

**McKinsey:** *Are ASEAN's entrepreneurs and business leaders doing enough to promote economic integration?*

**Tony Fernandes:** You've got some countries where it's very hard to be an entrepreneur because the government owns everything. Government should get out of business. Government should facilitate business, not be in business—it's a massive conflict of interest when you own an airline or you own an airport and there are private entrepreneurs there.

Governments have to understand their role. Are they in business, or are they facilitating business and creating entrepreneurs? But entrepreneurs have to get up and do things themselves. And I don't think there's any lack of people who want to be entrepreneurs. We're all, deep down, Tupperware salespeople. We all want our own businesses.

**McKinsey:** *Is ASEAN a strong platform for creating a global business?*

**Tony Fernandes:** It's hard to be a global brand from a country such as Malaysia because, number one, the world's media are all in America and Europe—so they're not so interested in talking about a Malaysian company. Harvard Business School goes and talks to the next Google or the next Ikea, as opposed to some airline in Kuala Lumpur. It's hard.

But we become relevant because we're in a 700 million market. So I always said to my guys, "Why worry about China and India? Let's build a bigger business, and then we become relevant. And then we become more relevant to China and India because we're in such a large market." ASEAN definitely gives you a much bigger platform and a much bigger stage to be noticed.

**McKinsey:** *One of the great challenges of operating a business in ASEAN is coping with diversity—bridging all the many differences in culture, language, religion, political systems, and economic development. How have you done it at AirAsia?*

**Tony Fernandes:** You know, it's easier for McDonald's to come here than for an ASEAN company to go into the Philippines and Malaysia, Indonesia, and Thailand. They say, "Oh no, we're different, we're different." I said, "Well, McDonald's is the same. There's no difference between McDonald's in Manila and McDonald's in Malaysia." And I insisted on the same brand. I trained everyone in one place.

I call [our people] "All Stars"—AirAsia All Stars. I say, "Your company comes first. Your nationality is second. So you're an AirAsia All Star, then you're Filipino, then you're Malaysian."

We have a big department; it's called the culture department. It is run by my good self. Its purpose is to make people happy but it's to integrate [them] as well. And parties are a great way of

## Tony Fernandes



### Vital statistics

Born April 30, 1964, in Kuala Lumpur, Malaysia

### Education

Studied at Epsom College and London School of Economics

Qualified as associate member of Association of Chartered Certified Accountants in 1991

Admitted as member of Institute of Chartered Accountants in England and Wales in 2008

### Career highlights

**AirAsia**  
(2001–present)  
Group CEO

### Warner Music Southeast Asia

(1999–2001)  
Vice president

### Virgin Records

(1987–89)  
Financial controller

### Fast facts

Founded Tune Group, which includes Tune Hotels (international budget-hotel chain), Tune Talk (mobile telephony), and Tune Insurance

Conferred honor of Commander of the Order of the British Empire by Queen Elizabeth in 2011 for services to promote commercial and educational links between Malaysia and the United Kingdom

Honored by Malaysian government with title of Tan Sri in recognition of services rendered to the betterment of the nation and community

Named one of the world's 100 most creative people in business for 2011 by *Fast Company*

Awarded inaugural Travel Business Leader of the Year award by CNBC

Involved in *The Apprentice Asia*, a reality game show in which aspiring young businesspeople compete for the chance to work with Fernandes

Owner and chairman of Queens Park Rangers, a soccer club in the English Premier League

integrating people. We have very strange ways of doing things. But it works. You've got to work at it. If it's easy then everyone will be doing it. But the price is worth it because it's an amazing group of people and the diversity is actually our strength.

If you look it from a tourism [perspective], if you travel three hours in any direction from the middle of America, with all due respect, it's mostly the same. If you do three hours of Europe, architecturally, there may be differences, but also it's more or less the same. You know, a building in the Czech Republic is as grand as a building in Paris. Their boulevards have similarity. But two to three hours from Kuala Lumpur? We have some amazing diversity and variation. The Philippines is very different from Singapore, which is very different from Thailand and Borobudur [Indonesia].

So that is our strength. We should celebrate the diversity and combine our strengths. And that's what we've done at AirAsia. We've taken a bit of everything. We created an AirAsia greeting: you know, Thais are up here, Indonesians are down here, Malaysians are nowhere. We kind of went in the middle and said, "That's the ASEAN greeting."

Our food on the plane is a bit of Indonesian and a bit of Filipino. You know, we've taken a little bit of everything. Coconut juice we brought from the Philippines. So we like the diversity, and I think that's something you can turn to your advantage.

**McKinsey:** *You're an extraordinary competitor. You love the thrill of a contest—whether it's in business, on the soccer pitch, or on the F1 track. Is there enough of that competitive drive in ASEAN?*

**Tony Fernandes:** People here are a bit spoon-fed. They expect a lot from the government. I like a challenge. I don't care if I fail. I don't want to sit there at age 55 and say, "I wish I'd done it." You know, by then it's too late. You can't press that rewind button in your life. So I tell everyone, "Go and experience everything." And if I'm hit by a bus tomorrow, I'm hit by a bus tomorrow.

On the positive side, I did this television program the other day called *The Apprentice*. We had 12 ASEAN kids and one Frenchman. And I saw something I never thought I'd see in Southeast Asia or Asia: it was dog eat dog. They were going to kill each other. They did it in a nice Asian way, but they were not going to take any prisoners.

And that's not something I expected. I actually came out of that TV program saying, "ASEAN is looking good, and Asia is looking good. There is some fighting spirit in there." But I think the younger generation has more of a competitive element. The older generation expects the government to feed it everything.

Everyone waits for their parents to tell them what to do. I was supposed to be a doctor. I tried to tell [my parents] that I had no interest in being a doctor. But they forced me down that road. So I just failed my exams. I went in, wrote my name on the examination paper, and fell asleep. And then, after that, my father decided, "OK, you can do whatever you want."

But there are too few people like me. There are many Asian doctors and lawyers who really didn't want to be doctors. But I think that's changing as life goes on. I'm optimistic that that spirit will come.

**McKinsey:** *Is there enough political stability in ASEAN to assure continued investment and growth?*

**Tony Fernandes:** Look, I've been through everything—SARS, bird flu, tsunamis, earthquakes, red shirts, yellow shirts, army shirts. You name it, I've had it. But there's always business, right?

I'll give you the simple, simple explanation: there are around 700 million people here. If you can't get a business to work with that many people, then you've got a problem. You've got to get the right economic model. You've got to have a product that people want. But you have a big advantage when you have 700 million people in your marketplace.

Consumption is there. As long as you adjust your cost structure and provide a product that people want, I'm not worried about what happens around the rest of the world. There's always business to be done. □

**Tony Fernandes** is the founder and chief executive officer of AirAsia. This interview was conducted by **Clay Chandler**, who is a senior adviser to McKinsey.

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