

Accenture Australian Business Agenda 2008 Video Series



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Strategy

The new competitive reality

Michael Pain

Hello and welcome to the Australia Business Agenda 2008 Video Series, a series of interviews with senior executives within Accenture's Australian Management Consulting and Integrated Markets practice. The Series tackles some of the key challenges facing organisations operating in Australia today.

Over the past two years emerging market multinationals have become a major force in global business. In 2007 almost one in seven of the companies in the Fortune Global 500 were from emerging markets. By the end of that year, China was home to the largest corporation in the world by market capitalisation. Technology has empowered entrepreneurs and innovators and shortened the time to market for new ideas. Australian enterprises are, as a result, presented with an array of non-traditional competitors which requires them to adopt a completely different mindset.

Robert Rutledge, a senior executive lead for Accenture's Strategy practice discusses the new competitive reality for Australian enterprises and provides senior leaders with advice on how to prepare and act in this new competitive reality.

Question

Is there a new competitive landscape for Australian businesses?

Robert Rutledge

There are new competitive realities that are facing Australian companies. Competition is not coming as much from traditional domestic competitors, but rather from overseas. In many cases those overseas competitors are not from the more developed countries as they were in the past but rather less developed countries that are then moving into traditional, mature markets.

Question

What does this mean for Australian businesses?

Robert Rutledge

Australian companies are going to need to think about competition in a brand new way. This specifically means three different things: they need to consider competitors that are not in their traditional business; they need to consider competitors that are overseas rather than in the traditional markets; and they need to do competitive reviews in a much shorter timeframe than they have before.

Question

Can you expand on the different threats?

Robert Rutledge

The first is non-traditional competitors. In

general as markets have matured we are much less industrial in nature in a large portion of our business. The products that we are selling are not physical as much as they are intellectual property, services or content of some sort. These types of services and products can cross borders much more easily. They can also be produced by competitors that are not the traditional, 'brick and mortar' type. They can be produced in somebody's garage or basement or by a 15 year old. So these kinds of new products are going to be coming from competitors that were never expected from the traditional companies.

Let us consider all of our media players and where new media and user generated content is coming from. It is not coming from the studios, rather a large portion of that on You Tube or Myspace is user-generated content, somebody with a camcorder. These are just some examples of where new competitors can come from. The same thing happens in the software industry. Brand new software is being delivered on Linux which is then being able to be mass distributed over the internet in ways that it never had been before.

Now to my second point; in general the competitors you would normally consider reside in your individual market or your individual geography but that is not the case anymore. Global competitors are moving into new markets and the competitors from developing countries are moving into more mature markets, so it is much more likely that competitors are going to be crossing borders in their activities. That means that you can no longer look within your market boundary in the way you may have before; you have to look overseas and you have consider who your next step competitors could be rather than who your traditional competitors are.

Finally, because of the combination of all these factors, the timeframe for evaluating competitive pressures has significantly reduced. You used to be able to do a competitive review every couple of years and make it part of your long term planning. Now a 'sweep' of competitors needs to be undertaken

quarterly to understand not only our current competitors but potential next-generation competitors that are coming from overseas or developing within our own shores.

Question

How should Australian organisations respond?

Robert Rutledge

Australian companies that are facing this new competitive landscape need to think about the way that they can rework their operating model. This covers every aspect of how they source products, how they deliver them to customers, and how they support them out in the market. Across their entire value chain they need to be thinking of new ways in which they can deliver products to customers by adding value to that delivery, and to the products themselves. How they can source those products more cheaply? How they can source those higher quality products or deliver higher quality products by their value add? How they can actually incorporate all these into their overall operating model?

We talked about the competitive nature of the operating model and how companies are going to need to consider competitors. In addition to competitors, they need to be thinking how they can incorporate innovation into their operations going forward. This is everything from leveraging lower cost labour pools or leveraging technology. Technology is a key example of the way that they could gain a competitive advantage. This does not necessarily mean that they are can or need to incorporate all of the latest technology, but it does involve taking a deliberate look at technology that is available and then applying it in a way that would provide an advantage in the market.

Question

What role should technology play?

Robert Rutledge

Technology is one key aspect of the answer to being able to be competitive in this new reality, but it is only one aspect of it. The reality is that business

value that people can get from technology is dependent on the way that they do their business itself; so the way they leverage that technology in order to drive value for their customers, shareholders and employees in order to do business in a different way. It is not the technology itself.

Question

Is outsourcing a solution for Australian companies?

Robert Rutledge

Outsourcing should absolutely be a consideration for Australian companies. Whether it is the answer for companies depends very much on the function that they are providing and the direction that they are taking with their overall operating model. But outsourcing is something that every company should evaluate, particularly as to how it might work for them across non-core areas, or those areas where they are running at a much higher cost without any competitive advantage.

Question

How would you describe the outlook for business in Australia?

Robert Rutledge

As we look forward into the future, Australia can look forward to relative prosperity, at least in the short to medium term. A large portion of the Australian economy is built on resources and resources are doing very well in the overall market and there is no end to that in sight. In addition Australia is investing in some of its infrastructure, which will allow it to be competitive in the global market going forward. Fibre network initiatives and efforts to up-skill labour are both initiatives that are going to help us be prosperous in the world going forward, particularly as we start thinking as a global economy.

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