



Making the trend your friend

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

Predicting the future is the easy part. What really matters is the ability to harness waves of change and use them to achieve high performance. Here are 10 crucial global trends and the actions organizations need to take to create their own future.



On Wall Street, they like to say that “the trend is your friend.” Most management experts feel the same way and can reliably be counted on for commentary about the most important trends affecting markets and business. Yet few of those voices are able to prescribe the specific steps organizations should take to get out in front of those trends.

Accenture recently completed a comprehensive analysis and visioning project that fills this action void. In addition to being a research-based analysis of the most important global trends—business, social and technological—it links those trends to specific actions organizations should be considering right now if, as the late Peter Drucker once wrote, they wish to create the future, not just predict it.

What makes this analysis particularly pertinent is that it has been filtered through the key insights that have emerged from a larger strategic initiative—Accenture’s High Performance Business research—including consideration of the impact of each trend on the three “building blocks” of high performance: market focus and position, distinctive capabilities and performance anatomy.

This additional inquiry helped us determine the importance of each of the following 10 trends to business performance, and informed our choices of the business imperatives companies must follow to achieve or maintain high performance.

We observed that each trend dictates a slightly different configuration of these building blocks—and therein lies one of the secrets of high performance: High performers detect the implications of trends for the distinctiveness of their capabilities, the strength of their market focus and position, and the vigor of their performance anatomy. They then take action to shape their own futures while their competitors are preoccupied with imitating the high performers’ current successes.

1 Permanent, increasingly pervasive information connectivity

- Information technology is extending not only its horizontal reach but its vertical reach—delving deeper into patterns of behavior or into operational information, enabling richer knowledge about companies, products and customers. Companies know more about their customers, but customers also know more about companies' products and services.

Imperative: Maintain competitive advantage by counteracting pricing transparency.

As customers become increasingly comfortable shopping online, they learn how easy it is to compare market prices, inventories and even production costs. As a result, pricing and discounting have been upended, with the average retail discount in the United States rising from 10 percent to 30 percent between 1967 and 1997.

Of course, companies that generally come out on top in a comparative search will welcome price transparency. Toyota Motor Corporation, for example, even provides a link from its website to the comparative pricing at www.edmunds.com, thus using pricing transparency to its advantage.

But most companies will be vulnerable. One way companies are responding to the threat is by using the same IT trend to create a slew of enhanced pricing and revenue optimization capabilities, including ones for revenue management, markdown management, dynamic pricing, promotion

optimization and customized pricing. Beyond this approach, however, companies must learn ways to bundle products and services to create new kinds of value in the eyes of customers, so it becomes more difficult for them to make simplistic comparisons. Companies will also find value in enabling customers to reduce information overload, helping them overcome the “decision paralysis” that can result from an overabundance of purchase information.

Imperative: Create real-time business and market insights to change the competitive game.

Increasingly sophisticated software and tools will enable companies to use analytics not only for better decision making but as a competitive weapon as well. The ability to derive real-time insight from predictive analytics can help a high performer dominate the game, or even change the game entirely. Amazon.com uses analytics to predict what products will be successful and to optimize the efficiency of its supply chain. Supply chain

analytics also help companies such as Dell and Wal-Mart to reduce inventory and stock-outs. Harrah's Entertainment competes on the basis of analytics for customer loyalty and customer service, rather than predominantly relying on building mega-casinos, as many of its competitors do.

Imperative: Engineer the context and nature of work for optimal performance.

Permanent information connectivity is fundamentally changing the way employees, teams and businesses communicate, collaborate and interact with one another. Organizations must be proactive about designing work tasks and flows to increase productivity and to enhance the kinds of collaboration that more frequently result in innovations. For example, investment bank Dresdner Kleinwort Wasserstein uses “wiki software,” which enables workers to collaborate on web pages, to encourage teamwork among its traders and bankers; the technology has also replaced e-mail and conference calls for tasks like pricing international bond offerings.



2. The ascendancy of major emerging economies

Competitive advantage across industries in the coming years will be determined in large part by the manner in which companies anticipate both the opportunities and the threats of four vital emerging economies: Brazil, Russia, India and, especially, China.

Imperative: Prepare to compete in the Chinese industry segments that are right for your business.

China already is one of the largest global consumer markets. The Chinese, for example, buy 16 percent of the world's refrigerators and 33 percent of the world's air conditioners. Moreover, China's large domestic market is creating strong local companies that are expanding beyond the country's borders and vying for spots as leading global players. Haier Group, for example, has in just 22 years grown into a global brand and the world's fourth-largest whitegoods maker.

The key to proactive entry strategies in China and the other emerging economies is selecting the right segments, based on specific industry dynamics, and then managing risk accordingly. The Chinese marketplace is anything but monolithic; the country has more than 20 provinces and multiple languages and dialects. Accenture recently began discussions with a local company there about CRM services in the communications industry. The company suggested doing a "small trial"; "small," in this case, turned out to be 50 million people. (For related articles, see our Special Report on China, which begins on page 32.)

3. The accelerating pace of globalization

The pace of globalization and its effects have increased dramatically because of ubiquitous information connectivity. When major business functions, from production to sales, can be performed almost anywhere, it presents companies with unprecedented opportunities for both cost optimization and brand extension.

Imperative: Create best-of-breed global solutions for operating businesses with the best capabilities at the lowest possible cost.

Optimizing cost in a global labor market is about more than moving jobs to low-wage countries. Increasingly, it is about creating a global network in which every location is put to its best use, independent of its labor costs or even if the company sells or produces in the country.

Consider American appliance maker Whirlpool Corporation, which

makes its microwave ovens in southern China and its washing machines in Germany. Despite Germany's relatively high labor costs, it has the necessary technology, as well as a trained workforce and a factory already tooled to the company's needs. If Whirlpool had focused its strategy only on labor costs, it would have missed the nuances of the global sourcing strategy by which it was ultimately able to expand its capacity at a very incremental investment. (For a related article, see page 86.)

Imperative: Pursue a transformative outsourcing strategy.

The globalization of work and the removal of global sourcing barriers will create much more flexibility in an organization's value chain, and outsourcing models will actually become a strategic means by which to fine-tune that value chain. With the new discipline of "capability sourcing," more and more of that value chain will be outsourced.

One noteworthy example is Toshiba Corporation's hiring of logistics provider UPS to administer its customer PC repair processes. Companies will continue to more easily mix off-the-shelf and customized

solutions to quickly gain new benefits from outsourcing activities, which range from application and business process outsourcing, through vertical outsourcing, to partnering to offshore owned and shared assets. Such a strategy is already in place at a number of companies, including Procter & Gamble, which has pursued outsourcing solutions in the United States and Europe for a range of corporate functions such as human resources and IT.

Imperative: Enable a brand strategy that is simultaneously global and local.

Yes, a brand must have global

appeal. But global marketing must be accompanied by greater product and marketing differentiation, with brands adapted to local markets. For example, although McDonald's has adopted uniform brand packaging throughout the world, during 2006 the company is including nutritional value charts on the product packaging that are designed to be visually appealing to local markets. Procter & Gamble adjusts its branding strategy depending on regional perceptions. For example, it prominently displays the company name on its packaging in Asia, but in the United States and Europe it focuses instead on its product brand names and images.

4. Rapidly changing demographics

In both industrialized nations and emerging economies, a large percentage of the workforce will soon retire, resulting in the loss of critical knowledge and skills. Because of declining fertility rates in many developed nations, retiring workers are not being replaced fast enough, which raises the specter of global shortages of highly skilled labor. The situation is particularly troublesome in the public sector. Meanwhile, huge areas within both rich and poor nations are being hollowed out by the mass movement of populations to urban zones.

Imperative: Support workforce performance to raise the productivity of every employee.

As the number of skilled workers declines in some industries, companies must focus on getting the most out of those who remain, on developing strength in what we call an organization's performance anatomy—the integration of elements such as leadership and strategy, people development and performance management. By taking a more comprehensive approach to talent management, companies must become effective "talent multipliers," able to increase the productivity and impact of each employee. Com-

panies such as Yahoo are already becoming more sophisticated at developing a "talent organization"—a holistic approach to managing talent that attracts, hires, develops and retains the workers needed to achieve high performance.

Imperative: Treat employees like a "workforce of one."

Successfully managing human capital is becoming increasingly challenging in a world where more workers are temporary; where they want to carry their learning, performance history, health care records and more between employers; and where generational differences—between Gen X and Gen

Y as well as with Baby Boomers—lead to misunderstanding and resentment in the workplace. Companies must therefore create new employment value propositions, which, in turn, require different people capabilities and tools.

In addition, to counteract the effects of skills shortages, companies must both retain their best workers and ensure that each worker is supported by the organization's best knowledge and experience. For a start, companies are increasingly tailoring benefits—for example, allowing employees to choose not only individualized retirement and medical plans but also more wide-ranging and important

components of their jobs, such as work hours, location and vacation days. The result is increased employee satisfaction, engagement and retention. Companies are also modifying everything from leadership styles to levels of social activism to be more fully responsive to these changes.

In terms of supporting individual performance, role-based knowledge portals, or “performance workspaces,” are now supporting specific performance needs of workers. BT

Retail’s performance workspace for its call center employees, for example, has increased employees’ confidence in their ability to perform well by 23 percent, and also produced call handling efficiencies that generated \$6 million in savings.

Imperative: Focus on offerings that leverage or address the effects of urban congestion. The percentage of the world’s population living in cities is expected to grow to 61 percent by the year 2030,

up from just 30 percent in 1950 and 48 percent in 2003. Denser urban environments create many business opportunities for those companies that can think creatively outside their existing business models. One example is the development of “small box” formats by retailers such as Wal-Mart and The Home Depot.

Another recent phenomenon is the “lifestyle center,” a roofless retail center in an urban setting that features primarily upscale retail stores meant

Action plan

Ten key global trends are already driving the issues that will redefine business in the near future. To respond successfully, companies need to follow specific business imperatives.

Key trends	Key business issue	Business imperative
1. Permanent, increasingly pervasive information connectivity		
<ul style="list-style-type: none"> Increasingly informed buyers and the search for arbitrage possibilities Increasing consumer bipolarity—bargain shoppers versus mass affluence 	Creating pricing power	Maintain competitive advantage by counteracting pricing transparency
<ul style="list-style-type: none"> Increasing ability to use technology as a predictive indicator and to generate business insight Continuation of Moore’s law, growth in processing power Information extending its horizontal and vertical reach 	Competing on business analytics	Create real-time business and market insights to change the competitive game
<ul style="list-style-type: none"> Employee, team and business enablement through IT Rise in “knowledge work” and “knowledge workers” 	Improving knowledge worker productivity	Engineer the context and nature of work for optimal performance
2. The ascendancy of major emerging economies		
<ul style="list-style-type: none"> Rise of economic influence of Brazil, Russia, India and China New emerging market opportunity of 1 billion middle-class consumers in China 	Winning in China	Prepare to compete in the Chinese industry segments that are right for your business
3. The accelerating pace of globalization		
<ul style="list-style-type: none"> Falling barriers to trade Rapid decline in transportation costs and increase of delivery speed of both physical and information-based goods Step change in ability to address complexity and coverage of global supply chain capabilities 	Achieving high performance global sourcing	Create best-of-breed global solutions for operating businesses with the best capabilities at the lowest possible cost
<ul style="list-style-type: none"> Declining costs of outsourcing/continued growth of BPO Growing labor and knowledge worker markets in emerging, low-cost countries 	Extending business networks	Pursue a transformative outsourcing strategy
<ul style="list-style-type: none"> Increasing prosperity in developing countries Growing ease of market entry for foreign brands Increasing exposure to foreign brands through media 	Becoming a truly global brand	Enable a brand strategy that is simultaneously global and local
4. Rapidly changing demographics		
<ul style="list-style-type: none"> Aging knowledge workers, many with critical skills and capabilities, exiting the workforce Global shortages of highly skilled labor, versus projected demand 	Managing human capital shortfalls	Support workforce performance to raise the productivity of every employee
<ul style="list-style-type: none"> Generational differences in goals, aspirations and expectations 	Managing diversity in the workforce	Treat employees like a “workforce of one”
<ul style="list-style-type: none"> Increasing percentage of urban dwellers Movement to “edge cities” as well as major cities Migration of disadvantaged workers to commercial centers 	Responding to the new realities of place	Focus on offerings that leverage or address the effects of urban congestion

to attract higher-income shoppers. The appeal is not only the quality of the merchandise but also the experience of the “good old days,” when small, downtown shopping centers provided comfort and a sense of community, as well as easy access and the ability to make quick purchases.

Public-sector entities are also responding to these demographic trends with innovative thinking of their own. Several local governments in the United States have moved to

implement “congestion pricing”—higher tolls on the busiest highways or during high-traffic hours, for example. They also have begun to partner with the private sector. The state of California has been an early adopter of highway privatization, and the state of Indiana recently leased one of its major highways to a Spanish-Australian consortium for several billion dollars.

Key trends	Key business issue	Business imperative
5. An increasingly complex and fragile business environment		
<ul style="list-style-type: none"> Increasing complexity creating increased business susceptibility to failure Increasing precision and decreasing fault tolerances built into today's business operations Rising cost for even momentary lapses of service or access Increasing mobility, reach and empowerment of the disaffected, with increasing ability to do serious harm 	Securing the business	Secure the business and create security-based value-added offerings
6. Shorter time frames for decision making		
<ul style="list-style-type: none"> Accelerating rates of imitation and commoditization Increasing ability to reverse engineer due to increased business operations transparency Increasing limits to IP protection, shrinking the duration of first mover advantages Increasing access to low-cost sources of everything, strengthening every company's ability to compete on price 	More effectively managing enterprise performance	Develop the capability to comprehensively view and act on business performance in real time
7. Shrinking windows of profitability		
<ul style="list-style-type: none"> Faster global learning creating faster imitation, substitute creation and leapfrog solutions Accelerating rates of commoditization, leaving smaller profits from which to invest in next-generation offerings 	Accelerating growth and innovation	Innovate rapidly or die
8. Rapidly changing industry and market boundaries		
<ul style="list-style-type: none"> Increasing M&A, divestiture and partnering activity, driven by globalization Blurring of industry boundaries underpinned by digital convergence Globalization of markets affecting the optimal scale required to compete Enhanced global and technology-enabled competition for scarce resources, including valuable customers and market position 	Quickly obtaining and benefiting from optimal scale	Accelerate value through rapid acquisitions and divestitures
9. A growing public demand for more corporate transparency and better governance and accountability		
<ul style="list-style-type: none"> Increasing demand for transparency in accounting and reporting standards Global response to significant corporate scandals Executive compensation under increasingly intense scrutiny 	Becoming a better and more transparent company	Transform the governance mindset from compliance to value creation
10. An explosion of the life sciences economy		
<ul style="list-style-type: none"> Billions of new consumers joining global economy and requiring health care Aging populations and increasing life expectancies demanding increasing amounts of health care Evolving health care systems and regimes in national governments New affluence creating demand for high-end health solutions and health management regimens New threats of global epidemics and pandemics 	Improving the world's health profitably	Find or create the linkages between your offerings and individuals' better health, and exploit it

5. An increasingly complex and fragile business environment

As business solutions and services become more elegant and complex, they also become more fragile and susceptible to business failure and security risks. With ever-larger infrastructures with more components, more things can go wrong. High mobility and extended customer reach increase the possible points of attack for those seeking to breach both information and physical security.

Imperative: Secure the business and create security-based value-added offerings.

Security is one of the salient concerns for the 21st century, as

businesses and governments look for solutions not only to protect both information and physical assets in real time but also to recover in the event of disasters. One financial services group, for example, had

responded to some information security concerns during the 1991 Gulf War by developing “mirror sites” (redundant backups) for its most critical information systems. Consequently, within an hour of the 2001

Global trends and high performance

As shown below, the business issues associated with each global trend (see story) will have direct impact on the three building blocks of high performance: market focus and position (MF&P); distinctive capabilities (DC); and performance anatomy (PA).

Business issue	Why it's important to becoming a high-performance business
1. Creating pricing power	<p>MF&P: Selling at high prices is key to determining and targeting attractive markets</p> <p>DC: Selling at prices above the competitors' is a measure of the distinctiveness of a company's capabilities</p> <p>PA: Pricing is realized through employees, particularly sales forces, which need the relevant mindsets to succeed</p>
2. Competing on business analytics	<p>MF&P: Applying business analytics can reveal new market opportunities as well as optimal positioning with customers</p> <p>DC: Incorporating business analytics into the value algorithms that define the distinctive capabilities of high-performance businesses offers an unprecedented opportunity</p> <p>PA: Having an IT-as-strategic-asset mindset requires thorough consideration and the regular use of business analytics</p>
3. Improving knowledge worker productivity	<p>MF&P: Competing on organization design requires aligning business goals with the best models and methods of conducting work</p> <p>DC: Efficient and effective work processes are critical to defining and executing successful business models or value algorithms</p> <p>PA: The right work environment and processes are essential for developing and sustaining high-performance mindsets</p>
4. Winning in China	<p>MF&P: High performers will see new and expanded market opportunities, new ways to organize and new requirements for scale</p> <p>DC: The increasing volume of competition threatens the distinctiveness of existing business models and enables new capabilities</p> <p>PA: Serving this market requires new employee mixes and interaction, putting established mindsets at risk</p>
5. Achieving high-performance global sourcing	<p>MF&P: Requires drastic rethinking of how best to compete through organization design, now and in the future</p> <p>DC: Demands new capabilities just to maintain parity/the status quo, and threatens existing distinctive capabilities with new, higher-precision, lower-cost solutions</p> <p>PA: Requires expanding key mindsets across global operations, including into employees at suppliers and business partners</p>
6. Extending business networks	<p>MF&P: New sourcing opportunities require rethinking which markets can be successfully entered, and how best to organize to compete</p> <p>DC: New capabilities can be brought into the mix to design or redesign distinctive capabilities</p> <p>PA: The mix of relevant employee bases is changing dramatically, requiring a rethinking of culture and mindset development</p>
7. Becoming a truly global brand	<p>MF&P: Global brand strength affects market attractiveness and organization design strategies</p> <p>DC: Global brand strength is often critical to a distinctive capability</p> <p>PA: Brand image and values are reflected in the decisions and behaviors of employees, creating the need to align changes in both</p>
8. Managing human capital shortfalls	<p>MF&P: A company's ability to get the most out of employees is a critical consideration in market selection and organization design</p> <p>DC: Changes in demographics challenge existing distinctive capabilities that rely on human capital, and create fresh opportunities for new value algorithms with a different mix of physical and human capital</p> <p>PA: Getting the most productivity from human capital means fundamentally altering existing strategies</p>

terrorist attacks on the World Trade Center in New York, a mirror site in another city had already taken control of the company's mission-critical systems.

Security will also become a revenue generator for companies that develop innovative products and services to protect businesses and consumers from the effects of fraud, identity theft, computer viruses and other kinds of privacy or security violations. Products or services with embedded security features will grow in importance.



Business issue

Why it's important to becoming a high-performance business

9. Managing diversity in the workforce	<p>MF&P: Allows dramatically smaller markets to be considered and tailored to, and forces a rethinking of the best organization design</p> <p>DC: Forces a rethinking of optimal resource allocation in implementing the business model</p> <p>PA: Increases the challenges in creating and maintaining shared mindsets</p>
10. Responding to the new realities of place	<p>MF&P: Requires a focus on more distant strategy horizons, creating emerging market opportunities for new and modified offerings</p> <p>DC: Creates a new space in which to define new business models, requiring new capabilities and skills</p> <p>PA: Places additional importance on having a pervasive market-making mindset, as well as an execution mindset</p>
11. Securing the business	<p>MF&P: Target-market and organization decisions must consider the reliability and resilience of the resulting company</p> <p>DC: Reliability and precise, flawless performance will increasingly move from being a distinctive capability to being a must-have capability</p> <p>PA: Human capital and talent will become an increasing risk to flawless execution, as well as a critical enabler of it</p>
12. More effectively managing enterprise performance	<p>MF&P: New perspectives on what their real capabilities are, and an unprecedented ability to manage to shareholder value, will more tightly link companies and their business performance to share price performance</p> <p>DC: Real-time performance data creates unprecedented ability to create fast learning loops to hone business models</p> <p>PA: A wealth of new metrics that must be considered for inclusion in a high-performance selective scorecard</p>
13. Accelerating growth and innovation	<p>MF&P: The lifespan of current attractive business strategies must be reconsidered</p> <p>DC: Distinctiveness must be more carefully considered in light of new levels of imitability</p> <p>PA: Talent multiplication will increasingly rely on the creativity of employees</p>
14. Quickly obtaining and benefiting from optimal scale	<p>MF&P: Parenting strategy and organization design become more critical to corporate success</p> <p>DC: The ability to rapidly obtain and benefit from optimal scale becomes a more likely basis for distinctive capability</p> <p>PA: World-class performance anatomy is necessary to execute on the resultant new global organization structures</p>
15. Becoming a better and more transparent company	<p>MF&P: Constrains the range of possible competitive organization designs due to the need for transparency</p> <p>DC: Threatens value algorithms and distinctive capabilities by making them more visible and easily imitated</p> <p>PA: Creates new possibilities for multiplying talent by engaging employees in creating a more socially responsible company</p>
16. Improving the world's health profitability	<p>MF&P: Demands the consideration of new critical markets, global market direction and the evolving economy</p> <p>DC: Offers new opportunities to define and execute previously unattractive value algorithms related to health care and maintenance</p> <p>PA: Requires a mindset of continuous renewal, embracing large-scale change as opportunities emerge</p>

6. Shorter time frames for decision making

The increasing pace and complexity of business today means managing almost moment to moment, with an eye on both cost optimization and the quality of business performance. But many managers find themselves either unable to access the data needed to inform their decisions fast enough through their legacy IT systems, or overwhelmed by the amount of data available to them.

Imperative: Develop the capability to comprehensively view and act on business performance in real time.

Recent research has clearly shown that effective enterprise performance management capabilities are critical to achieving high performance, and can increase a company's ability to create value. A *Harvard Business Review* study shows that companies with best-in-class performance management processes achieved nearly 3 percent higher return on assets and just over 5 percent higher returns on equity than their competitors.

Accenture's own research has found the depth of enterprise performance management capabilities and the pervasiveness of a value-centered organization to be key predictors of high performance.

Better analytic tools are key. According to the same Accenture study, more than half of the CFOs of high-performance businesses studied considered business analytics to be one of the three most important contributors to shareholder value. Fewer than 20 percent of their lower-performing counterparts felt the same way.

7. Shrinking windows of profitability

The global information network and the transparency of business operations have resulted in less opportunity for an innovative or first-mover product to maintain market dominance. The competition can more rapidly imitate or even leapfrog over products originally seen as innovative. Intellectual property rights are not protected for as long, or are violated more easily. Meanwhile, brand loyalty is declining.

Imperative: Innovate rapidly or die.

Market dominance cannot be maintained without the continuous use of innovation to extend the value of existing products or to develop new ones. To increase revenue from new products, companies must develop the capability to introduce highly differentiated products in targeted markets more rapidly. Consider, for example, Apple Computer's aggressive rollout of new variants of iPod products, a strategy reminiscent of how pharma-

ceuticals companies extend the value of a blockbuster drug, even as it goes off patent, by rapidly releasing enhanced versions while dropping the price of older varieties.

Just as important is establishing an "ideas infrastructure"—a formalized process by which ideas can be captured, analyzed and transformed into innovations. For example, Kaiser Permanente encourages more innovative attitudes, making employees feel they can effect change that

will lead to improved care, member loyalty and affordability. The health care company has developed what it calls Innovation Support Teams, which are charged with focusing on innovations and are also connected to operations to assist in making the innovations a reality.

Finally, bottlenecks to innovation must be removed ever more quickly, through a constant review of new ideas and the conscientious application of solutions to remove any barriers to such new thinking (see “Innovation unbound,” *Outlook*, January 2006).

8. Rapidly changing industry and market boundaries

Falling trade barriers are redefining markets globally, while technology advances and other factors are blurring lines between industries like entertainment and telecommunications. Competing in evolving global markets at today's pace of innovation requires making rapid adjustments to capabilities and scale.

Imperative: Accelerate value through rapid acquisitions and divestitures.

Companies must continue to shorten the time between a merger or acquisition and when that move begins generating value. Today, most companies' approach to inorganic growth reflects the cottage industries of the 19th century. Just as new product development and R&D have been industrialized in companies in the past 25 years, the same must now occur for M&A and related capabilities. This type of approach will no longer be reserved for companies like Cisco Systems, BP and Novartis; instead, it will extend out to all companies.

Accenture research into post-merger-integration initiatives has found several common themes among companies that have been able to realize value through the industrialization of M&A activity. Among these themes are an experienced and dedicated integration team, and the careful application of programs related to cultural change and

human performance. When Bank Austria and Creditanstalt merged, for example, helping employees understand and own the change and enabling them to perform in the merged environment was important to delivering value more rapidly at the new scale of the merged company.

The importance of divestitures is also now being understood better by high performers, which can more rapidly cast off pieces of the business that are underperforming or have become noncore. In Spain, for example, Telefónica has divested its stake in Eutelsat satellite operations to concentrate more on its core business.

About the research

This article is based on several months of research and analysis of key business, economic, technology and sociopolitical trends. The initiative was led by more than 50 Accenture senior leaders, assisted by a global team of researchers and practitioners. This wide-ranging visioning program was based on consultation with internal and external experts; business journals and academic research; technology analysts; financial services and other industry-specific research studies; and data compiled by international organizations such as the United Nations, the International Monetary Fund and the World Economic Forum.

Research findings were distilled into a list of more than 30 preliminary core trends. Using scenario planning sessions and workshops, the trends were extended and prioritized according to their business importance and their impact on the three building blocks of high performance, identified by Accenture's ongoing High Performance Business initiative.

9. A growing public demand for more corporate transparency and better governance and accountability

Calls for stricter accounting and reporting standards and more transparency are coming not just from regulators but from employees and shareholders as well. Shareholders are also now routinely pressing companies about their environmental records, hiring and firing practices, fair trade policies and charitable contributions. A number of online business practices have come under public scrutiny as well. Even companies less vulnerable to these possible actions will face an increasing need to conduct themselves in accordance with emerging national and global standards.

Imperative: Transform the governance mindset from compliance to value creation.

High performers will increasingly be those that see governance not merely as a set of operating restrictions but also as a means to create value. Consider Brazil, Latin America's biggest economy. In 2000, the Brazilian stock market was suffering from slow growth in new listings.

Institutional investors met with Brazilian officials to help them explore how new approaches to corporate governance could stimulate the economy by raising investor confidence levels. BOVESPA, the São Paulo stock exchange, responded by creating a new listing segment, in which participating companies would have to meet more stringent standards of corporate governance to be listed on the exchange.

10. An explosion of the life sciences economy

Recent discoveries, including the sequencing of the human genome, advances in information technology, and demographic trends such as aging populations throughout the industrialized world, are stimulating health spending and growth in the life sciences economy, or "bioeconomy."

Imperative: Find or create the linkages between your offerings and individuals' better health, and exploit them.

Driving the leading edge of the health care industry, and health care spending, in the next few years will be consumer demand for "personalized medicine." As a consequence, one of the biggest trends in life sciences is "pharmacogenomics"—treatments tailored not just to individual need or disease but also to individual genetic makeup. Drugs are already avail-

able for groups of people sharing a genetic profile. Herceptin, for example, is a breast cancer drug designed for the approximately 25 percent of breast cancer sufferers who overproduce one particular gene. Another drug, Gleevec, is for the roughly 5,000 patients in the United States diagnosed each year with chronic myeloid leukemia, which means they have a genetic variation that causes an overproduction of white blood cells.

But it won't be simply the obvious players—pharmaceuticals companies

and health care providers—that leverage opportunities of the bio-economy going forward. Implications extend to many industries, including insurance, agribusiness, food and consumer products. Each will find opportunity in the demand for better health and fitness that comes with the growing affluence of populations. Even telecommunications providers can benefit from

this trend. Too far-fetched? With the advent of television programming delivered using Internet technologies—also called “IPTV”—telemedicine solutions will grow in importance. Such solutions would enable, for example, a physician to make an interactive virtual house call to consult directly with the homebound elderly. (For a related article, see page 78.)

The imperatives and action steps listed here can be, we admit, daunting when taken in one dose. Yet most businesses will not feel the effects of all of these trends immediately or simultaneously. By mobilizing the appropriate executives and, most important, the best-suited program managers and change agents to address each imperative individually, companies will successfully begin the journey of evolving both their vision and their business strategy.

High performers know that the future does not come all at once. With vision, but also with rigorous planning, successful companies will embody the observation of the late historian Will Durant—that the future never just happens; it is created.

About the authors

Karen Crennan is a Milan-based senior executive in the Accenture Growth & Strategy group. Working closely with the company's chief strategy officer, she oversees the ongoing development of Accenture's business strategy and is responsible for its implementation companywide. Ms. Crennan also leads Accenture's research and competitor intelligence organizations. Previously, she worked with Accenture Fortune 500 clients in communications and high tech.

karen.crennan@accenture.com

Outlook Senior Contributing Editor
Paul F. Nunes is an executive research fellow at the Accenture Institute for High Performance Business in Wellesley, Massachusetts, where he directs studies

of business and marketing strategy. His work has appeared regularly in *Harvard Business Review* and other publications. His most recent book is *Mass Affluence: Seven New Rules of Marketing to Today's Consumers* (Harvard Business School Press, 2004).

paul.f.nunes@accenture.com

Marcia A. Halfin is a senior manager in the Accenture Growth & Strategy group. Her work includes helping financial services and consumer products clients on a number of strategy issues. Ms. Halfin's articles have appeared in the financial trade press, including the *Journal of Private Equity*. She is based in New York.

marcia.a.halfin@accenture.com

