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## Trends

# Back to the future

By Karen Crennan, Paul F. Nunes and Marcia A. Halfin

High performers don't just find themselves in the right place at the right time. They aggressively scan the horizon and act now to take advantage of opportunities and hedge against risk. A new study of critical trends and the business imperatives that follow from them can help companies do just that.

Anticipating, understanding and acting on critical trends just over the horizon is an essential characteristic of any high-performance business. Keeping a foot in today and a foot in tomorrow is one of the key mindsets that make up the performance anatomy of the world's best companies.

A few years ago, Accenture undertook a comprehensive analysis of important emerging trends, drawing on the company's expertise, research and global client experience. The findings were published in the May 2006 issue of *Outlook* (see "Making the trend your friend"). We have now updated that work, supplementing our latest research with a survey of a large sample of Accenture's recent hires worldwide, ensuring a global perspective

as well as fresh insights from a broad range of business professionals at various stages of their careers (see sidebar, page 3).

The result: a new list of 14 trends along with, equally important, a business imperative or imperatives—action plans, if you will—for each trend. Some trends echo or are extensions of those identified in our previous research. Others reflect the forces that inform the new global operating environment that Accenture calls the multi-polar world, including macro-economic shifts, upheaval in the business environment, concerns about sustainability and societal change.

Some are surprising—how many companies have included Africa as a consumer market in

their plans? Others may seem obvious yet call for counterintuitive business imperatives. For example, corporate social responsibility initiatives are a critical tool for hiring, right? In fact, research suggests they're more important for employee retention.

High performers don't just find themselves in the right place at

the right time. They aggressively scan the horizon, absorb the shifting landscape and act now to take advantage of opportunities and hedge against risk. It is the following 14 trends—listed according to the importance assigned to them by the participants in our research—that demand attention and action *today*.

## 1. The rapid rise of emerging-market multinationals

Heard of Emaar? Qatar Airways? WuXi PharmaTech? Mahindra & Mahindra? Increasingly, today's iconic, chiefly Western brands—the Coca-Colas, Sonys and Microsofts—will have to share the global economic stage with brands from emerging markets. The trick will be to determine which ones you can defeat in competition and which ones you should partner with to acquire market share or obtain access to resources.

**Business imperative: Prepare to compete against companies that are not even on your radar today.**

Two headline-making deals—the 2005 purchase by China's Lenovo of IBM's personal computer business, and Indian carmaker Tata Motors' acquisition of the storied Jaguar and Land Rover marques from Ford Motor Co.—make it clear that old assumptions about the vectors of global business power have to change.

These deals are emblematic of the growing influence of emerging economies and their rising multinationals. The outflow of foreign direct investment in the form of M&A from what Accenture calls the "B6"—Brazil, Russia, India, China, Mexico and South Korea—grew more than 50 percent annually between 2001 and 2006, while other outward foreign direct investment from these countries grew by more than 30 percent. Inflows, on the other hand,

expanded by only about 8 percent annually during that period.

Corporate strategists now must come to grips with the new balance of economic power in the multi-polar world, in which São Paulo and Dubai and Shenzhen are starting to have the kind of impact as centers of commerce that many Western business leaders still believe is reserved for New York, London and Tokyo. They must expand the roster of companies they consider competitors, not only for market share but also for capital, talent and innovation. (For a related article, see "Brave new world," *Outlook*, May 2008.)

**Business imperative: Take options on new global business by forging links with select emerging multinationals.**

What can companies in the developed world seeking high performance do? For openers, bear in mind that in a multi-polar world, cooperation can be the better part of valor.

They should begin by coming up with a short list of the emerging-market companies that will have the biggest impact on their business worldwide in the next five to 10 years, grouping them as potential customers, suppliers, partners, bankers and rivals. They should then filter out the most promising—those that can augment growth in demand or hold down costs—and begin exploring possible partnerships.

## 2. The expansion of “shoring” options

Just a few years ago, companies pursued one type of “shoring”—offshoring—as a way to find low-cost help for various tasks. Today, the concept includes “nearshoring” (creating operations in nearby foreign countries), “inshoring” (using shared services), “homeshoring” (using telecommuters) and several other variations on the theme.

What lies behind this trend are a number of economic and technological changes: rising labor costs throughout the world; ballooning price tags for energy and shipping; high-speed networks within far-flung organizations; and the greater use of home offices. These factors all contribute to an approach to outsourcing that is not limited to offshoring.

By embracing a variety of options, high performers will reduce costs associated with distance, shorten delivery times, reduce the risks that come with concentrated operations and improve communications as a result of strengthened cultural ties.

**Business imperative: Develop a broad-based, blended model of outsourcing.**

The notion of India and China as low-cost regions for outsourcing or manufacturing, or both, is no longer entirely accurate. Wages are rising at

double-digit annual rates in many nations once considered “low cost,” including India and Argentina. And the cost of moving goods by ocean or air has shot up with the price of oil. Those are just some of the factors that strengthen the case for nearshoring—sourcing from providers and suppliers in the same time zone or in a region with a similar culture.

More French companies are sourcing IT services from Morocco, for example. One banking giant has set up subsidiaries at the offshoring center known as Casashore in Casablanca that focus on the remote development and maintenance of IT systems. In North America, Softtek, a fast-growing Mexican company, is gaining prominence as a dependable source for high-quality IT services for the US market. The company notes that while rates for its IT work may be higher with this model, overall costs are lower because of efficiencies gained through proximity.

The declining costs of participation in global commerce make it easier than ever for emerging nearshoring companies to compete. Many are evaluating strategies in which some work is outsourced, some is kept in-house and some is nearsourced. This approach allows companies to respond flexibly to shifts in customers’ needs, seasonal demand changes, special promotions and labor availability.

## About the research

For this article we brought together more than 50 of Accenture’s industry research leads and technology and business thought leaders. This group “gathered” in a virtual space for a week to express, in moderated discussions, their views on the most significant trends facing business today. We then tested those views and accumulated new ideas by surveying, in the local language, more than 3,000 new Accenture employees from locations around the world and at every level of the company. This gave us a truly global perspective, one not overwhelmed by our own internal thinking. We then distilled all the responses and comments into the 14 trends and business imperatives identified here.

### 3. Increasing demand for corporate social responsibility

Many consumers, especially in the developed world, expect companies to be good corporate citizens by acting in a socially responsible manner. They are increasingly buying products such as coffee that have “fair-trade” certification; in Europe, the market for fair-trade products increased by a compound average rate of 21 percent from 2000 through 2005.

Employees are also demanding that the companies they work for set and meet high standards as good corporate citizens, and companies are responding in greater numbers by publishing annual social responsibility reports and joining the Global Reporting Initiative. Members of the GRI network follow standard guidelines for reporting publicly on their economic, environmental and social performance. Business-to-business customers are also engaged, ensuring that their supply chains follow ethical practices.

**Business imperative: Research and prepare for new customer-driven corporate social responsibility requirements.**

More customers—and more of their customers—are demanding that their suppliers act in socially responsible ways. For example, in 2006, a large Midwestern US university suspended the sale of one soft-drink company’s

products after students accused the company of causing severe water shortages and pollution in India. The company eventually agreed to an independent environmental audit of its overseas facilities and now strives for “water neutrality” in its operations.

**Business imperative: Tie corporate social responsibility initiatives to the retention of top talent, as well as to hiring.**

According to new research from the Society of Human Resource Management, 70 percent of US workers don’t consider a prospective employer’s corporate social responsibility program very important when evaluating job offers.

However, many current employees consider it important that their companies are in fact socially responsible.

Other research shows that few organizations have figured out how to use these programs effectively as part of their employee engagement efforts. To tap the full potential of their corporate social responsibility initiatives, companies must do a better job of explaining these programs to their employees. Studies also show that companies still have much more to do to determine which initiatives work best for engaging which groups of employees.

### 4. The need for abundant, secure supplies of talent, energy and other scarce resources

The ongoing talent shortage, particularly the scarcity of highly skilled professionals, is a well-known problem. Headlines regularly appear about China’s hunger for raw materials to feed its industrial machine. Energy shortages and interruptions

already afflict businesses in many parts of the world. What’s new here? An understanding of the need to make lemonade from these lemons.

**Business imperative: Turn scarcity into an opportunity.**

## Sharing the energy pain

Over the next 20 years, dependency on imported oil will increase globally—not only in OECD countries but in China and East Asia as well.



Source: IEA: 30 Key Energy Trends in the IEA & Worldwide

There is no shortage of shortages these days. The key, however, is to build contingency plans for the most pressing resource shortfalls, then to dedicate resources to planning for and managing those shortfalls.

Southwest Airlines Co., for example, constantly manages its costs down by aggressively hedging its jet-fuel expenses. The company has guaranteed more than 70 percent of its fuel needs for this year at a price equivalent to about \$51 dollars a barrel for crude oil; most other major US carriers have hedged only between 25 percent and 30 percent of their fuel needs. In its furthest-reaching fuel deal, Southwest has covered more than 15 percent of its needs in 2012 at \$63 a barrel. To achieve their full benefit, risk-mitigation initiatives such as these must be communicated to stakeholders—especially investors.

**Business imperative:** Launch a robust “talent pipeline” initiative to ensure a long-term supply of qualified employees.

Top employers are going to great lengths today to understand future patterns of talent supply and demand, enhancing their hiring and retention practices, tapping underemployed resources, making more flexible use of available employees and getting involved in farsighted public-private talent initiatives.

For example, a large Australian engineering firm came up with a plan to ensure that it has the telephone linesmen it needs for its future infrastructure bids. Because Australia doesn't have enough qualified linesmen of its own, the company is working with a global employee-services firm to recruit skilled English-speaking linesmen from the Philippines on two-year contracts. The best of these individuals are encouraged to stay for the long term. To keep this talent pipeline open, the firm constantly lobbies Australia's government in favor of easier immigration rules for skilled workers.

## 5. National loyalties slowing the process of globalization

The decline of national sentiments and institutions at the hands of globalization has been greatly exaggerated. In fact, protectionist views and actions are on the rise throughout the world, as countries flex their muscles to resist acquisitions of native companies, especially in industries deemed strategic. A similar phenomenon is the rising tide of anti-immigrant agitation in many countries.

At the same time, 45 percent of respondents to an Accenture survey of the communications and high-tech industry said they expect to be global by 2012 (up from 16 percent in 2007); only 3 percent expect to be operating in a single country (down from 19 percent in 2007).

**Business imperative: Develop a global mindset, not a rigid global corporate culture.**

One way to develop a global mindset is to create a set of commonly understood guidelines that determine how people in the company find and evaluate opportunities and threats beyond the company's home market—that is, on a global scale—while permitting local decision making to both best serve the customer and foster innovation.

At global hotelier Marriott International, for example, a global mindset helps spread innovative practices. The company has a program called Worldwide Business Forum in which innovations at Marriotts in different countries are presented. “For example, we show Poland what’s happening in

Lima, Peru, and we showcase work that’s being done in Egypt to people who are in China,” explains Ed Fuller, president and managing director of international lodging.

Another way to build a global mindset is to make your senior management team truly international. In the Accenture communications industry study, we found that only 11 out of 65 companies have even a single representative from the so-called BRIC countries (Brazil, Russia, India and China) on their executive committee. It may be hard to counter protectionism and anti-globalization protests with a top team that is relatively homogeneous. In addition, a parochial leadership team will lack the deep perspective that is so valuable to companies competing in emerging markets.

At the same time, companies should not presume to treat all employees—or customers, for that matter—in a single country as having the same culture or national identity, even in developed nations. Many of today’s employees have spent long periods of time in more than one country, creating sustained connections that deeply affect spending and consumption (for example, continued remittances to family in home countries), social ties, gender roles and relations, and involvement in local politics, as well as cross-border entrepreneurship and business networks. Companies must no longer assume their employees’ fundamental loyalties, mindsets, and values and beliefs are those of the country in which they labor.

## 6. Social networking as a business tool

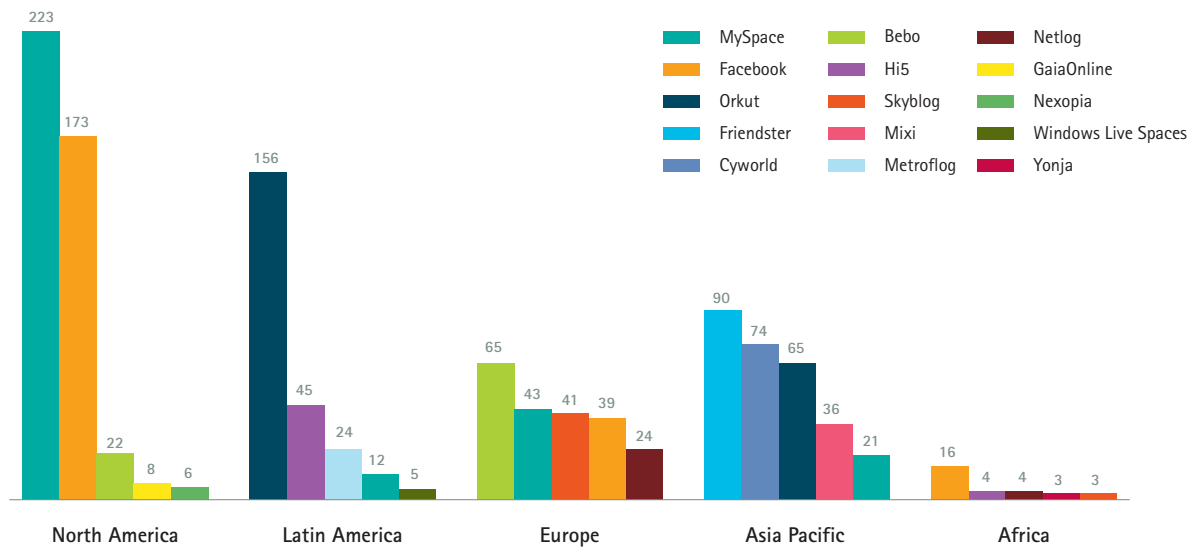
Social networking sites, from MySpace.com in the United States to Orkut in Brazil and India, have become extremely popular. In the

United Kingdom, four out of five users of the Internet are connected to such sites. But this is more than a purely social phenomenon. Social

## More than just a social phenomenon

Social networking is spreading around the world, providing businesses with a powerful new tool for everything from recruitment to R&D.

Millions of hours per month (August 2007)



Source: ValleyMag, 2007; Datamonitor

networking is producing some striking benefits for the businesses that know how to use it.

**Business imperative: Exploit the power of social networks for everything from hiring to R&D.**

The recruiting staffs of leading businesses use LinkedIn and other online networks to search for job candidates, while other companies have built their own online alumni networks to woo back former workers and reinforce bonds with alumni who may become clients.

Others are actively using different online networks to drive collaborative innovation. At one UK telecommunications company, thousands of employees work together on wikis, the online technology that allows anyone to post or edit entries, using them to write software, launch branding campaigns, map out locations for mobile phone base stations, and much more. Meanwhile, US book publisher Doubleday is using Flickr, MySpace and other sites as part of a major marketing campaign to promote the novel *The Gargoyle*.

## 7. Increasing demand for sustainability

Is green the new gold? In fact, immediate opportunities to profit from being green are hard to come by. The question isn't whether businesses should or should not

go green. It's about appropriately matching an approach to sustainability with proper expectations about the timing and scale of benefits.

**Business imperative: Analyze different approaches and benefits to eco initiatives while avoiding self-serving “greenwashing.”**

High performers are constantly alert to where the biggest environmental pressures will come from, how quickly they will surface, and with what impact. Their initiatives can take a variety of forms and earn different kinds of benefits.

For example, General Electric Co., with its Ecomagination initiative, has seized the reputational high ground for its brand. Meanwhile, one computer maker has offered consumers free recycling for any of its branded products at any time, anywhere in

the world. Another approach is boldly strategic: Advantage Rent A Car has made a bet-the-company move, declaring it will become the first major “all green” car rental agency in the United States, converting its entire fleet to hybrids within the next two years. (For related articles, see “The business case for a greener IT agenda,” *Outlook*, May 2008, and “A climate for change,” on page 18 of this issue.)

These approaches may be seen favorably by stakeholders, but there is one caveat: Make sure your initiatives aren’t likely to trigger accusations that they are merely window dressing, or “greenwashing”—the practice of misleading the public about the extent and nature of your green initiatives.

## 8. Major new sources of capital

At large businesses, capital is no longer sourced from the local or regional bank. For fast-growing companies today, funding may just as easily come from a private equity firm, from a partial flotation on an overseas exchange, from a national teachers’ pension fund, or from one of several new and powerful sovereign wealth funds.

**Business imperative: Understand how the new sources and flows of capital can offer advantages as well as risks.**

The world’s financial services frontier is expanding rapidly, in part because of the rapid growth of one of the most important new sources of capital, sovereign wealth funds. Recently, China Investment Corp. and the Government of Singapore Investment Corp., in separate transactions, came to the rescue of three major Western banks facing liquidity crises.

Oil-exporting and East Asian countries together already account for 70 percent of the net capital outflows from countries with current account surpluses. Deutsche Bank Research

reports that Russian outward direct investment has expanded rapidly since the beginning of the decade, and although Russian global corporate expansion is still limited to the oil, gas and metals industries, the trend is gradually spreading to other sectors.

Norway’s Government Pension Fund, the world’s second largest sovereign wealth fund after Abu Dhabi’s investment fund, already owns more than 1 percent of the combined market capitalization of all European bourses. The fund has formed a unit to buy larger equity holdings in targeted companies.

These huge institutional investors offer a clear benefit: large infusions of capital that can be used for everything from underwriting mergers to modernizing plants to reengineering debt loads. The potential downsides? Uncertainty about whether the sovereign funds are in it for the long haul or just want short-term gains, and questions about how active a role they are looking to play in shaping an organization’s future.

## 9. High demand for new and better infrastructure

Stories of collapsing bridges and overburdened water supplies naturally make for alarming newspaper copy. For companies, however, the infrastructure challenges—repairing or replacing it in the developed world, starting from scratch in emerging markets—represent massive opportunity.

**Business imperative:** Evaluate the prospects for participation in infrastructure repairs, upgrades and development.

Areva, the French nuclear company, is expected to build 48 power plants in the next 22 years, a clear response to the rising demand for electricity and the search for alternatives to fossil fuels. Worldwide, aging water-supply and wastewater infrastructure, along with dwindling groundwater supplies, is spurring growth in desalination

and water recycling schemes. This, in turn, is boosting demand for new and replacement water pipelines and related products, such as pumps, valves, and automation and control instruments. Credit Suisse estimates that global water-related capital spending could grow by nearly 7 percent annually through 2025.

In emerging economies, the infrastructure challenge opens up a host of greenfield opportunities for testing and exploiting the latest technologies and new thinking in urban design, for example. Where legacy systems are undeveloped or non-existent, new platforms and approaches can flourish; magnetic levitation transportation systems and solar energy substations are just two of the examples that could show up on the whiteboard during a market development brainstorming session.

## 10. Rapid improvements in the delivery of government services

Technology is improving government responsiveness. On the demand side, technology is making it possible for people to track service delivery and to call for more effective government. On the supply side, government agencies are using analytics to provide more information and better services. (For a related article, see “Uncommonwealth: A new approach to creating public value,” in *Outlook*, September 2008.)

**Public-service imperative:** Follow best practices from the private sector to provide better “citizen-as-customer” solutions.

All across the globe, citizens are more aggressively engaging government agencies with questions, comments and complaints about service. As a consequence, government agencies

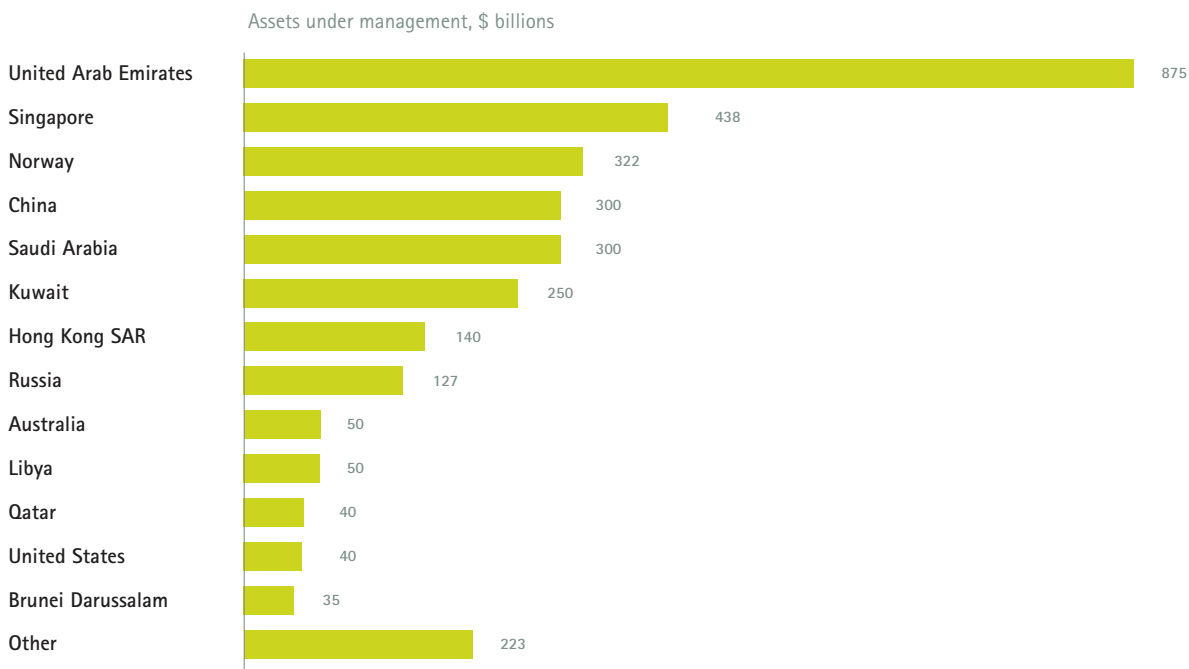
are rushing to establish systems to respond efficiently.

In New York City, for instance, a sophisticated web portal allows anyone to monitor municipal performance—by department, over time, and down to a high level of detail for everything from pothole repair to noise complaints. In Germany, the federal labor department now uses a “status assistant” tool that automatically tracks, analyzes and updates the status of the country’s millions of jobless. The updates replace steps that had previously been conducted manually and improve the data quality and thereby the agency’s statistical evaluation of the job markets.

Such efficiency gains are highly valuable, of course, but public agencies are also using analytics

## Extending the financial services frontier

For large, fast-growing businesses—and for companies in trouble—powerful sovereign wealth funds represent an important new source of capital.



Note: Data on assets under management reflect latest available figures. Some are estimated. Various reporting dates between 2004 and 2007.

Source: Deutsche Bank; Accenture analysis

for what might be termed more strategic efforts. In the United Kingdom, police forces are using data to identify people who are more likely to commit crimes and to take

preventative measures. As one chief constable noted, “We want to exert less effort on investigating each individual crime and more on understanding the criminals.”

### 11. Rising consumerism in emerging markets; uneasy consumers in the West

Gone are the days when newly minted consumers in developing nations were satisfied to buy outmoded or obsolete products and technology—car models, for example, that had long since disappeared from showrooms in the United States or Europe.

Today, high performers are designing and producing new offerings specifically for targeted populations of new, eager and increasingly demanding

consumers in both developed and developing markets. And they are focusing as much on customer experience as on delivery of products. (For a related article, see “Why winning the wallets of China’s consumers is tougher than you think,” *Outlook*, September 2007.)

**Business imperative:** Capture the value of design, in both products and experiences.

High-performance businesses are constantly on the lookout for the next high-margin opportunities—offerings they can take out of the realm of the commodity and convert into something special that delights consumers.

Consider the humble office binder clip, typically available in black. When sold in colors, this unlikely symbol of consumerism commands nearly a penny more per clip than the standard black version. And the unit price of a new, deluxe or designer binder clip, meant to make a statement about its owner, can be many times that of the standard versions.

Retailers selling these and similar designer products know there are more profit opportunities in consumerism than many business leaders think. These days, the new consumerism extends well beyond the point-of-sale impulse purchase to entirely new products, product categories and services. And it is now a truly global phenomenon as common in Beijing or Mumbai as it is in Birmingham, England, or Birmingham, Alabama.

Websites such as thecoolhunter.net speak volumes about the growing interest in what's new—or, more properly, what will be new. As multiple media channels convey the concept of “cool” worldwide to burgeoning consumer classes in India, China, Brazil and elsewhere, the businesses with the most far-sighted trend watchers will be positioned best to capitalize on the rising tide of affluence.

Taking advantage of the new consumerism also requires companies to give the less affluent what more prosperous consumers have had, again through creative design. Think of the recent debut of Tata Motors' tiny Nano car or the development of the Jaipur Foot, an

affordable prosthesis that has helped millions of land-mine amputees throughout the developing world lead normal lives.

The phenomenon also means giving wealthier consumers all sorts of new offerings, such as elective surgery in exotic travel destinations.

**Business imperative:** In all markets, recognize the growing need to customize products and to provide consumers with personally valuable experiences.

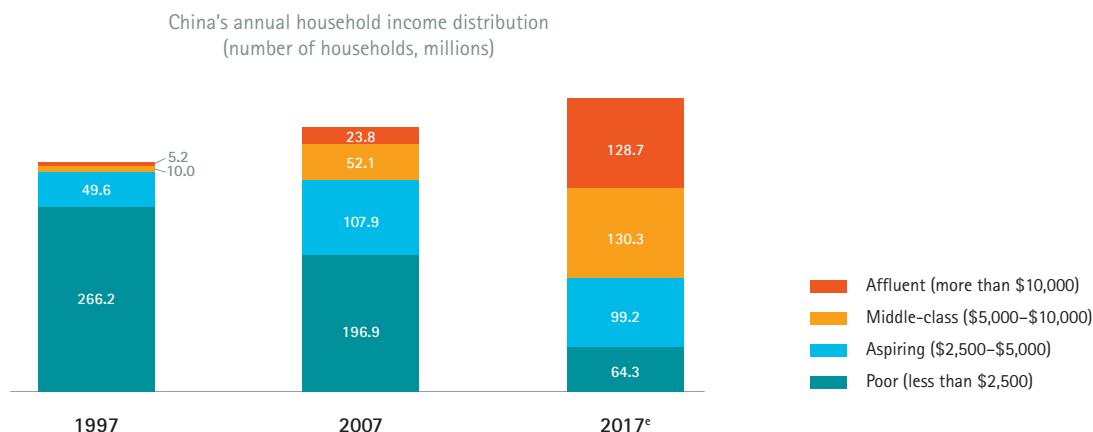
The desire for individualism is a powerful economic force. While that has been true in the developed world for some time, it is increasingly the case in emerging markets too. In 2004, Yellow Hat, a leading Japanese retailer of automobile accessories, opened its first store in China with that nation's swelling ranks of car customizers very much in mind. Like other top-performing companies, Yellow Hat understands that more and more Chinese consumers want products tailored to their individual needs and preferences.

But the high performers' approaches to customer-centricity now go beyond the mere tailoring of products. They are refocusing their design efforts on the entire experience they provide, from the first impressions created by advertising to the day-to-day experience of using a product until it is upgraded or replaced.

Accenture's global customer satisfaction survey shows that more than three-quarters of global consumers are more inclined to continue doing business with a company that delivers a positive service experience. A third of the consumers in the global sample have higher expectations for customer service today than they did one year ago.

## The new consumers

High performers are targeting populations of new, eager and demanding consumers in developing countries such as China.



Source: Euromonitor International; Accenture analysis

## 12. Evolving sources of trustworthy information and advice

Trust can now be conveyed in new messages and through new media. In a world where trust is more perishable than ever—where one negative experience can color a buyer's perceptions forever—businesses must figure out how to effectively capitalize on the trust they have built while at the same time protecting their hard-won reputations. They must also learn how to harness the democratization of information—particularly the Web-based input and unfiltered opinions of self-anointed “experts” and dissatisfied customers—to help market their offerings, handle problems and keep their brands strong.

**Business imperative:** Turn your reputation for trustworthiness into revenue.

High performers recognize that in a world increasingly awash in selling messages and infomercials, trustworthiness is a more valuable commodity than ever. Jet engine manufacturer Rolls-Royce Group is successfully

monetizing its longtime reputation for quality and reliability, for example, and now gets more than half of its annual revenue from service agreements with major airlines.

Most businesses have untapped opportunities to package and sell more of what they are known and trusted for. Their brands may give them the opportunity to expand into adjacent categories. Toolmaker Stanley Works, for example, has spurred growth by licensing its trusted name to manufacturers of products ranging from wheelbarrows to work gloves.

**Business imperative:** Find new openings and better approaches to manage opinion.

About a third of American travelers who research trips via the Web read reviews written by fellow travelers, according to Forrester Research. About one-third of those who book hotels online have changed plans based on other travelers' comments.

Other research shows that more than half of the respondents to another survey consider “consumer-generated content” about travel to be credible compared with a little more than a third who trust descriptions created by a hotel or other travel supplier.

In consumer goods, sites such as Epinions and alaTest rely heavily on customer reviews. Indeed, Epinions pays for those reviews.

Today’s high performers not only use new media to make it easier for savvy marketing teams to manage rumors and control reputations. They

are finding innovative ways to use the democratization of information to generate new revenue—for example, asking their customers to help market to other consumers by providing online product testimonials.

Others are going even further: Trip-Advisor, the travel advisory web service, uses a social networking feature that enables travelers to get tips from friends they trust.

Epinions features the “Web of trust”—a network of consumers whose reviews and ratings a shopper has consistently found to be valuable.

### 13. “Free” as a legitimate business model

The core concept of getting something for nothing is not novel. For the better part of a century, we have listened to the radio for free, and for many decades, we watched broadcast TV at no cost. What is new is the rate of proliferation of genuinely free offerings—from the harvesting of information offered by Google to the removal of household junk by a raft of new services. What’s also new is the increased prospects of harnessing “free” as a business model in its own right.

**Business imperative: Decide what parts of your business you could profitably offer for free—and the parts competitors could give away before you do.**

Increasingly, “free” means exactly that. It is no longer just the no-cost printer subsidized by sales of ink cartridges or the giveaway cell phone with the costly monthly plan behind it. Today, “free” means products and services offered for literally nothing because they are now infinitely reproducible in digital form.

Some examples: free long-distance phone calls using Skype, free e-mail

services from Yahoo, and free photo-sharing and editing services from Picasa, offered by Google. What these companies have in common is that they also replace goods and services that were once sold for a price by leading companies with a different business model.

Companies can even compete to give things away for free. Wal-Mart Stores’ website, for example, now offers a free classified ad service. Shoppers can post or browse ads for items like cars, real estate, theater tickets and jobs—products and services not traditionally available from Wal-Mart but that are available on other free classified ad sites.

The appeal of “free” is a constant, but the reach and immediacy of the Web, coupled with the zero marginal cost of reproducing digital offerings, mean the concept is more flexible and powerful than ever as a deliberate business approach. Yet companies must be careful. “Free” is easy to get used to and hard to take away. One entertainment company is finding that out now after it shut down a popular online game that had been free for years; tens of thousands of fans have mounted a vigorous protest.

## 14. The rise of Africa as an important source of demand as well as supply

With its history of political and social unrest and the relative lack of development in many of its nations, Africa was rarely considered a favorite destination for investors. But new moves to market approaches and better systems of resource management are changing the old paradigms. Where most see turmoil and instability, bold investors are seeing opportunity and manageable risk. Throughout the continent, the number of armed conflicts is decreasing, poverty and fertility rates are down, and literacy is rising steadily.

**Business imperative: Map Africa's new market opportunities in light of global competitors' moves, while keeping an eye on infrastructure challenges and political conditions.**

Business leaders who were caught off guard by the pace and scope of China's growth should not be surprised if economic development in many African nations exceeds expectations. Long viewed primarily as sources of raw materials—from Sudan's huge exports of arabic, a gum that provides foam stabilization in carbonated and non-carbonated drinks, to Malawi's imminent emergence as a uranium producer—many nations in Africa also offer capable employees.

India is already looking to Africa for workers for its planned projects across

the continent. The Tata Group, for example, is planning to invest nearly \$800 million in the auto, hospitality and IT industries. The money will go toward, among other things, luxury hotels in Nigeria (on the heels of a similar project in Zambia), a steel plant in South Africa and a vehicle assembly plant (also in South Africa).

Opportunities for outsourcing call centers and other business process activities to the region are starting to take root as well. In South Africa, for example, tens of thousands of people were already working in call centers by the end of 2007. Botswana is so eager to attract employers that it is offering to pay companies two dollars for every dollar they spend on training call center employees in the country. KenCall, a call center firm in Kenya, is servicing customers from the United Kingdom and United States.

African nations will also likely become accelerators of demand growth. There are many relatively uncontested markets in telecommunications, infrastructure development and consumer markets for service providers as well as goods vendors.

In Kenya, mobile phone provider Vodafone is pursuing the base of the pyramid—the myriad users whose small purchases add up—with its M-PESA mobile phone banking initiative.

For the business strategist contemplating the already complex multi-polar world, the trends identified are daunting. But cherry-picking the easiest ones isn't the solution. Global companies should mobilize their considerable resources to fully understand the implications of each trend, and the imperatives that go with them—each one a call to action. The aspiration to high performance demands no less.

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