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Public Service

The bigger picture

By Juan Domenech and Greg Parston

In the face of economic turmoil, many public-sector leaders are thinking tactically, not strategically. As a result, they risk overlooking the long-term implications of trends associated with the multi-polar world. To respond successfully, governments must successfully address five critical areas as they develop new ways of working that emphasize creating public value.

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Whether the current, more intense phase of globalization is something positive or negative can often be a matter of point of view.

For multinational companies, today's multi-polar world—with its vibrant emerging economies, global enterprises, increased economic openness, mobile populations, and ubiquitous connectivity and information flows—represents exciting new business opportunities.

To be sure, growth from trade and productivity gains benefits all. But for governments already struggling to protect and improve their citizens' quality of life against international terrorism, environmental degradation and worrisome demographic trends, these same developments can sometimes make their task more difficult.

What's good for companies is not always good for countries. Although many global corporations take a bullish view of the multi-polar world and its dynamic business environment, governments that do not adapt and prepare themselves adequately will be distinctly more bearish.

While the concerns of large corporations typically run to global matters—global markets, global sourcing, global hiring and global production—nations tend to focus most on issues that arise within their borders, such as immigration, education, living standards and unemployment levels. Unless addressed effectively, this global/local clash can interfere with the goals of public managers who seek to create public value for their citizens. Those same managers will also soon learn that the only certain thing in this newly uncertain age is that the tools and stratagems they used successfully in the past will be of little use in the future.

Accenture research suggests that in the multi-polar world, public-sector players, whether from the once-dominant Western economies or emerging markets, must successfully address five key areas if their countries are to thrive.

1. Developing national talent

A country's success and prosperity depend on the skills and capabilities of its people, and today's multi-polar reality demands that public managers find ways to attract and retain talented workers as well as the businesses that employ them. At the same time, governments—large employers of national talent in their own right—must examine new ways of working to ensure their own continued effectiveness and competitiveness. This is particularly important in light of current demographic trends, such as aging and shrinking populations and the need to retain older workers.

Globalization has intensified competition among nations as suppliers of talent. Emerging economies tout the rapidly rising skill levels of their workforces. Combined with their lower costs of doing business and their expanding consumer markets, this trend erodes the advantages developed nations have relied on to attract and retain employers and highly skilled employees. As a result, the competition for jobs is moving into high-value, high-skill industries—the rarefied domain formerly reserved for developed nations.

Governments should bring together the full range of agencies and policy-

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making bodies to develop a national talent management strategy and put it into play. Goals should include identifying the economy's current and future talent needs, using today's talent effectively and efficiently, and providing the training needed to shape the nation's workforce to meet the demands of the global economy, now and in the future.

In addition, countries should work to attract whatever talent they themselves cannot supply. India, for instance, has set up recruitment offices in a range of nations, including the United Kingdom and the United States, to target individuals with IT skills. The Portuguese government has used “nation branding”—running a \$4.3 million media campaign that highlights the country's political, social and cultural advantages—to lure immigrant labor, especially Indians, whose resident community in Portugal now forms one of the largest non-English-speaking groups in Europe. This global search for talent is a good example of the interconnect- edness and countervailing dynam- ics of the multi-polar world.

Our research further shows that to manage talent successfully, countries must nurture distinctive capabilities—one of the three building blocks of high performance—in the public as well as the private sector.

China, for example, has strategi- cally targeted nanotechnology as an area of future success, invest- ing more than \$400 million in the sector and establishing the National Center for Nanoscience and Tech- nology in Beijing and the National Engineering Center for Nanotech- nology in Shanghai. India's fed- eral government is investing \$250 million in a similar national initiative to support nanotechno- logical research. As a result, China, India and several other emerging economies have begun to leapfrog developed countries in potentially lucrative new industries.

Countries that nurture and work to retain talent by offering attrac- tive career opportunities create employment and wealth for their citizens. Those that don't will be on the losing side of the competition for investment and jobs.

2. Managing the movement of people and money

Governments must institute the right combination of social, economic and immigration policies to meet the needs of industry and enable the secure movement of people, capital and goods. The rise of multinational corporations compels govern- ments to develop more sophisticated revenue systems, regulatory strate- gies and fiscal policies—often in collaboration with other nations—to address growing concerns over sustainability, security and the desirability of the foreign ownership of local assets.

The increasingly mobile masses of people looking for jobs and better opportunities—a key characteristic of the multi-polar world—are strain- ing national immigration systems worldwide, a situation exacerbated by heightened security concerns and the economic downturn. This trend also puts serious stress on education and health systems and housing in the host countries.

Migration patterns have changed as well, with more people moving tem- porarily to do a job (often lured by

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companies that lack domestic talent) and then returning to their home countries. Thus immigration policies must emphasize flexibility as they enable and manage mobility to meet the needs of the nation. In 2008, for example, the United Kingdom started implementing a new points-based immigration system, similar to an Australian model, to control immigration and tackle abuse of foreign workers, while helping to identify and attract the most talented workers.

Companies operate in more complex ways across diverse locations in the multi-polar world, making it difficult for governments to determine appropriate taxation. In one response to this issue, the Irish government has established a Revenue On-Line Service through which individuals and firms can file tax returns, pay taxes and access their tax details.

Governments also should collaborate more to enable commercial mobility and meet the needs of businesses that work across borders. The EU, for example, established a VAT Information Exchange System, which makes it easier for firms to manage the value-added taxes they pay while reducing both charges and processing costs.

In addition to these improvements, the rapid global flow of capital—and the recent failures in the international banking systems that underpin that flow—has forced governments to rethink the way they identify risk, deal with international customers, and audit and regulate transactions.

Accelerated capital mobility—as well as the global fallout from the current downturn and the crisis in the financial system—is already leading to greater policy coordination across a wider range of governments. For example, the G8 countries launched the Heiligendamm Process in 2007 to establish an ongoing dialogue between developed countries and important emerging economies, including Brazil, China, India, Mexico and South Africa, on the biggest challenges facing the global economy today. One objective of the talks is to strengthen the freedom of investment by encouraging a more open investment climate.

Like businesses, nations compete for capital, so governments must consider strategies to attract investments. Something of a pioneer in this area, the Japanese government, for instance, has long used the Japan External Trade Organization, or JETRO, to seek out foreign capital investment and to help broker investment deals. The organization has recently enjoyed numerous successes in industries ranging from biotechnology, software and media to insurance, manufacturing and retailing.

With major increases in investments from abroad comes the question of foreign ownership of local assets. In some cases, the answer is a definite “no.” For example, Air France-KLM’s attempt to purchase a majority stake in Alitalia was blocked by Italian unions, which were emboldened by political hostility to the deal.

3. Enhancing social infrastructure

Individual citizens, businesses and even industries can easily be displaced by the massive and complex machinery that drives the global economy. That’s why government agencies must find ways

to help their citizens avoid being trampled beneath globalization’s expanding influence.

Public managers face a number of challenges in this area. One involves

finding ways to promote citizens' access to the labor market by helping them acquire flexible skills. In the United States, the North Carolina state government has successfully helped a significant number of workers from the fading textile and furniture industries retrain for high-tech and other employment by funding courses at community colleges and supporting any employers that create 15 new jobs for laid-off workers.

Governments should also act to adapt local public services to give immigrants access to health care, for example, and address the threat of global pandemics. Highly mobile workers can quickly spread diseases across borders, and governments should establish global disease-monitoring systems that can identify and help contain outbreaks, particularly in developing countries.

Likewise, volatile world markets present enormous challenges to governments that seek economic stability at home. The actions taken by multinational corporations when dealing with local or global financial crises, such as shutting plants, can lead to business failure and large-scale unemployment. This has a direct impact on the need for social infrastructure within individual countries as well as on government fiscal policies. In the face of the significant job losses resulting from the recent global economic crisis, for example, both the Chinese government's \$586 billion stimulus package and the recently enacted US government program to save or create an estimated 3.5 million jobs over two years include significant spending on infrastructure.

4. Protecting national security

The desirable free flow of goods and capital across countries and regions can open the door to undesirable consequences. Countries must be prepared to act quickly to address emerging threats and ensure resource security—especially when their economies rely heavily on natural resources in the energy field from politically volatile areas. This can involve technical assistance and aid and, in extreme cases, military assistance.

Rising international trade flows and migration will force governments to improve their importation and transit security. But safer can mean slower, and the slower and more costly the process is, the harder it becomes for companies to compete. If countries cannot ensure security while enabling efficient movement, multinationals may seek alternative locations closer to their means of production or their customers.

Threats include terrorism as well as the reemergence of maritime piracy.

Public managers also need to review their immigration security systems to address national and transnational security risks. New technologies such as identity management and security screening systems can help in this process, although their use can raise sensitive personal privacy issues in some countries.

In 2007, Portugal introduced multifunctional, biometric national ID cards—one card for each citizen—to replace the five separate ID cards citizens carried for basic identification, taxes, health services, social security and voting. These national ID cards, in addition to carrying information about an array of public services, conform to EU regulations protecting individual privacy (see “It’s in the cards,” *Outlook*, January 2008).

5. Ensuring environmental sustainability

Environmental sustainability can be an area of competitive national advantage.

Governments must be good stewards of national wealth and resources, but results to date have been mixed. While developed countries pursue carbon dioxide reductions, for example, some estimates indicate that in the next five years, China and India will construct coal-fired power plants that will produce emissions exceeding the reductions delivered by the Kyoto accords by five times. Public managers can promote sustainability in a number of ways, such as developing alternative fuels, regulating the ecological impact of businesses, encouraging research and building infrastructure that supports the use of renewable energy sources.

With an eye toward developing alternative energy sources, New Zealand has harnessed its abundant rivers to produce hydroelectric power, which now generates about 70 percent of the nation's electricity. Likewise, Iceland now heats 90 percent of all its housing using geothermal energy, while France relies on nuclear power to meet 77 percent of its electricity needs.

Examples of regulation focused on sustainability include the Dutch government's attempt to reduce

consumers' carbon emissions through the way it taxes new vehicles. The program rewards drivers who choose smaller, less polluting vehicles while significantly raising the tax paid on cars that produce high emissions. The Spanish government has gone one step further and announced plans to lower the national speed limit to 50 miles per hour to help reduce fuel consumption.

In fact, environmental sustainability can be an area of competitive national advantage. Germany has become a world leader in solar energy, for example, because of its early experimentation with and investment in this technology. German companies have found success producing the photovoltaic panels used in solar energy, and today the industry employs an estimated 40,000 people.

But governments must also collaborate with each other to circumvent threats to the environment that are too large for any one nation to address. For example, US states and Canadian provinces that border the Great Lakes have established the Great Lakes Commission, which has developed a strategic plan to protect and sustain the regional environment.

Given the current state of economic turmoil, many government managers are thinking tactically, not strategically. As a result, they might overlook the long-term implications of trends associated with the multi-polar world and how they should respond. Ultimately, however, achieving success in the multi-polar world will require them to look beyond current tools and methods and develop new ways of working that emphasize creating public value—improving the health, safety, education and skill levels of their people.

Doing this effectively will require countries to step beyond the current status quo and begin to build bold and innovative co-productive relationships with a variety of stakeholders, including other governments, national and multinational businesses, and their citizens.

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