


Strategies for achieving high performance
in a multi-polar world

Global choices for global challenges

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Contents

Foreword.....	3
Executive summary.....	4
Multi-polar world: Opportunity amidst volatility	6
Creating geographic options	10
Being authentically local	20
Networking the organization	28
Appendix.....	33
References.....	34

Foreword



Mark Foster

Group Chief Executive
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Globalization remains a durable and constant presence in the headlines. Recent turbulence shows only too clearly that today's markets are extensively integrated and interdependent, and that exploitation of the global economy is characterized equally by risk and opportunity. More than ever before, business executives from all regions on the planet recognize that their responses to the multi-polar world—where economic power is increasingly diffused across multiple countries and regions—can be powerful drivers of lasting company performance. Yet there are few experienced navigators of this new economic geography and little consensus on the strategic imperatives. Across the world, clients tell me they are seeking a new compass to help chart this latest stage of multi-directional globalization and insights into the options they have to respond to short-term pressures while investing for longer-term growth.

Accenture's High Performance Business research program, now in its sixth year, focuses on the attributes that a high-performance business must not only attain but also constantly balance and realign in the face of changing circumstances. The manifest changes in the external business environment brought about by the rise of the multi-polar world drove us to integrate our high-performance business thinking with our ongoing research program into this current phase of globalization. We wanted to understand how the economic trends shaping the multi-polar world might also alter the best practices and common attributes behind high performance.

This report, the third in our Multi-Polar World series, distills the findings of primary and secondary research into how high-performance businesses have been evolving their business strategy in response to the multi-polar world. It offers persuasive evidence that high performers from both the developed and emerging markets do globalization differently—in the way they create focused geographic options, weave themselves authentically into local business ecosystems, and network their organizations to allow the rapid mobility of people and ideas.

There can be no set path for success in a globalizing world. This report therefore presents not a checklist of actions but rather a playbook of options to open up opportunity. It sets out emerging best practices and leading management ideas on which companies from across the globe can draw as they shape and update their business strategy.

We hope the report will act as a spur to the next stage of global competitive endeavor as organizations emerge from the current marketplace turmoil and seek to become resilient and agile leaders in a volatile and interdependent world.

A handwritten signature in black ink, consisting of stylized initials 'M' and 'F' followed by a flourish.

Mark Foster

Group Chief Executive
Management Consulting &
Integrated Markets
Accenture

Executive Summary



In 2008, the world acknowledged that globalization had changed. Investors and consumers beheld an increasingly multi-polar global economy in which risk and volatility went hand-in-hand with emerging growth and opportunity. Deeper integration of markets meant that economic and financial shocks were transmitted across national boundaries more rapidly than ever before. No longer could businesses—however seemingly local or insulated—assert immunity from global interdependence.

Economic slowdown hastens the search for cost efficiency, added flexibility and new sources of earnings growth in a more financially constrained future. Paradoxically, it is precisely by engaging purposefully with the multi-polar world—which has heightened and amplified business risk as well as creating opportunities—that companies can find important elements of their strategic response to the downturn, while positioning themselves to benefit from longer-term trends.

The multi-polar world is an arena of dynamic shifts in economic power and influence. Globalization has become multidirectional, driven by advances in information and communications technologies, greater economic openness, and the growing size and geographic reach of multinational companies. Emerging markets clearly play an important role in this new era, no longer passive recipients but active shapers of globalization.

This new economic backdrop suggests an urgent new layer of business imperatives. What to do? Where to begin? In the face of opportunities matched by chronic volatility, how can businesses achieve high performance in a multi-polar world? How should they use economic geography to consistently outperform their industry peers over multiple economic and industry cycles?

To understand how companies can harness the opportunities of the multi-polar world, Accenture conducted extensive research into the strategies followed by high-performance

businesses across a range of countries and industries in each of the five defining dimensions of the multi-polar world: new consumers, talent, innovation, resource sustainability and capital. We surveyed business leaders from 375 companies, representing all major industries and 53 developed and emerging markets.

We found that high-performance businesses join battle in new and distinctive ways in each of these competitive and interdependent dimensions of the multi-polar world. In the way they create geographic options, weave themselves into multiple local markets, and sustain a strong global operating model to propel people and know-how across a smart, enabling organization, these companies are writing a new playbook for globalization—one that will help businesses withstand short-term pressures while laying the groundwork for growth in the upturn.

High Performance: A globalization playbook

Evidence from our research demonstrates that high-performance businesses distinguish themselves with a globalization strategy that is conceived and executed in a new and consistently different way. They discover new fulcrums of growth, cost efficiency and risk management in the multi-polar world, develop them and work them into the fabric of their businesses. Across all dimensions of the multi-polar world, high-performance businesses are guided by three central maxims:

Create geographic options

High-performance businesses proactively and continually explore new geographic sources of value. They constantly look outward, sensing their business environment (and that of their value-chain partners) and making focused choices about where to compete and whom to engage. No two markets are the same. Companies often need to go to multiple markets to find what they need, be it talent, capital or raw materials.

Lessons from high performers:

- Reach out to potential customers in overseas markets with new business models, channels and infrastructure investment that unlock otherwise latent demand.
- Source talent wherever it may exist geographically, as well as from sectors of the population that may have been overlooked previously, such as women and rural workforces.
- Identify emerging centers of excellence in different technologies, products and processes around the world.
- Build resource input security via term contracts, upstream acquisitions and investment in diversified geographical sources to minimize supply disruptions and cost fluctuations.
- Improve access to capital and diversify risk by updating knowledge, relationships and financing models to reflect the new map of global investment flows.

Be authentically local

Although searching for value in emerging markets is a cross-border task, unlocking that value is a local exercise. As tastes, customs, regulations—and political environments—differ widely, high performers embed themselves with full commitment in their chosen local and regional markets as they execute their strategies.

Lessons from high performers:

- Identify critical local differences in consumer preferences and usage and, in response, tailor products and services to new consumer segments.
- Develop and mold local talent for today and tomorrow by investing across the skills spectrum.
- Embed innovation activities into the local research and development and consumer environment, working in tandem with industry peers and policymakers.
- Optimize resources strategy under differing economic, cultural and regulatory constraints across markets and harness incentive regimes, such as carbon trading, for current and new business.
- Be willing to draw on a broad suite of investment models tailored to the characteristics of different markets.

Network the organization

Acting on knowledge from around the world and executing company strategy in multiple locations requires the ability to transfer people, resources, capital and know-how to the right places at the right time. Creating organizations that are permeable, both internally and externally, enables flows of people, ideas and best practices.

Lessons from high performers:

- Create structured channels to allow rapid diffusion of ideas and know-how across geographic regions.
- Build a global backbone of standardized data, systems and processes.
- Ensure multi-polar leadership to cultivate a global mindset from the top down.

Global choices for global challenges

These lessons from high performers are often grounded in a mastery of business basics. Current realities demand a focus on the basics—but in an inescapably global arena. By learning from the choices made by high performers as part of their multi-polar strategies, businesses can find new ways to counter short-term pressures while setting a path for sustained high performance in the recovery and beyond.



Multi-polar world: Opportunity amidst volatility

The last decade has illustrated vividly both faces of the multi-polar world. For much of the period, efficiency gains, stable prices and sustained economic growth owed much to reduced economic distance and tighter interdependence of markets.

Yet these very same forces have more recently served to broaden and amplify the current financial and economic turbulence. The events of 2008 proved that no economy—however seemingly local or insulated—is truly immune from the forces of the multi-polar world. Economies have been rocked by a combination of a credit crunch, slowing economic growth and volatility in prices and input costs. Banks failed despite being thousands of miles and dozens of decisions away from the underlying bad investments. Record rises—and then record falls—were seen in the prices of oil and other commodities.

Emerging markets, along with developed markets, are feeling the effects of the current financial and economic turbulence, particularly

as investors adjust global portfolios. But with their growth anchored in generally resilient economic fundamentals—including income and population growth, lower costs and generally sound policy—emerging markets are expected to generate all of the expansion in the global economy in 2009.¹

Above all, for the company executive, recent events show that company strategy cannot be divorced from the evolving multi-polar business environment. Like it or not, global economics affects companies' performance, and companies can no longer sit on the sidelines. Rather than simply responding defensively—protecting their position in increasingly contested markets—businesses can actively harness the multi-polar world for their long-term benefit.

For multinational companies, as for national economies, markets beyond traditional borders can cushion the impact of a slowdown at home. A multi-polar approach can give businesses the flexibility

to counter short-term pressures while better managing future risks and creating durable, competitive cost structures, all of which produce capacity for rapid expansion during a recovery. Therefore, it is crucial that businesses understand and evaluate their options in exploiting economic geography. By harnessing five dynamic dimensions—new consumers, talent, innovation, resource sustainability and capital—multinational businesses can achieve long-term growth as well as shorter-term flexibility. (See page 7 for more detail on these dimensions.)

So how can businesses use the levers of the multi-polar world to achieve high performance? To begin to answer these questions, Accenture conducted extensive research into the geographic strategies being followed by high-performance businesses across a range of countries and industries. (See pages 9 and 33 for an explanation of the criteria we use to define high performance.) We surveyed 375 companies, including 45 high-performance businesses. Our survey sampled companies in all major

The multi-polar world

Accenture uses the term “multi-polar world” to describe the diffusion of economic power in the global economy across a wider range of regions and countries, underpinned by the three key drivers of information technology, greater economic openness, and the growing size and reach of multinational companies. Many of these new poles of economic activity and influence are to be found in the emerging world—notably the “Big 6” emerging economies (Brazil, China, India, Mexico, Russia and South Korea)—but also include a wave of next-tier emergers. Together with the more established centers of economic activity, these economies are radically reshaping the economic geography in which businesses must operate. Accenture first explored the characteristics and drivers of this new phase of globalization in its 2007 study titled *The Rise of the Multi-Polar World*.

The canvas of the multi-polar world also features a large and increasingly diverse cast of public and private players operating and competing alongside traditional, developed-market multinationals. Chief among these are the emerging-market multinationals, which have become increasingly prominent as they expand their international activities. These companies were the subject of Accenture’s 2008 study titled *The Rise of the Emerging-Market Multinational*. Sovereign wealth funds—state-backed entities that invest surplus foreign reserves overseas—have also become important players in the arena of global capital.

Accenture has identified five increasingly competitive and interdependent dimensions to the multi-polar world—new consumers, talent, innovation, resource sustainability and capital—that multinational businesses can harness for short-term flexibility and long-term growth. These dimensions may be thought of as markets spanning emerging and developed economies in which companies operate and need to compete.

New consumers

Many emerging markets continue to enjoy impressive growth in consumer spending, bolstered by long-term fundamentals such as population growth, an emerging middle class of aspirational consumers, rising per capita incomes and greater credit availability. Retail sales in China continue to grow at around 20 percent per year.² Goldman Sachs projects that rising incomes could lift an additional 2 billion people into the global middle class—defined as those with annual incomes between US\$6,000 and US\$30,000—by 2030.³ These new sources of consumer spending can help businesses counteract sagging demand in Western economies and build a base of new consumers for the upturn.

Talent

While many Western economies are grappling with the effects of contracting workforces and specialized skills shortages, emerging-market workforces are set to expand dramatically. Between 2008 and 2015, the working-age population of emerging economies is expected to increase by more than 400 million, compared with an increase of only 7 million in developed economies.⁴

While the vast labor reserves of China and India have been amply chronicled by many commentators, less-well-known pockets of talent have sprung up in many other parts of the emerging world. For example, more than half of Vietnam’s 84 million population is under 25 years old, 83 percent of all graduates are science-based, and the country’s labor pool has around 80,000 IT graduates, a figure increasing by 9,000 per year.⁵

Innovation

Innovation is no longer the exclusive province of developed markets. A combination of investment, education and a strategic policy focus on new technologies has spurred the development of new clusters of innovation in emerging economies. Witness the rise of nanotechnologies and biotech in Beijing, digital media and genomics in Seoul, biofuels in Brazil and automotive technologies in Poland. As companies look to drive

new sources of revenue during the recovery, a critical factor will be their ability to distribute innovation activities in a way that reflects this fast-changing map of innovation.

Resource sustainability

After several years of soaring demand and record price levels backed in part by emerging-economy demand, global commodity prices have dramatically reversed direction as the economic slowdown squeezes demand. While rising commodity prices created additional costs for business, falling prices may undermine investment in exploration and long-term supply, as well as alternative sources, leading to higher prices in the future. Either way, and with continued geopolitical uncertainty and global trading of commodities, it is clear that a new era of chronic volatility in resource price levels has arrived. Thanks to global commodity markets and optimized supply chains, companies feel the effects more quickly than ever before. At the same time, the prospect of a carbon-constrained world means that businesses will be faced with something closer to the full economic cost of their resource-intensive activities. The challenge for companies sourcing critical inputs is to find the right balance of supply security, price stability, efficiency gains and decarbonization. The challenge for companies supplying resources is to help them find this balance.

Capital

In the aftermath of the sub-prime financial crisis, companies need to survey the altered landscape of investment capital sources. Pools of capital are increasingly visible in the emerging world—not only in nascent capital markets but also via a new cast of players such as emerging-market multinationals and sovereign wealth funds. With approximately US\$5 trillion in assets under management,⁶ sovereign wealth funds dwarf private equity and could reach US\$10 trillion by 2012,⁷ according to some estimates.

	New consumers	Talent	Innovation	Resource sustainability	Capital
Create geographic options	Reach out to potential customers in overseas markets with new business models, channels and infrastructure investment that unlock otherwise latent demand	Source talent wherever it may exist geographically, as well as from sectors of the population that may have been overlooked previously, such as women and rural workforces	Identify emerging centers of excellence in different technologies, products and processes around the world	Build resource input security via term contracts, upstream acquisitions and investment in diversified geographical sources	Improve access to capital and diversify risk by updating knowledge, relationships and financing models to reflect the new map of global investment flows
Be authentically local	Identify critical local differences in consumer preferences and usage and, in response, tailor products and services to new consumer segments	Develop and mold local talent for today and tomorrow by investing across the skills spectrum	Embed innovation activities into the local research and development and consumer environment, working in tandem with industry peers and policymakers	Optimize resources strategy under differing economic, cultural and regulatory constraints across markets and harness incentive regimes, such as carbon trading, for current and new business	Be willing to draw on a broad suite of investment models tailored to the characteristics of different markets
Network the organization	Create structured channels to allow rapid diffusion of ideas and know-how across geographic regions				
	Build a global backbone of standardized data, systems and processes				
	Ensure multi-polar leadership to cultivate a global mindset from the top down				

industries, drawn from 53 developed and emerging markets. We asked questions about their current and recent interventions in each of the five battlegrounds of the multi-polar world. In this report, we focused on identifying differences between high and low performers. (See page 9 for more information about the survey.)

Strategies for achieving high performance in a multi-polar world

This report sets out our findings in the form of a playbook—of emerging best practices and leading management ideas—for doing business in a multi-polar world. Crucially, our survey found strong evidence that high-performance businesses, as distinct from their low-performance peers, do globalization differently. We found that in each dimension of the multi-polar world, whether scouting for new ideas or tailoring existing products to reach new consumers, high performers recognize and act on a number of imperatives

central to their success. Across all battlegrounds, high-performance businesses follow a balanced strategy guided by three central maxims:

Create geographic options

High-performance businesses proactively and continually explore new geographic sources of value. They constantly look outward, sensing their business environment (and that of their value chain partners) and making focused choices about where to compete and whom to engage.

Be authentically local

As tastes, customs, regulations and political environments differ widely, high performers embed themselves with full commitment in their chosen local and regional markets as they execute their strategy.

Network the organization

High performers improve the flow of ideas, people and capital across the business by creating organizations with permeable internal and

external boundaries. Technology will play an increasingly important role in creating and sustaining the networked organization.

Generally, as companies learn to embrace new information technology—such as cloud computing, collaborative media, smartphones and comprehensive, cross-business data analysis—they will find new, quicker and cheaper ways of competing in the five dimensions of the multi-polar world and networking their organization.

Survey and research methodology

This report draws on two major research components. First, Accenture undertook extensive secondary research into the global strategies and operations of more than 100 companies between March and November 2008.

Second, Accenture conducted a quantitative survey to discover how companies are shaping their strategies in response to the latest trends in economic globalization. The fieldwork was carried out via an online worldwide survey, conducted between August and October 2008. The survey contained extensive questions on a wide variety of topics, including growth, investments, innovation and talent management. Survey participants included a

sample of companies analyzed in Accenture's High Performance Business research, as well as a large number of additional companies.

The survey was completed by 375 companies, including 45 high-performance and 35 low-performance businesses. (See below, and page 33, for more information on underlying definitions and methodology.) All respondents held a position of influence with regard to their companies' strategy and operations in different parts of the world. Most companies cited a home market (or main market) in Asia-Pacific (29 percent), Western Europe (28 percent) or North America (26 percent). The other companies came from Eastern Europe, Latin America, the Middle East and Africa. Over 80 percent of companies operated in multiple countries. The survey sample included companies with a

wide range of annual revenues, from less than US\$500 million to more than US\$10 billion. Responses were distributed across a broad range of industries including financial services, communications and high-tech, resources, consumer goods, and professional and business services.

The survey results can be accessed online at www.accenture.com/mpw

What is a high-performance business?

Accenture defines high-performance businesses as those that:

- Effectively balance current needs and future opportunities;
- Consistently outperform peers in revenue growth, profitability and total return to shareholders; and
- Sustain their superiority across time, business cycles, industry disruptions and changes in leadership.

For full details of Accenture's High Performance Business methodology, which we apply to publicly listed companies, see page 33. Future developments of the methodology will encompass enterprises from a wider range of ownership models, including the non-publicly-listed enterprises that are commonly found in emerging markets.

In October 2008, a snapshot of our ongoing High Performance Business research revealed 12 percent of the 963 companies analyzed were high performers.

At the other end of the performance scale sit "low-performance businesses." Eleven percent of the 963 companies analyzed were low performers.

Most executives aspire to high performance, yet relatively few companies actually meet Accenture's definition. Accenture's High Performance Business research program—now in its sixth year—has been recognized by *Harvard Business Review* as one of the 10 most notable initiatives in the field during the past quarter century.⁸ Grounded in extensive analysis, the initiative aims to identify the characteristics and capabilities of high-performance businesses so that Accenture can help organizations attain and maintain that status using integrated and aligned offerings.

Creating geographic options



High-performance businesses proactively and continually explore new geographic sources of value. This is particularly important in times of economic turbulence, in which lower-cost opportunities around the world become increasingly attractive. High performers constantly look outward, sensing their business environment (and that of their value chain partners) and making focused choices about where to compete and whom to engage. They recognize that no two markets are the same and that they may need to go to multiple markets to find what they need, be it talent, capital or raw materials.

Accenture research shows that high-performance businesses draw on a rich arsenal of best practices to find and give shape to new sources of value—whether by unlocking growth, cutting costs or controlling risks—in chosen dimensions of the multi-polar world.

New consumers Bridging to customers across the globe

Eighty-six percent of companies we surveyed reported that they are looking to boost sales beyond their home markets. Rapid growth and development, particularly in emerging markets, make an attractive proposition for companies seeking revenue growth in the future. A well-managed portfolio of developed and emerging markets also will help counteract the shorter-term challenges posed by slowdowns in some economies.

But companies struggle to access these new customers in overseas markets. Respondents told us that among the challenges they face in reaching new consumers are inadequate distribution networks, inadequate infrastructure and weak marketing channels. In the face of these obstacles, how do high-performance businesses reach new customers?

First, they tap base-of-the-pyramid demand. Nokia, working with the Grameen Foundation and Siemens, created the "Village Phone" program to provide mobile access to remote villages in Uganda and Rwanda.⁹ The program, which can reduce the cost of owning a mobile phone to US\$3 per month, involves a local entrepreneur who acquires subscribers, an operator who offers services and a microfinancier who procures a network access point that supports 70 Nokia handsets. (See case study on page 14.)

Second, they build infrastructure to overcome the effects of geographic distance—bringing markets closer. One-third of the high-performance businesses we surveyed do this to a significant or great extent, compared with 22 percent of low-performance businesses. América Móvil deployed wireless technology in Latin America to reach out to clients who previously lacked wireless coverage, investing heavily in customers, coverage, capacity and technology. As a result, wireless penetration in Argentina has reached 100 percent, from a base of 19 percent when the company entered the country in 2003.¹⁰

Third, they use apparently unorthodox distribution and marketing channels

to reach previously under-served customer groups. Norwegian media firm Schibsted uses market developments and its specialist expertise to capture positions in its more peripheral markets such as Italy, Austria, Singapore and Russia.¹¹ Despite the dominance of television advertising in Russia—one of the world's fastest-growing advertising markets—Schibsted's efficiently distributed free newspaper, *Moi Rayon*, has created a new market, becoming St. Petersburg's most-read newspaper.¹² And in a move away from its traditional Web-based retail model, Dell now also uses physical stores to sell and distribute its products in countries with comparatively low Internet usage.¹³

Business imperative Reach under-served customers

Reach out to potential customers in overseas markets with new business models, channels and infrastructure investment that unlock otherwise latent demand.

Talent Finding the right people around the world

Businesses seek strategies that address long-term talent shortages while providing flexibility to manage the effects of the economic cycle in the short term. Economic, social and demographic trends, especially in emerging markets, provide opportunities to harness new pools of talent now and for the future. High-performance businesses realize this and already are active in discovering talent. Forty-four percent of high-performance businesses in our survey told us that accessing new talent pools drives their investments in foreign markets to a significant or great extent, compared with just 20 percent of low-performance businesses.

As a result, high performers have workforces that are more geographically widespread than their low-performance counterparts. More than three-quarters of high performers have workforces located in more than one country, compared with less than half of low performers. Fifty-one percent of high performers (versus 34 percent of low performers) are more likely to seek to expand their

workforce in foreign markets, both by increasing the number of markets where they recruit and by expanding in markets where they already recruit.

How do high performers find the talent they need in a multi-polar world? Although both high-performance and low-performance businesses use international external recruiters as part of their talent management strategy, our survey found that high performers draw on a wider range of recruitment tools (Figure 1). High performers aim to access the best people by tapping into under-represented talent pools and reaching diaspora populations. Three out of four high performers target under-represented talent pools, such as women and rural populations, compared with two out of four low performers. Avon, one of the first direct-selling firms to be granted a license by the Chinese government, successfully targeted women when recruiting more than 560,000 active representatives in China in 2007.¹⁴ This move caused its revenues in the country to surge by 32 percent in just one year.¹⁵ More than three-quarters of high performers also recruit from national diasporas, compared with less than two-thirds of low performers.

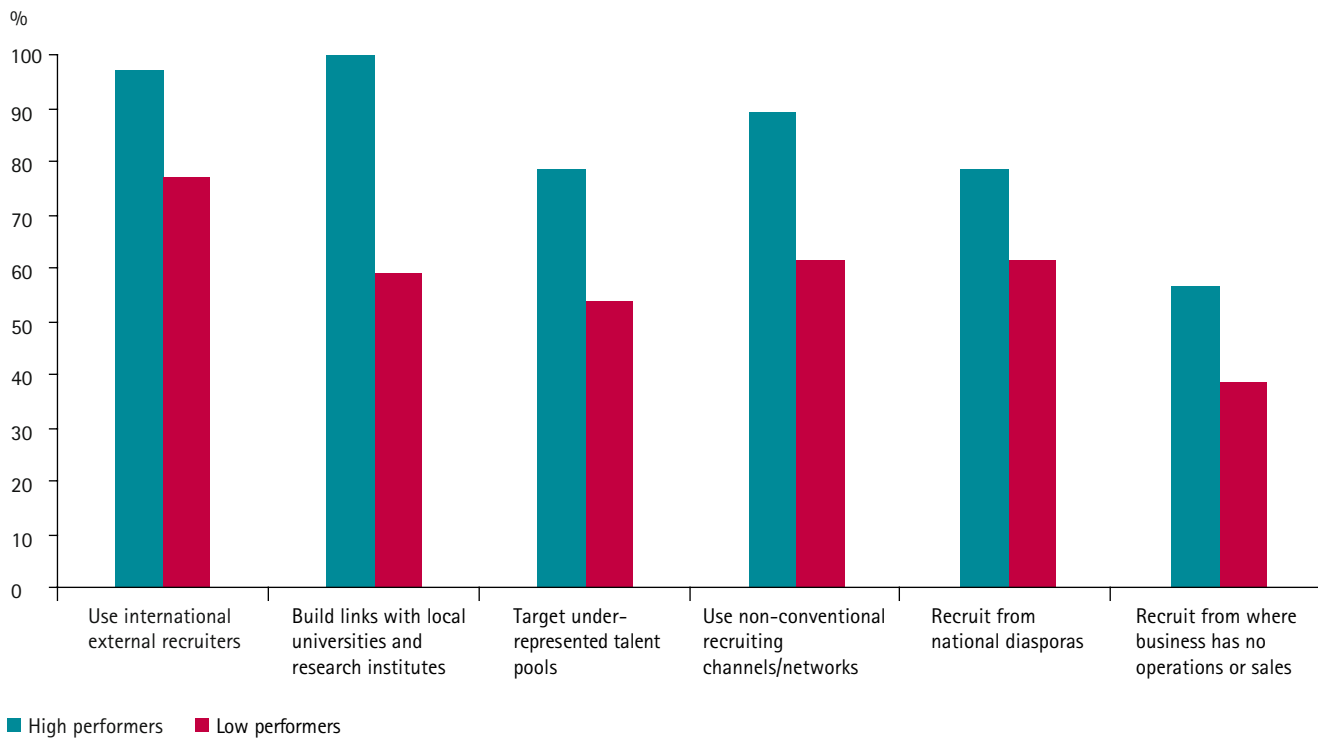
All high-performance businesses we surveyed also build links with local universities and research institutes as sources of interns and new recruits, compared with 59 percent of low-performance businesses. The high performers are also more likely than low performers to use innovative, non-conventional recruiting methods, such as competitions and word-of-mouth strategies.

High performers are even alert to the possibilities offered by talent pools beyond their immediate operational boundaries. Fifty-seven percent of high performers reported that they actively recruit from markets where they have no operations or sales, compared with 39 percent of low performers.

Business imperative
Discover emergent talent
Source talent wherever it may exist—geographically as well as from sectors of the population that may have been overlooked previously, such as women and rural workforces.

Figure 1. High-performance businesses reach out to new talent pools in a variety of ways

Which of the following steps is your company taking in foreign markets where it aims to expand its workforce?



Innovation Scouting the world for the best ideas

As hubs of innovation spring up in new and unexpected locations, whether organically or assisted by the policies of specific cities or regions, companies can find it difficult to keep up and address the opportunities that this shifting pattern presents. Innovation occurs increasingly beyond the boundaries of the enterprise, making it necessary to look for new product, service and business-model ideas in emerging and developed markets alike. A good external radar for innovation is critical.

High performers are more likely to pursue geographically distributed innovation. Our survey found that 58 percent of high performers source innovation from more than one country, compared with 34 percent of low performers. Moreover, nearly three times as many high performers look to expand innovation in foreign markets where they already source it than do low performers. High-performance

businesses told us that the three main advantages of expanding research and development (R&D) in foreign markets are the availability of leading-edge expertise and specialized knowledge, the presence of R&D clusters and centers of excellence, and lower costs.

High-performance businesses look far and wide for innovation in a variety of ways. Nokia taps outside talent via "Forum Nokia," a portal available in English, Chinese and Japanese, to give developers from around the world access to resources to help them design, test, certify, market and sell their own applications, content, services or websites to mobile users via Nokia devices.¹⁶ (See case study on page 14.)

Venture capital funds are another increasingly popular way to discover innovation. ArcelorMittal launched two venture capital funds in July 2008 to find solutions for environmental challenges.¹⁷ The first fund aims to support the commercialization of clean-energy technologies, while the second fund manages €100 million with the goal of engaging in the carbon

market and promoting climate-friendly solutions for the steel industry.

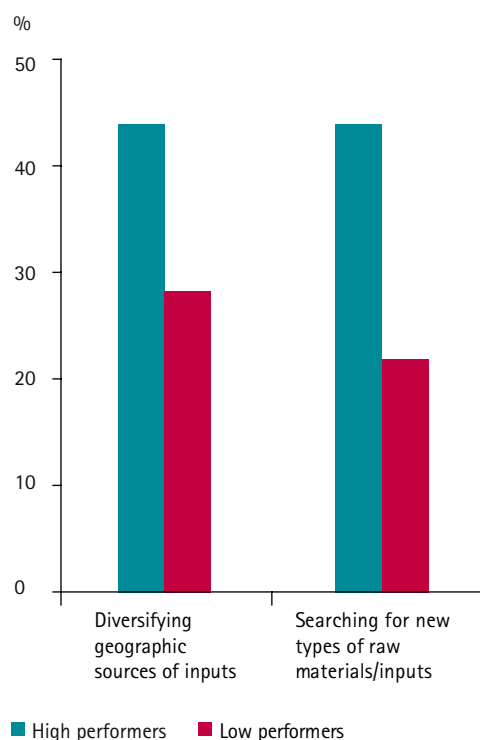
High performers also listen to local customers as a key source of ideas for products, services and business models. In fact, they are more than twice as likely as low performers (39 percent versus 16 percent) to seek input for innovation processes from local customers to a significant or great extent.

Recognizing the importance of intellectual property rights to the commercialization process, high performers invest time in researching and navigating intellectual property laws in foreign markets. Half of the high performers we surveyed reported that they do this to a significant or great extent, compared with only about one-third of low performers.

Business imperative
Scout nascent innovation hubs
Identify emerging centers of excellence in different technologies, products and processes around the world.

Figure 2. High performers are active in securing natural resource supplies

Is your company taking the following steps to a significant or great extent with regard to natural resources?



Resource sustainability Ensuring access to essential inputs

Economic, geopolitical and regulatory factors cause unpredictable swings in the supply, demand and prices of key commodities. Since 2002, the prices of primary commodities had been soaring, driven by the relatively strong and stable performance of the world economy. But the current economic downturn is causing a downswing in commodity prices. Falling commodity prices reduce costs for commodity users in the short term but, paradoxically, may lead to higher prices in the future due to reduced investment in production and exploration today. The prospect of continued scarcity and volatility in resources markets impels businesses to secure their supplies even as prices are falling. The high-performance businesses we surveyed told us their greatest resources challenges over the next three years will be higher input costs, greater cost volatility and threat of supply

disruption, along with a changing regulatory and policy environment.

High-performance businesses source inputs globally to mitigate risks and remain cost-efficient. Forty-four percent diversify geographic sources of inputs to a significant or great extent, compared with 28 percent of low-performance businesses (Figure 2). US-based Danaher purchases raw materials—including steel, copper, cast iron, electronic components, aluminum, plastics and other petroleum-based products—from a large number of independent sources around the world.¹⁸ South Africa's Anglo Platinum searches for new sources of raw material around existing operations in the country's Bushveld Complex, where new exploration permits were granted.¹⁹ However, after encouraging exploration results, the company also began drilling in Danba in southern China and in Murmansk Oblast in western Russia.²⁰

Spanish utility Iberdrola imports liquefied natural gas from seven

countries—Nigeria, Algeria, Egypt, Qatar, Trinidad and Tobago, Libya and Norway—to ensure a diversified and flexible supply of natural gas.²¹ (See case study on page 15.)

In addition to diversifying sources of inputs, high performers find different varieties of inputs. Forty-four percent search for new types of raw materials and inputs to a significant or great extent, compared with just 22 percent of their low-performance counterparts. One example is Brazil's Vale, the world's second-largest metals and mining company, which has taken steps to create its own energy supplies to protect against instability of input prices and to guarantee continuous supply. Vale is a shareholder in eight hydroelectric stations in Brazil and also has hydroelectric facilities in Canada and Indonesia.²² In seeking low-carbon energy sources, Vale has signed a memorandum of understanding to explore for natural gas in Mozambique in partnership with Brazil's national oil company,

Nokia

Who

The world's number one manufacturer of mobile devices, based in Finland. Nokia had an estimated 38 percent share of the global mobile device market in 2007.²³

Differentiator

Nokia instigated a major strategic change in 1992 to generate a huge sales increase outside Europe.²⁴ By 2006, Nokia had sold more than 1 billion mobile phones around the world.²⁵ Today Nokia is a market leader in emerging markets. Half of its top 10 markets by sales are emerging markets: China, India, Russia, Indonesia and Brazil.²⁶

Multi-polar focus

- Access new ideas through venture capital and open innovation
- Hire locally to understand emerging-market needs
- Tailor products to all price points
- Embed sustainability across operations

Scout globally for new ideas

Nokia has a dedicated unit to identify breakthrough ideas but also uses a venture capital group to access innovation.²⁷ Nokia Growth Partners, with offices in China, Finland, India and the United States, manages US\$350 million for direct investments and fund-of-fund investments in other venture capital players, primarily in the United States, Europe and Asia.²⁸ One recent fund investment was in Madhouse, which is China's leading mobile advertisement network.²⁹

Tap into international research and source new ideas and talent through open innovation

Nokia's open innovation model taps two sources of expertise. First, the company partners with leading international universities. Nokia's Research Center in the United Kingdom, for example, works with the University of Cambridge, developing nanotechnologies for

mobile communication and ambient intelligence.³⁰ Second, Nokia makes abundant use of the Internet to source new ideas and talent. Company wikis post the progress of current projects.³¹ A "beta labs" website plays host to hundreds of thousands of testers who provide feedback on new and potential applications.³² "Forum Nokia," a portal available in English, Chinese and Japanese, gives outside developers access to resources to help them design, test, certify, market and sell their own applications, content, services or websites to mobile users via Nokia devices.³³

Understand markets through local hires

Nokia taps into local talent in selected markets to help the company better tailor its products and services. Nokia's research center in Beijing was set up to take advantage of China's fast-growing economy, the world's largest mobile phone market, the country's dynamism and the region's top-level universities.³⁴ Nokia also has a research team in Bangalore that focuses on emerging-market services, particularly for urban and rural India.³⁵ The group studies mobile banking and the needs of base-of-the-pyramid communities, among other topics. Nokia mostly hires local people in Bangalore and uses the whole of India as a stage for research while collaborating with MIT's Media Lab and Bangalore's Srishti School of Art, Design and Technology. Beyond traditional R&D skill sets, Nokia uses designers, economists, engineers and social scientists on the ground to gain insights into low-income consumers.

Create tailored products and services

In China, Nokia has introduced low-priced mobile phones to tap into less-wealthy markets in small cities and rural areas while introducing high-end mobile phones to woo corporate users.³⁶ Nokia also creates tailored services. The Mobicedu service in China teaches English and offers more than 6,000 courses accessible anywhere to people on the move who don't need to carry books or other materials—ideal for a market where demand exists for just-in-time learning.³⁷ The service had 300,000 users during its first six

months. Innovations like these have helped the company become the number one brand in Asia.³⁸

Reach out to new customer groups

Nokia Research Africa's multidisciplinary team works with non-governmental organizations and universities in Kenya, South Africa and Uganda to better understand the needs of African mobile phone users.³⁹ Nokia also works with the Grameen Foundation and Siemens to provide mobile access to remote village communities. The "Village Phone" program, operating in Uganda and Rwanda, involves a local entrepreneur who acquires subscribers, an operator who offers services, and a microfinancier who procures a network access point that supports 70 Nokia handsets.⁴⁰ The program can reduce the cost of owning a mobile phone to approximately US\$3 per month.

Influence value chain partners to be sustainable

Nokia aims to influence a number of stakeholders to conserve resources. Its sustainability research program works with research institutes such as the Center for Corporate Citizenship at Boston College and the Haas Center for Responsible Business at the University of Berkeley, as well as industry bodies, including the World Business Council for Sustainable Development and StEP (Solving the E-waste Problem).⁴¹ Since January 2008, Nokia has worked with the WWF (formerly known as the World Wildlife Fund) and with businesses to show leadership in addressing climate change through its membership of the "Climate Savers" program.⁴² Nokia also has "greened" its supply chain, insisting that all suppliers meet international environmental management standards.⁴³ In addition, Nokia provides environmental content to encourage customers to act responsibly green. One program, featuring films on sustainability from the Cannes Film Festival, attracted 240,000 young filmmakers in its first three months to make films using one of Nokia's phones.⁴⁴ Some phones are even equipped to find the closest recycling service point.

Iberdrola

Who

Spanish utility that aims to become a global leader in renewable energy. It is now the world's fourth-largest utility in terms of market capitalization, up from its ranking as 19th in 2001.⁴⁵ Recent acquisitions central to the company's growth have included ScottishPower and Energy East in the United States.^{46,47}

Differentiator

Iberdrola has shifted its focus from conventional generation to renewables, a position the company aims to strengthen while continuing to invest in clean-generation technology. Current investment plans emphasize organic growth, with nearly 50 percent in renewables and 65 percent of the rest occurring outside Spain.⁴⁸

Multi-polar focus

- Expand energy sources
- Consolidate position in four core markets
- Access new sources of innovation

Diversify its generation base—and thereby its customers' power sources—with a specific focus on renewables

By 2007, Iberdrola produced 31 percent of its power from combined-cycle plants, 23 percent from hydroelectric plants, 18 percent from renewable energy, 18 percent from thermal coal-fired and fuel oil/gas plants, 8 percent from nuclear power and 2 percent from combined heat and power plants.⁴⁹ Liquefied natural gas imports from seven countries on three continents ensure a diversified and flexible supply of natural gas.⁵⁰

Iberdrola's main strategic focus is its Renovables (renewables) subsidiary, which is active in more than 20 countries and is on a path to more than double its capacity by 2012.⁵¹ Renovables builds and operates power plants and markets the power they produce. This helps ensure that

42 percent of the company's total energy production is currently free of carbon dioxide (CO₂) and insulated from the supply concerns and price volatility of fossil fuel markets.⁵²

Reinforce its position in core strategic markets

The company's strategic plan for 2008–2010 is multi-polar at its core, aiming to consolidate Iberdrola's position in the company's four main regional markets: Iberia (Spain and Portugal), the United Kingdom, the United States and Latin America.⁵³ Three main strategic guidelines support achieving this objective: a drive to improve operational efficiency and to reduce the environmental footprint of the different core energy businesses; a continuous effort to increase the quality of supply and performance of network activities to improve the reliability of transmission and distribution assets; and a more customer-centric approach in retail activities to improve service levels as liberalization increases in the Iberian market and the competitive environment in the United Kingdom gets tougher.

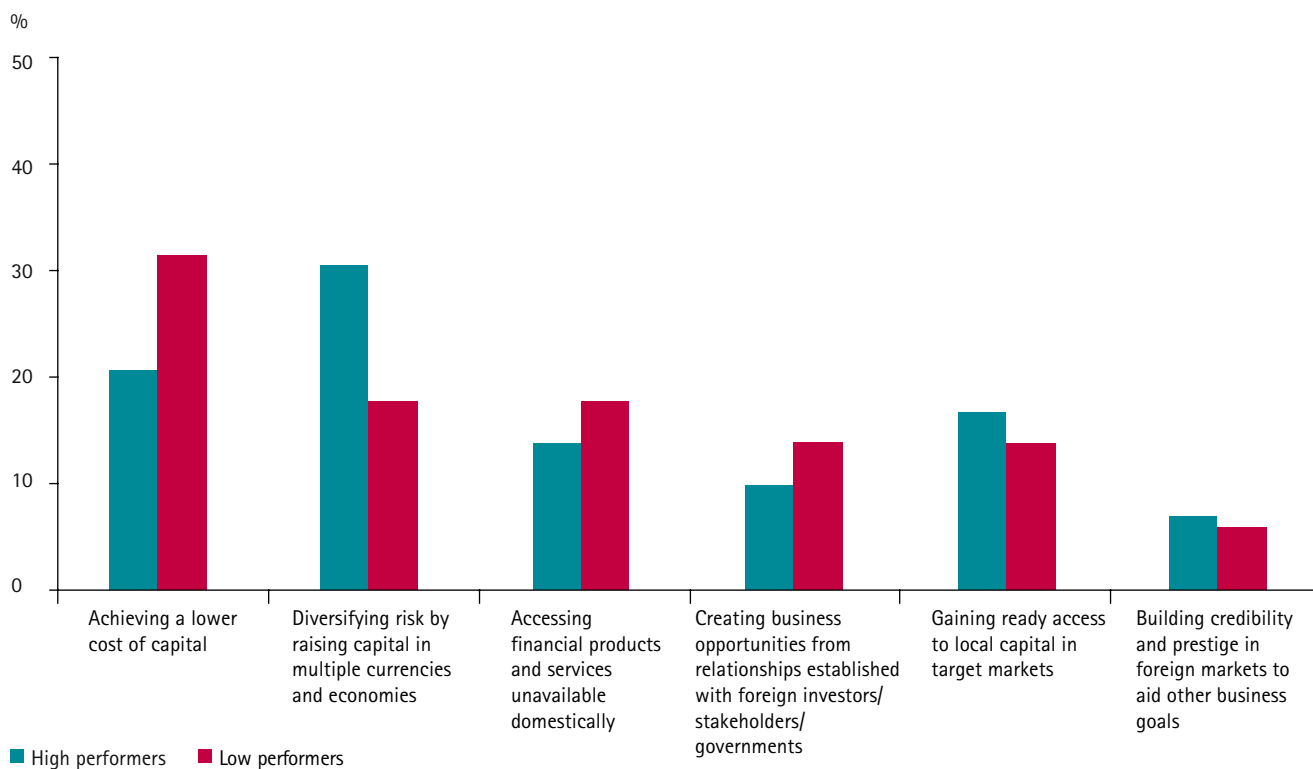
Boost its access to innovation inside and outside the company

Innovation initiatives at Iberdrola are aligned with the key principles of the company's strategic plan, aiming to improve the operating and environmental efficiency of energy operations. The company is a leader in a number of areas, including smart grids, as evidenced by its work on the CRISALIDA project (Convergence of Smart and Safe Grids in Electric Applications Innovating in Environmental Design); broadband communications through electric grids, an area where Iberdrola is working to create the technology standard; and protection and control at electrical substations, for which Iberdrola's engineering subsidiary in Mexico was awarded a 2007 technology and innovation prize from the country's Federal Electricity Commission.⁵⁴ Iberdrola looks to share and promote its ideas with a number of technological collaborators,

including manufacturers, universities and technology centers. In 2007, the company set up its own forum explicitly for that purpose.⁵⁵ In addition, Renovables has established an equity investment company, Iberdrola Perseo, with an annual budget of €6 million.⁵⁶ It will support renewable energy projects with a high technology value, such as new fuel sources and CO₂ capture, helping Iberdrola gain access to the latest renewable energy technology.

Figure 3. High performers diversify risk by raising capital from abroad

What do you think are the main advantages to your company of raising new/more finance from foreign markets?



Petrobras.⁵⁷ In addition, Vale has expanded its use of biodiesel, becoming one of the world's largest consumers of the fuel, which is used to power trains and trucks.⁵⁸ These sources of energy secure a valuable input for the company and also diversify its revenue structure, because surplus power is sold to nearby customers.

To secure reliable supply, high-performance businesses also undertake upstream acquisitions and use term contracts. Frontier, an American airline, makes arrangements with major fuel suppliers for substantial portions of its fuel requirements.⁵⁹ In light of rising coal prices, Anhui Conch, a Chinese cement maker, cooperates strategically with large coal enterprises to widen its coal supply channels and safeguard supply.⁶⁰

French luxury retailer Hermès has developed long-term relationships with its partners and suppliers to protect sources of supply as well as critical know-how.⁶¹ In some cases it will buy into carefully selected companies to ensure the stability of

these relationships. Hermès acquired stakes in watch-movement maker Vaucher Manufacture Fleurier in 2006 and 2007 and in specialized raw materials supplier Soficuir in 2007.⁶²

Business imperative
Secure critical inputs
 Build resource input security via term contracts, upstream acquisitions and investment in diversified geographical sources to minimize supply disruptions and cost fluctuations.

Capital

Following the money

Few phenomena better exemplify the rise of the multi-polar world than the accumulation of new and deep pools of investment capital in high-saving economies in Asia and the Middle East. Flush with petrodollars and export earnings, these economies play host to a new breed of sovereign and private investors who will increasingly shape the direction of long-term capital movements.

At the same time, companies see their traditional debt and equity financing models under strain in the wake of the financial turbulence that has beset global capital markets since 2007. Looking to emerging markets is a natural component of many companies' response. Indeed, emerging-market multinationals may find themselves in better stead as a result of their proximity to new pools of capital as well as historical ties. While many are listed on developed-market exchanges, companies based in emerging markets often look to other sources, such as family members or local stock markets, as well as to sovereign wealth funds and other state-run bodies.

Mapping the new landscape of investment capital, building appropriate investor relations capacity, understanding differences in accounting standards and adapting financing models are all first steps being taken by companies assessing the short- and long-term opportunities that the globalization of capital can offer (Figure 3). Above all, being alert

and open to the possibilities presented by more dispersed capital sources will create options to alleviate short-term pressures and drive long-term growth.

In 2006, Indian builder Larsen & Toubro (L&T) secured the longest tenured external commercial borrowing in Indian history, despite a dramatic slowdown in infrastructure lending.⁶³ L&T's deal set Indian records for both its length of lending term and the degree of leverage, indicating the company's heightened standing in the global debt market. Half the funding was internationally sourced from the Abu Dhabi Commercial Bank. The transaction was so notable that it won the prestigious Euromoney Project Finance "Transport Deal of the Year" award.

Foreign listings will continue to be an important source of investment capital for companies seeking to expand. LAN Airlines was the first Chilean company to be listed on the New York Stock Exchange and certified by the US Securities and Exchange Commission under the Sarbanes-Oxley Act.⁶⁴ (See

case study on page 19.) Wherever they are listed, high-performance businesses realize the importance of maintaining good reputations and strong investor relations around the world.

Business imperative Broaden geographic sources of capital

Improve access to capital and diversify risk by updating knowledge, relationships and financing models to reflect the new map of global investment flows.

Technology will facilitate a number of these strategies

Information technology will be a significant tool for companies looking to expand into new markets. As companies become even more Internet-oriented, they will draw on cloud computing, which enables technical capabilities—hardware, software and storage—to be sourced through the Internet across company firewalls and national boundaries. No longer will they be limited by their

internal and usually fixed technical and business capabilities, whether they are hardware, software or business processes. Additional computing capacity can be added as needed; business processes can be shared and integrated with business partners; entry into emerging markets—often with unpredictable demands—can be accomplished more quickly without long lead times or large fixed costs; local and regional partners can be accommodated; and business continuity can be enhanced as companies' IT environments become insulated against local shocks.

ArcelorMittal

Who

Luxembourg-headquartered steel company created in 2006 from the merger of Luxembourg's Arcelor and India's Mittal Steel.

Differentiator

The world's largest steel company, ranked 39th on the 2008 *Fortune* Global 500 and 17th in terms of revenue growth.⁶⁵

Multi-polar focus

- Invest in emerging markets
- Secure resources
- Partner for innovation

Source capital from multiple locations ...

ArcelorMittal is listed on nine different stock exchanges and issues bonds in both US dollars and euros.^{66,67}

... to make strategic investments that strengthen its global businesses

The company now has an industrial presence in 20 countries.⁶⁸ In 2007 alone, ArcelorMittal conducted nearly three dozen acquisitions. Those in emerging markets included Mexico's Sicartsa, China's Rongcheng Chengshan Steelcord and Estonia's Galvex OÜ.⁶⁹ The company also acquired minority stakes in China Oriental Group and Argentina's Acindar. Greenfield projects focus on India, but also extend to Africa, Southeast Asia, Russia and the Middle East.⁷⁰

Secure supply and demand

Other strategic transactions are conducted to reinforce the company's strength upstream and downstream. ArcelorMittal has acquired businesses upstream to secure access to raw material inputs around the world. The company bought coal mines in Russia, a majority stake in German gas distributor Saar Ferngas, and a minority equity stake in General Moly, a US mineral development and mining

company.⁷¹ ArcelorMittal acquired downstream businesses to strengthen distribution channels and access to worldwide markets. To reinforce its position in the automotive products and energy sectors, the company acquired two French businesses as well as Venezuela's Unicon.⁷² In the stainless steel market, the company acquired Uruguay's Cinter and announced the purchase of outstanding shares in ArcelorMittal Inox Brasil.⁷³ It also acquired steel distributors in Europe, Turkey and Argentina.⁷⁴

Deploy venture capital to find the best "green" innovation in its sector

ArcelorMittal launched two venture capital funds in July 2008 to find solutions for environmental challenges.⁷⁵ The first fund aims to support the commercialization of clean-energy technologies. Its first investment, of US\$20 million, was in Miasole, a US company that produces solar products. The second fund manages €100 million with the goal of engaging in the carbon market and promoting climate-friendly solutions for the steel industry.

Embed itself in the innovation needs of its international customers

The company has 14 research centers in Europe and the Americas.⁷⁶ It also has developed a large partnership network, including universities, major customers and other industrial players. In its automotive and appliances segments, ArcelorMittal deploys R&D teams to customers' plants to co-engineer innovative product solutions.⁷⁷

Conserve resources to minimize cost and embed sustainability

The company seeks to maximize recycling and energy efficiency. Its plant in Tubarão, Brazil, is self-sufficient in energy; gas recovery generates all its electric power.⁷⁸ The plant also is registered within the Clean Development Mechanism introduced by the Kyoto Protocol and earns Certified Emission Reduction

credits that ArcelorMittal can sell in global carbon markets.⁷⁹ The company's internal energy-efficiency team assessed 22 plants in 2007, identifying potential energy savings representing 10 percent of prevailing consumption.⁸⁰ The company also supports projects to identify emission-reduction opportunities in the industry. Across its business, ArcelorMittal reduced CO₂ emissions by more than 20 percent between 1990 and 2007.⁸¹ It also undertakes water recycling initiatives, especially in plants in emerging economies.⁸²

LAN Airlines

Who

Chile-based airline serving 60 destinations around the world, with an extensive network within Latin America and flights to North America, Europe and the South Pacific.⁸³

Differentiator

The company's new domestic business model, along with a premium long-haul service, helped revenue, passenger traffic and net income grow by more than 15 percent in 2007.⁸⁴ In the second quarter of 2008, revenue soared by 38.8 percent, outpacing the airline's 8.5 percent growth in capacity.⁸⁵

Multi-polar focus

- Recruit local talent
- Expand customer base
- Source capital overseas

Create a future talent supply ...

Recognizing the need to prime the pump of local, emerging-market talent, LAN launched "Visit the Base," a program to acquaint young people from various South American countries with the airline's operations.⁸⁶ Participants experience the pre-flight process, tour workshops and hangars and later board an aircraft. More than 1,600 students from 30 Santiago schools, along with pupils from 11 schools in three provinces in Argentina, took part in the program in 2007.

... and deliver in-house training to develop and retain skilled employees

To deal with technical talent shortages and build skills from within, LAN recently established a corporate academy to train company workers and leaders. The academy ran more than 4,500 courses in 2007.⁸⁷ The airline also provides selected employees with financial support to pursue post-secondary technical, graduate and

diploma courses. To retain its best people, LAN offers scholarships to the family members of employees for vocational training courses.

Bring air travel to new customers in Latin America

LAN's "New Way to Travel" program aims to make short-haul air travel more accessible and attractive to the general public.⁸⁸ Its goal is to transform air travel into the most commonly used transportation method in Chile and to capture market share by stimulating and tapping new sources of demand. By simplifying airport and on-board processes, offering more non-stop flights and schedule alternatives, and discounting fares by up to 35 percent, LAN created demand for air travel among those who previously used land transportation. The airline carried more than 500,000 additional passengers in 2007.⁸⁹ This demand-stimulus model was piloted in Chile and later rolled out in Peru; passenger traffic grew by 24 percent in Chile and 32 percent in Peru.⁹⁰

Use overseas capital markets to finance operations and cross-border purchases

LAN sought to broaden its access to global capital via an American Depositary Receipt listing on the New York Stock Exchange—the first Latin American airline to do this.⁹¹ After a decade of successful trading, the company has demonstrated to global investors that it is a serious and prestigious player in the industry, something that served the airline well when it recently sought additional funds to expand its fleet.⁹² More than 97 percent of the US\$320 million raised was sourced from the United States—finance that might not have been as readily available through a domestic stock issuance.⁹³

Being authentically local

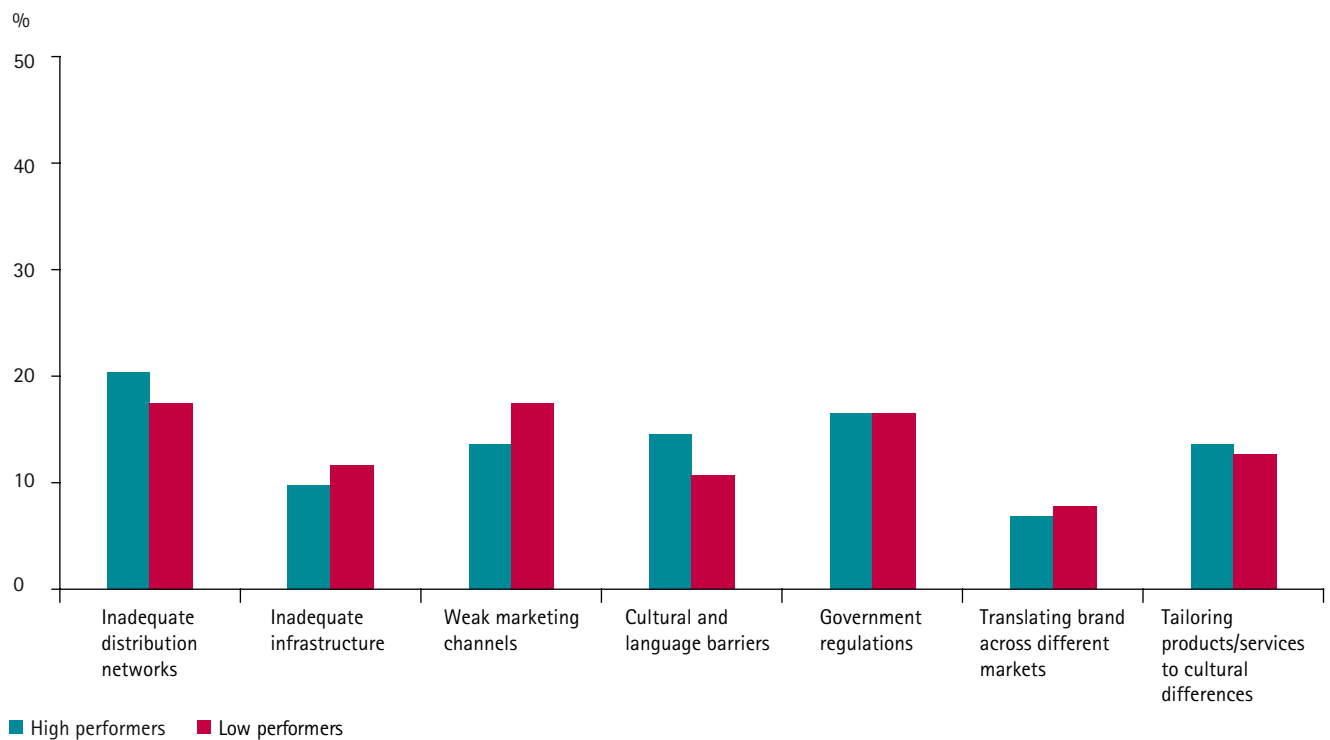


Although searching for value in new markets is a cross-border task, unlocking that value is a local exercise. While the markets for new consumers, talent, innovation, resource sustainability and capital are increasingly global, or globally contestable, economic decisions in all five dimensions of the multi-polar world occur in local markets. Decisions about investment, training, work, consumption, and the use or regulation of resources are crucially conditioned by local circumstances and priorities. Tastes, customs, regulations and political environments differ widely and often create barriers to local success (Figure 4). The rise of the multi-polar world is as much a story about harnessing and adapting to local diversity as it is about global harmonization.

Being authentically local, then, can help companies access and multiply the value inherent in diverse markets by putting themselves at the center of local business ecosystems. But what form might this take? This is both an internal and external challenge for companies: on one hand, adapting strategy, operations and products to meet local conditions and tastes, and on the other, working to shape the broader business environment in which they operate. Accenture research shows that high-performance businesses are out in front in both of these areas. Some seek to draw on historical ties or affinities of language and culture that often provide a natural bridge between home and overseas markets. All draw on a rich playbook of best practices and innovative tools to weave their operations seamlessly into the local business and societal fabric.

Figure 4. Businesses face a variety of challenges when targeting foreign customers

Which of the following challenges is your company facing in foreign markets where it aims to expand its sales?



New consumers Adapting to cultural differences

After deciding to enter a market and finding a route to their customers, companies can still discover that their products fail to find a niche, either because of local competition or because they do not understand the market's distinctive characteristics. High-performance businesses avoid this fate by identifying and isolating important regional differences and tailoring products and services to chosen consumer segments. They often use deep customer analytics to increase their understanding of new customer segments. (See page 32 for more information on the future of analytics.)

India's Tata Motors' customer relationship management program makes real-time customer and vehicle data available across more than 1,000 locations.⁹⁴ In addition to its research and marketing intelligence staff, Avon, a US

cosmetics company, employs internal and external statisticians to develop proprietary regression analyses using Avon's vast product and sales history.⁹⁵ US automotive-component supplier Johnson Controls uses market research to tailor products to different markets. One of its studies across the United States, Germany and the Czech Republic investigated women's preferences in vehicle interior design.⁹⁶

Lack of available customer data, especially in emerging markets, can make it difficult to identify consumer preferences and trends. High-performance businesses get around these difficulties by hiring and partnering locally to get closer to customers. US-headquartered consumer electronics retailer Best Buy partnered with The Carphone Warehouse, Europe's leading mobile phone retailer, in 2006 to serve European consumers with its Geek Squad services (agents who make help-desk house calls).⁹⁷ The companies agreed to a joint venture granting Best Buy a 50 percent share

of European retail stores and other businesses.⁹⁸ This mode of market entry fits with Best Buy's careful expansion strategy as it enables the company to benefit from The Carphone Warehouse's understanding of European consumers before launching its own branded stores.

High performers also use their market insight to tailor products and services to meet local tastes and requirements. Local consumption patterns, for example, are rarely the same. There are culturally specific tastes and preferences, varying income levels, disparate modes of shopping for goods and services, and uneven retail infrastructures. Because Chinese consumers traditionally buy groceries on a daily basis at "wet" markets and prefer fresh produce, many of Tesco's stores in China have large, water-filled tanks of live turtles and toads.⁹⁹ This approach of tailoring offerings to accommodate local shopping habits has proved so successful that Tesco now operates 60 stores in China.¹⁰⁰ (See case study on page 26.)

In addition, companies need to improvise around the constraints imposed by physical isolation and inadequate infrastructure in many markets, often by using new business models. Nearly three-quarters of high performers experiment with new business models to appeal to new customers to a moderate or greater extent, compared with 59 percent of low performers.

In terms of reaching customers, mobile devices will be both a business opportunity and a business necessity. In the developed world, mobile phones will augment personal computers as e-commerce and customer support channels. In the emerging world, where there are more than 1 billion new consumers, mobile devices are likely to be the sole electronic channel for most people. Nearly 4 billion people—or 60 percent of the world's population—are mobile customers. Over 500 million new customers were added in 2008 alone. Seventy-five percent of subscribers are located in emerging markets, where the mobile phone is their sole means of electronic communication. Nearly all the devices have SMS texting capability and an increasing number have some rudimentary Internet connectivity.

Norwegian telecommunications company Telenor has brought mobile banking to migrant workers who might otherwise have insufficient access to regular banking services. In a partnership with Citibank, Telenor's DiGiREMIT service allows customers in Malaysia to transfer money securely to Bangladesh, Indonesia and the Philippines.¹⁰¹ Subscribers to Telenor's TeleDoctor service in Pakistan receive easy access to experienced physicians who provide medical advice and symptom diagnosis in eight languages, eliminating the need to travel to an appointment.¹⁰² (See case study on page 27.)

Business imperative **Relate and tailor offerings to new consumers**

Identify critical local differences in consumer preferences and usage and, in response, tailor products and services to new consumer segments.

Talent **Creating business-ready local workforces for today and tomorrow**

Deep immersion in local talent pools is critical but far from easy to achieve. Talent pools can be shallower than they first appear, with business-ready skills often in short supply. Knowledge-based work increasingly demands not only technical proficiency but also a range of complementary softer skills, such as management experience, organizational ability and creativity—attributes that can be harder to find in emerging markets.

Often this situation is compounded by the lack of a senior management cadre with experience suitable for an international business. Expatriates can fill the gap in the short term but seldom represent a sustainable model in terms of cultural insight, business stewardship and cost.

High-performance businesses are distinguished by their ability to ensure that their workforces are equipped with the full complement of technical and managerial skills. Nearly nine out of 10 high performers—compared with fewer than six out of 10 low performers—establish their own academies. These programs can help to augment technical skills, build management proficiencies and emphasize less tangible aspects of performance, such as teamwork and creativity. Cisco has ramped up its Global Talent Acceleration program, which now has hubs in India, Jordan and South Africa.¹⁰³ The program aims to narrow the gap between the supply and demand of regional networking talent by creating next-generation consulting, engineering and sales expertise in emerging countries.¹⁰⁴ The 37-week program offers two tracks: professional, for students with three to five years' experience, and associate, for recent graduates. All program graduates are expected to join Cisco as full-time employees.¹⁰⁵

Wherever possible, high performers favor the acquisition and retention of local talent. In its overseas markets, UK-headquartered Tesco becomes part of the environment in the host

country in part by keeping down the number of expatriate employees. Despite talent bottlenecks in China, the grocer has managed to fill 80 percent of managerial posts with local hires.¹⁰⁶ (See case study on page 26.)

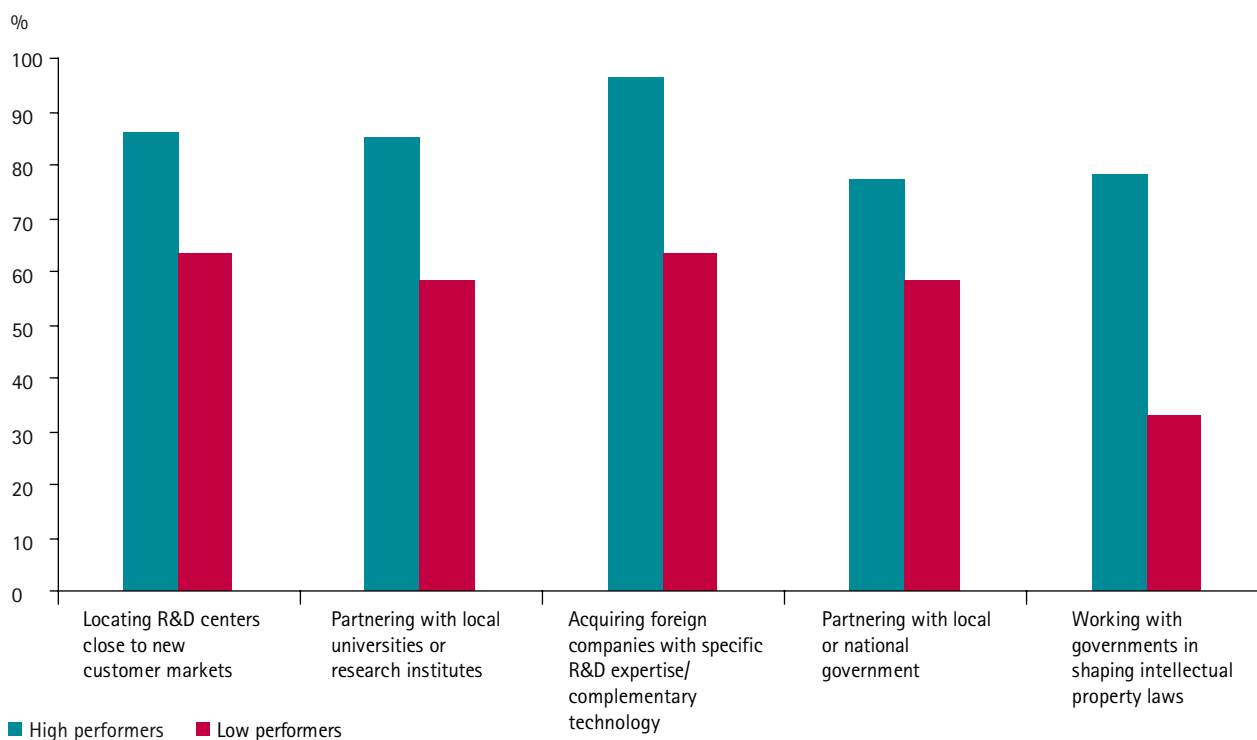
Local leadership in particular helps businesses plant deep roots in local talent markets. Nearly two-thirds of high-performance businesses have local people in charge of local operations to a significant or great extent, compared with fewer than half of their low-performance counterparts. Best Buy prefers to seek out local leaders to fuel its international growth—rather than transplanting Americans—because local talent simply understands the markets and customers better. Best Buy even chose to moderate its rate of expansion in 2006 because it wanted to take the time to “develop local talent wherever the customer meets the brand.”¹⁰⁷

However, attracting and retaining skilled local talent is often difficult, especially as employees in different markets have different rewards preferences. In response to this challenge, all the high-performance businesses we surveyed tailor reward packages to local markets, compared with 65 percent of low-performance businesses.

We found that high-performance businesses take a long-term view, looking beyond immediate talent needs and acting to build a pipeline of skills. In particular, they work with external stakeholders, such as governments and local communities, to boost skills development. Ninety-two percent collaborate with external stakeholders, such as academic or governmental organizations on education and health initiatives, compared with 73 percent of low-performance businesses. Telenor has worked with the Technical Education and Vocational Training Authority in Pakistan and two industry peers to launch the Telecoms Futures program, which develops technical skills in individuals from deprived backgrounds.¹⁰⁸ (See case study on page 27.)

In a joint initiative with UNESCO and the World Economic Forum, Cisco has pioneered an e-learning program to help energize local economies;

Figure 5. High-performance businesses use a number of methods to embed themselves deeper into local innovation hubs
Is your company taking the following steps in foreign markets where it aims to expand R&D/innovation activities?



the program now operates in approximately 165 countries.¹⁰⁹ Cisco's academy in India seeks to improve social and economic conditions by developing IT skills in a predominantly agrarian region, targeting girls, rural and urban underprivileged children and people with special needs.¹¹⁰

Business imperative

Develop local talent

Develop and mold local talent for today and tomorrow by investing across the skills spectrum.

Innovation

Embed in local networks

Even companies that have successfully identified appropriate new hubs of innovation often find it difficult to tap into the ideas, innovation and expertise present there, including open innovation systems. More generally, companies targeting sales growth in new markets can struggle to keep their innovation engines fueled with local-market insight, preferences and feedback.

Understanding this, high performers focus on establishing innovation activity in locations close to emerging and future customers. Our survey showed that high performers are more likely than low performers—86 percent versus 63 percent—to locate research and development facilities near their customer bases in new markets (Figure 5). With a view to consolidating growing biotech research activities and facilitate operational excellence, Monsanto invested in a facility in Bangalore in March 1998 to research biotech crops with resistance to viruses and tolerance to drought, heat and salinity.¹¹¹ The center tested and gained approval for Bollgard, the only biotech crop sanctioned in India. Yields for Bollgard acreage are 64 percent higher than for conventional cotton, according to a survey of more than 4,000 farmers by the Indian Market Research Bureau.¹¹² The net profit increase for farmers using Bollgard is Rs 6,727 per acre, or more than 118 percent.

High-performance businesses benefit from innovation clusters in local

markets by placing themselves at the heart of a wider web of relationships among companies, universities, research institutes and governments. India's Bharat Heavy Electricals formed a number of joint ventures, including one with GE to repair and service GE-designed gas turbines and another with Siemens to improve the performance of old fossil-fuel power plants.¹¹³ Our survey found that high-performance businesses are far more likely than their low-performance counterparts to partner with local universities or research institutions (85 percent versus 58 percent). For example, Canada's Imperial Oil has an external technology network maintained through links with universities, industry and government research alliances.¹¹⁴

Sometimes growth by acquisition is needed to permit effective participation in local innovation clusters, particularly when access to specific know-how or technology is critical. Our survey found that high-performance businesses are significantly more likely than low-

performance businesses to buy foreign companies to acquire specific R&D expertise or complementary technologies (96 percent versus 63 percent). For example, Kingspan Group, Ireland-headquartered building-products company, acquired Thermomax, a leading-edge European solar thermal business, to bolster its suite of sustainable building solutions.¹¹⁵ (See also ArcelorMittal case study on page 18 and Telenor case study on page 27.)

Each market has a distinct innovation ecosystem in which regulation and public policy are crucial forces. Accordingly, high performers participate in dialogues about innovation policy at a local level to better anticipate trends and shape them where possible. In fact, nearly eight out of 10 high performers team up with local or national governments, compared with fewer than six out of 10 low performers. And more than three-quarters of high performers work with governments to shape intellectual property laws, compared with only one-third of low performers.

Business imperative **Embed in the local innovation fabric**

Embed innovation activities into the local research and development and consumer environment, working in tandem with industry peers and policymakers.

Resource sustainability **Harnessing local markets and incentives**

Although the upstream supply of energy and natural resources is swayed by global markets, final consumption of resources—by companies or individuals—occurs in differing local markets, each with its own economic, cultural and regulatory backdrop. Similarly, in a world increasingly conscious of global climate change, countries and regions differ in the way they regulate, or intend to regulate, greenhouse gas-emitting activities.

Companies are beginning to respond by making a business out of low-carbon activities.

High performers know that this requires a deep understanding of regulatory, tax and incentive regimes enabling them to identify the most attractive opportunities in multiple markets—whether to enhance the cost benefits of energy efficiency or decarbonization, to support investment in new and adjacent markets for future revenue growth, to diversify regulatory risk or to maximize exposure to emerging technology.

Iberdrola's focus on renewables has allowed the company to explore new sources of revenue from the government. The company benefits from feed-in tariffs in Spain, "green" certificates in the United Kingdom, and tax incentives, "green" certificates and investment subsidies in the United States.¹¹⁶ It also has registered its Mexican wind farm and Guatemalan hydropower plant with the United Nations Clean Development Mechanism, earning Certified Emission Reduction credits that can be sold on the global market.¹¹⁷ (See case study on page 15.)

US chemicals-solution provider Praxair works with the US Department of Energy and other companies to develop high-efficiency oxygen supply systems for next-generation IGCC (integrated gasification combined cycle) power plants.¹¹⁸ Praxair also participates in projects in Germany, Spain and the United States that demonstrate Praxair's oxy-coal technology and carbon dioxide capture and processing systems.¹¹⁹

High performers in general have been quicker than low performers to embrace carbon trading. The Copenhagen Consensus, a periodic review of global challenges by leading economists, identified R&D in low-carbon energy technologies as one of the major solutions to the world's challenges in 2008.¹²⁰ Over one-third of high performers seek to increase revenues through new markets, such as carbon trading, to a significant or great extent, compared with 22 percent of low performers. US utility PPL generates electricity but also has moved into trading. The company now actively buys and sells energy in selected competitive wholesale and

deregulated retail markets.¹²¹ Overall, generation and energy marketing and trading account for more than half of the corporation's annual earnings.¹²²

Business imperative **Localize resource sustainability**

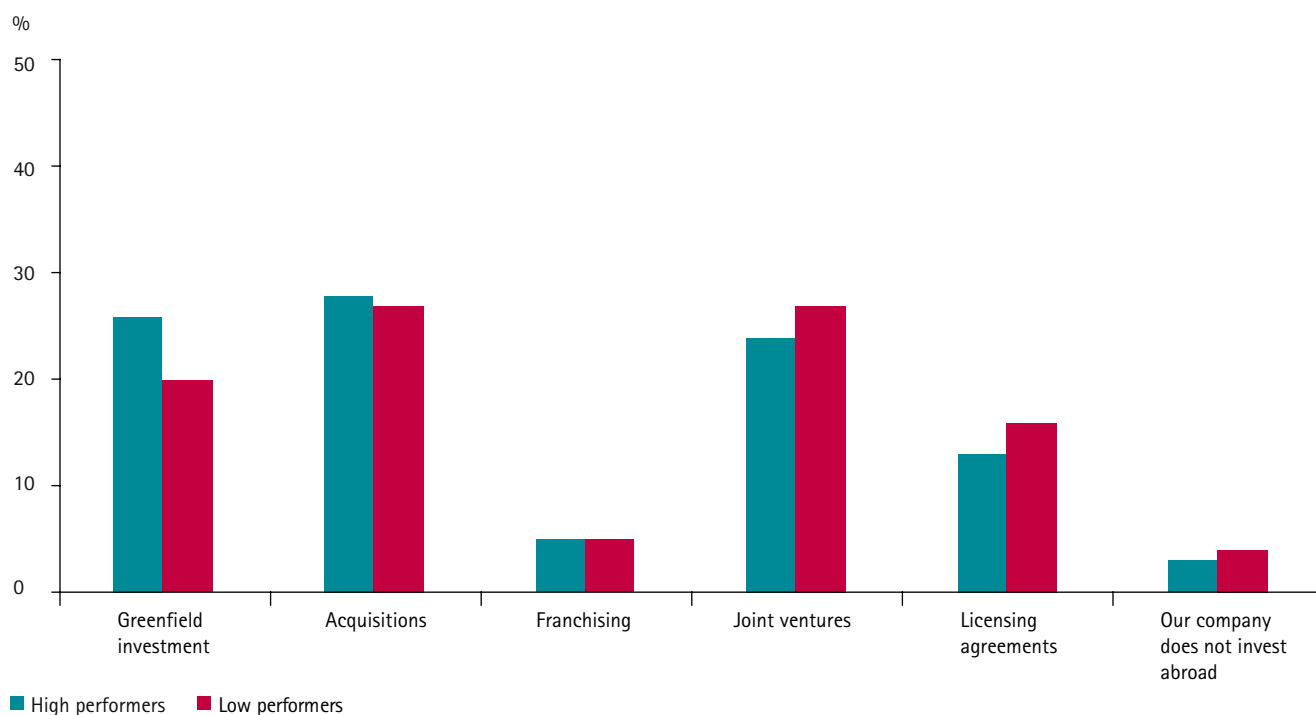
Optimize resources strategy under differing economic, cultural and regulatory constraints across markets and harness incentive regimes, such as carbon trading, for current and new business.

Capital **Acquiring expertise and market access**

Allocating scarce investment capital to projects in foreign markets is challenging. Some markets are volatile and uncertain. Some have regulations that hinder certain modes of investment. In others, the most appropriate mode of investment may appear to be incompatible with a company's current operating model. It is no wonder that high performers recognize that in this context a proactive, creative and—above all—open-minded approach is indispensable.

Acquisitions are a preferred investment mode in foreign markets for both high and low performers (Figure 6). Yet in some emerging markets, acquisitions and greenfield entry in certain sectors may be restricted, whether by local laws and regulations or by the strength of market incumbents. High-performance businesses respond flexibly, often using joint ventures to enter such markets. Tesco created a joint venture to establish a presence alongside the restricted Indian retail market. Government legislation protects the millions of family-run "kirana" shops, and domestic retail chains prohibit foreign multiple-brand retailers from selling directly to customers.¹²³ Tesco plans to enter India in 2009 by establishing wholesale cash-and-carry stores to sell directly to domestic retailers, restaurants and caterers.¹²⁴ Stores will be set up through a partnership agreement with Trent, the retail arm of Tata, one of India's largest conglomerates.¹²⁵ Tesco is laying the

Figure 6. Acquisitions are the preferred investment strategy in foreign markets
Which of the following investment modes does your company use in foreign markets?



groundwork for a strong presence in the Indian market on which it can capitalize should foreign investment rules be relaxed in the retail sector.¹²⁶ (See case study on page 26.)

In addition to helping with access to foreign markets, joint ventures also can help companies enter new sectors and gain expertise. Larsen & Toubro recently partnered with GE Energy in India to focus on the power generation market.¹²⁷ GE Energy will provide products from its power plant main control system, and L&T will leverage its strengths in engineering and project execution as well as its experience in the Indian market.

When companies wish to tap into new ideas and markets quickly—but investment outcomes are less certain—a venture-capital approach might be appropriate. Nokia's venture capital group, launched in 2004, manages US\$350 million for direct investments and fund-of-fund investments in other venture capital players. Nokia Growth Partners aims to support portfolio companies

with their global perspective on the mobile phone industry and the necessary strategic guidance, network and platform to accelerate growth domestically and internationally.¹²⁸ (See case study on page 14.) Similarly, Iberdrola's Renovables subsidiary has set up an equity investment company, Iberdrola Perseo, with an annual budget of €6 million.¹²⁹ It will support renewable energy projects with a high technology value, such as new fuel sources and CO₂ capture, helping Iberdrola gain access to the latest renewable energy technology. (See case study on page 15.)

Business imperative
Be open to a variety of investment models

Be willing to draw on a broad suite of investment models tailored to the characteristics of different markets.

Tesco

Who

Based in the United Kingdom, Tesco is the world's third-largest grocer, operating more than 3,900 stores in 14 countries.¹³⁰

Differentiators

More than 60 percent of Tesco's sales space is now located outside the United Kingdom.¹³¹ The company made its first move abroad in 1994, when it set up in Hungary, followed by Poland, Slovakia and the Czech Republic.¹³² In addition to becoming a clear winner in Eastern Europe, the company is now the market leader in Malaysia.¹³³ Tesco also planned to double the number of Tesco Express stores in Turkey in 2008 and more than doubled its online grocery sales in South Korea—its second-most profitable market—since 2007.¹³⁴ Across Tesco's new markets, sales grew by 25 percent in 2007, and growth remained strong in 2008. In the first half of the year, same-store sales in China rose by 14 percent.¹³⁵ In the third quarter, international sales were up 28.1 percent at actual exchange rates (and by 14.6 percent at constant rates).¹³⁶

In the United Kingdom, Tesco's multiple product ranges—spanning numerous price points—have allowed the company to position itself as a major discounter during challenging economic times.

Multi-polar focus

- Partner with local players in emerging markets
- Cater to local shopping preferences
- Source talent globally, staff locally
- Deploy a global operating model for standardization efficiencies
- Pioneer sustainability initiatives

Use joint ventures to enter new markets

Tesco entered the US\$270 billion-a-year grocery market in China in 2004 through a joint venture with Taiwan's Hymall, of which it now owns 90 percent.¹³⁷ Today, Tesco

operates 60 stores in China, with 95 percent of products sourced within the country.¹³⁸ Global reach is key to local effectiveness: Tesco believes that in China it can use the experience it has gained from operating around the world to localize its food offerings better than its two major rivals.¹³⁹ In India, Tesco partners with Trent (the retail arm of Tata) to establish wholesale cash-and-carry stores for retailers, restaurants and caterers and to expand Trent's Star Bazaar hypermarkets by sharing know-how and technology.¹⁴⁰ If current rules that restrict foreign ownership of retail outlets are relaxed in the future, Tesco expects to be well positioned.

Tailor the store experience to local preferences

Tesco is highly flexible in its retailing format to respond to different consumer norms and tastes. Noting that grocery shoppers in Japan like to buy small amounts of fresh food each day, Tesco entered the market not by opening hypermarkets but by acquiring a discount supermarket operator.¹⁴¹ The company's stores in Thailand seek to replicate the product selection experience of traditional street markets, with less emphasis on the neatly packaged portions found in many Western markets.¹⁴² Tesco sells live toads and turtles from tanks in Chinese stores, catering to consumers' preference for shopping in "wet" markets.¹⁴³

Look locally—and globally—to overcome talent bottlenecks ...

Recruiting employees of the right caliber remains a challenge. Tesco views overseas growth as "not about putting flags down in countries, [but] about the quality of people."¹⁴⁴ The company has filled 80 percent of managerial posts in China with people hired locally, consistent with its strategy of acclimatizing to each country and keeping down the number of expatriate employees.¹⁴⁵ At the same time, the company has recruited MBA-degree holders from Indian consulting firms to staff the global function charged with deploying Tesco's new global operating model, called TOM, around the world.¹⁴⁶

... and standardize systems and processes across the company

One of TOM's benefits is swifter and easier expansion into new markets because TOM standardizes operations. All stores use the same technology and processes for billing customers, purchasing goods and managing the stores. Tesco plans to centralize IT applications under a single network and voice contract and to standardize its main finance, human resources and sales applications.¹⁴⁷ Standard reporting functions will allow executives to manage a store in Malaysia or Japan just as they would a store in the United Kingdom.¹⁴⁸

Embed resource sustainability in its operations

Tesco has pledged to halve emissions from existing stores and distribution centers worldwide by 2020 and to reduce the amount of packaging on branded and Tesco's own-label products by 25 percent by 2010.¹⁴⁹ The retailer is also a pioneer in the use of sustainable and cost-saving materials, experimenting recently with a store of wooden construction in Slovakia.¹⁵⁰ Its service center in India—where it replaced all 2,500 of its compact fluorescent lamps (energy-saving light bulbs) with LED lighting—has set local standards for energy conservation in interior lighting.¹⁵¹

Telenor

Who

Norwegian telecommunications giant providing mobile services to more than 150 million subscribers in 12 markets across Europe and Asia, as well as fixed-line and broadcast services in the Nordic region.¹⁵²

Differentiator

Telenor joined forces in 1997 with Grameenphone—now the largest mobile service provider in Bangladesh—for its first venture in Asia.¹⁵³ In 2007 alone, Telenor's subscriber base in the country grew by more than 50 percent. Telenor Pakistan launched its service in 2005 and is now the country's second-largest provider, with 33 percent of the market.¹⁵⁴

Multi-polar focus

- Deploy capital to acquire emerging-market players
- Attract local talent with technical education programs
- Tailor innovation and services to critical lifestyle needs in emerging markets

Mobilize capital to expand internationally

Telenor's strategy in emerging markets is to capture a large subscriber base early on so it can enter the industry's consolidation phase in a dominant position.¹⁵⁵ As a result, it has chosen to expand by deploying capital to acquire top-tier players in low-income but high-growth markets. Telenor now owns Telenor Pakistan, Telenor Serbia, ProMonte (Montenegro) and Pannon (Hungary) and holds partial equity stakes in other companies including DiGi (Malaysia, 51 percent), Grameenphone (Bangladesh, 62 percent) and DTAC (Thailand, 65 percent).¹⁵⁶ Expansion continues in the current economic climate. Telenor is

entering India—the world's second-largest mobile phone market—via the purchase of a controlling stake in Unitech Wireless, a local greenfield mobile operator with pan-Indian telecommunications licenses.¹⁵⁷ Telenor plans to launch its Indian services in 2009.

Having identified high-growth markets, Telenor invests for the long term. In Ukraine and Hungary, the company was looking for subscriber growth in 1998. By 2004, both markets generated revenues for the company and, by 2008, they generated profits.¹⁵⁸

Invest in basic education to expand future talent pools

Telenor invests locally to offset local shortages of technical skills and experience. In Pakistan it worked with the Technical Education and Vocational Training Authority and with Nokia and Siemens to create the industry's first industry-academia collaboration.¹⁵⁹ Telenor's employment qualification—a two-year higher national diploma—is aimed expressly at making the company accessible to people from deprived backgrounds.

Innovate for the local market

Telenor uses its Malaysia-based Research & Innovation Centre Asia Pacific (TRICAP) to improve its understanding of Asian consumers' behaviors and preferences and to develop new technology and services.¹⁶⁰ TRICAP considers that the insights from its many consumer interviews are especially valuable for Telenor as a whole because Asian consumers are often early adopters of new technology.

Reach new consumer groups

Telenor's offer to consumers is highly tailored and markedly local. Its TeleDoctor service in Pakistan offers subscribers easy access to experienced physicians for remote medical advice and symptom diagnosis in eight languages.¹⁶¹ Customers also

can indicate whether they would prefer to connect to a male or female doctor. The company's BillPay system in Bangladesh allows natural-gas consumers to settle their bills using their phones.¹⁶² Telenor provides free life insurance in Thailand to subscribers of a year's standing.¹⁶³ And in an evolution of communications and banking business models, Telenor teamed with Citibank to allow customers in Malaysia to transfer money securely to Bangladesh, Indonesia and the Philippines via SMS text-message technology, bringing remittance-dependent migrant workers into the customer base of both companies.¹⁶⁴

Networking the organization



The ability to scan the evolving economic geography of the multi-polar world and embed business activities in local markets are essential hallmarks of the businesses we studied. But high-performance businesses go beyond this: they actively find ways to scale the benefits of local success to the organization at large. By creating organizations that are permeable—both internally and externally—companies enable flows of people, ideas and best practices.

Many companies are still on the journey to find the right global operating model. High performers are taking steps toward a model that mirrors their multi-polar business environment and enables them to reap the benefits of being both super-global and super-local.

Facilitating mobility

Being successful in local markets is not enough for a company to thrive in a competitive global economy. Scaling success across a company is challenging, but mobilizing the best people and ideas from all global operations ensures that companies multiply their resources.

The high performers we surveyed undertake a number of activities that help facilitate mobility across their organizations. In the realm of talent, high performers equip employees with the skills and opportunities to work across different markets. Fifty-one percent of high performers do this to a significant or great extent, for instance by offering language courses or job rotations, compared with 35 percent of low performers.

Furthermore, more than half of the high-performance businesses we surveyed give employees early opportunities in their career to work abroad to a significant or great extent, compared with 31 percent of low-performance businesses. British luxury fashion house Burberry promotes cross-border employee transfers, including international secondments with exchanges among France, Italy, Spain, South Korea, the United Kingdom and the United States.¹⁶⁵ To prepare employees for success in the global business community, Burberry provides language courses in French, English, Spanish and Italian and offers one-on-one lessons for senior management.¹⁶⁶

Connecting an organization is partly about moving people but also about sharing ideas, innovation and best practices. Nearly two-thirds of high performers have processes to swiftly transfer new technology and innovations across the organization to a significant or great extent, compared with less than one-third of low performers. Businesses can also encourage employees to connect and share knowledge globally so that best practices can be transferred across the firm. Best Buy's CEO, Bob Willett, describes the benefits of global interconnectedness this way: "What we learn in China can improve our business in Canada

and the United States and vice versa. By connecting human beings around the globe we believe we can learn faster. More access to new ideas in different markets, we think, fuels faster growth."¹⁶⁷

To ensure that ideas flow across the entire company, Norwegian media firm Schibsted established an editor forum in 2007.¹⁶⁸ Membership includes 30 editors-in-chief, deputy editors-in-chief and news editors from Estonia, France, Lithuania, Norway, Russia, Spain and Sweden.¹⁶⁹ The forum's agenda addresses common challenges, the exchange of ideas and fundamental problems in each country, allowing editors to learn from each other's experiences.

Collaboration technologies, which companies have traditionally seen simply as the electronic extension of meeting rooms, will play a big part in creating a networked organization into the future. Companies and individuals today have a wide range of options for communication and collaboration: e-mail, instant messaging, voice-over-IP, process-oriented collaboration, very high-end telepresence, social networks, blogs, wikis, RSS, free content distribution mechanisms, twitters and murmurs. But in spite of the proliferation of these technologies, work practices have largely remained the same in most companies: a fixed group of employees assigned to specific projects, coming into a building every morning, sitting at desks or in meeting rooms. Add to this the newer pressures imposed by large e-mail volume and late-night conference calls with colleagues in far-away time zones, and it becomes easy to see how current work practices could be improved.

Given the aging Western workforce and the competition for global talent, companies now have many different technological options to consider for their workforces and work practices. For example: How to effectively deploy an expert across multiple projects? How to reduce the time wasted in daily commutes? How to reduce the amount of office space? Indeed, how to create and manage what we may come to call an "elastic" organization?

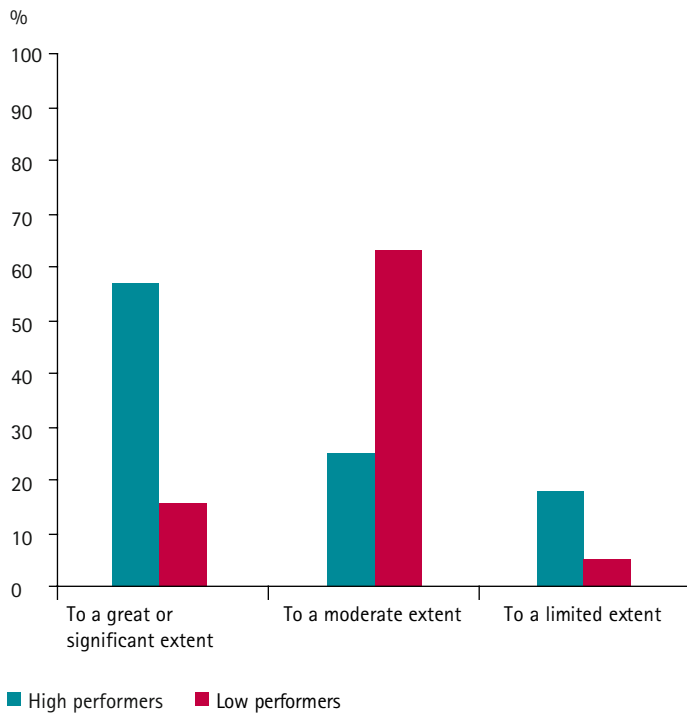
Business imperative

Create structured channels to allow rapid diffusion of ideas and know-how across geographic regions

Invest in mobility and technology solutions that facilitate the movement of talent and ideas within the company and between value chain partners.

Figure 7. High performers multiply local innovation across geographies

To what extent is your company replicating successful innovations across different markets where it aims to expand R&D/innovation activities?



Maintaining a strong core

Operating successfully at global scale involves making the right components of a global operating model—organizational architecture, information systems, business processes and data—consistent and standardized across the enterprise. Global enterprise resource planning systems will continue to have an important role in coordinating and harmonizing these activities across the organization. Maintaining a backbone of best practices enables the mobility that allows a company to scale successfully. At the same time, it can create competitive cost structures that enable the business to multiply in size without multiplying underlying costs.

Common processes and the proactive sharing of best practices help high performers scale product and service innovations across multiple markets. In fact, as Figure 7 shows, high performers are more than three times as likely as low performers to replicate successful innovations across different markets to a significant or great

extent (57 percent versus 16 percent). One example is Japanese auto manufacturer Suzuki, which plans to use the lessons learned from its R&D for the Indian market to strengthen its approach to other emerging markets in South Asia, the Middle East and Africa.¹⁷⁰ As asset manager Masayuki Kubota explains, “Suzuki is capturing the very best spots—emerging markets and small cars... It entered the markets far before other carmakers and is benefiting now.”¹⁷¹

An organizational structure with channels that guide people and ideas to where they will create the most value will be critically important. This can involve creating dedicated leadership positions for different geographical markets. Our survey found that 47 percent of businesses have already created specific executive leadership positions for new geographic markets, and 77 percent of companies said they plan to do so within three years.

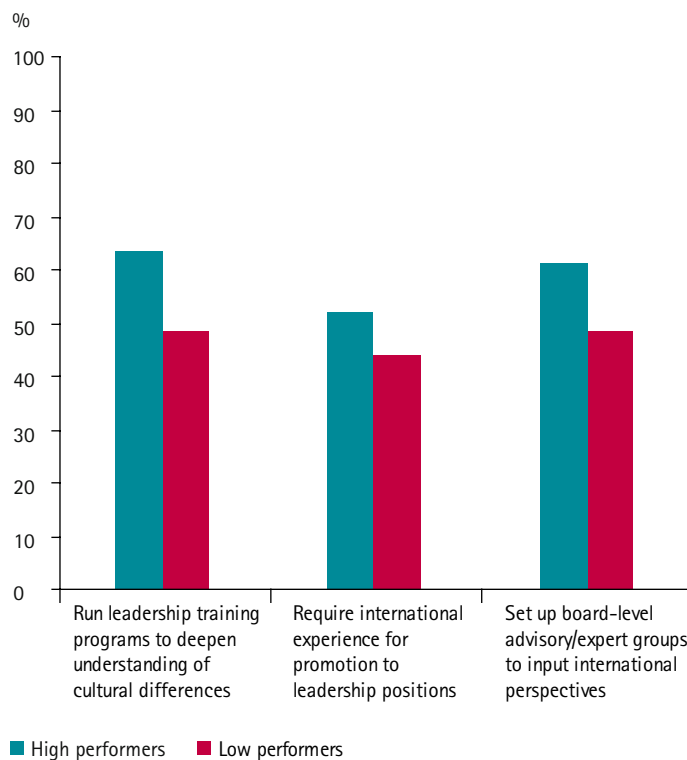
Business imperative

Build a global backbone of standardized data, systems and processes

Develop a global operating model with consistent core components of organization design, data, businesses processes and information systems to foster the circulation of ideas and best practices.

Figure 8. High performers create leadership teams that understand their geographic markets

In response to globalization, what changes has your company made to the composition, structure or operation of its leadership team?



Fostering multi-polar leadership

A global mindset starts at the top. Ensuring that an organization maintains the appropriate flow of ideas and know-how requires leaders who understand the central requirement of harnessing the trends and dynamics of the multi-polar world. The effective creation of geographic options and valuable local links is more likely to flow from leadership by a team that reflects the company's current and future geographic footprint.

High performers are already out in front in forging multi-polar leadership teams. Eighty-two percent of the high performers we surveyed currently have foreign board members; that proportion is expected to rise to 91 percent in three years' time. The comparable figures for low performers are 71 percent and 77 percent. In addition, more high performers than low performers have set up board-level groups of advisors to gain international perspectives (61 percent versus 49 percent) (Figure 8). Italian

insurer Assicurazioni Generali's regular Executive Forum brings together top executives and international experts to develop insights on future strategic priorities and opportunities.¹⁷² Recent topics included "strategy making in a turbulent environment" and "world demographics and their impact on the future of insurance."¹⁷³

Apart from the composition of the leadership team, a global mindset can be inculcated across a company's leadership in a variety of ways. Nearly two-thirds of high performers—compared with less than half of low performers—run leadership training programs to deepen understanding of cultural differences. Cisco's Global Leader Program helps the company's global managers develop global thinking and skills. Its objective is to help managers translate Cisco's global priorities into organizational goals and drive innovative global business practices through local-country competencies, culture, global relationships and networks.¹⁷⁴

Assicurazioni Generali's Ulysses Program is a structured one-year

training module for senior and middle managers who learn to investigate competitive advantage through different business, geographic and institutional contexts.¹⁷⁵ Through fieldwork, the managers are exposed to challenges facing other leading companies and broaden their understanding of the sources of multi-polar value creation.

Finally, ensuring that new leaders understand the multi-polar world is important for maintaining performance into the future. Over half of high performers currently require international experience for promotion to leadership positions; 77 percent will do so within three years, compared with 62 percent of low performers.

Business imperative Ensure multi-polar leadership to cultivate a global mindset from the top down

Starting at the top, create leadership teams that reflect the current and future global footprint of the company.

How technology will shape the multi-polar world: Four technology trends to watch

Internet-oriented computing

A vivid illustration of the development of more-permeable organizational structures in the multi-polar world is provided by cloud computing. This new paradigm enables technical capabilities—hardware, software and storage—to be sourced through the Internet across company firewalls and national boundaries. As such sourcing options proliferate, organizations will be able to create new, best-of-breed business applications uniquely suited for their needs rather than depend on off-the-shelf processes provided by large software packages. As a company's IT ecology becomes ever more Internet-oriented, it's no longer limited by its internal and usually fixed technical and business capabilities, be they grounded in hardware, software or business processes.

Convergence of the 4 Cs—communication, collaboration, communities and content

As businesses become more geographically dispersed and come up against limits to the physical mobility of people, technology will increasingly underpin the flow of ideas and collaborative working across the organization. Companies and individuals today have a wide range of options for communication and team working, including e-mail, instant messaging, voice-over-IP, process-oriented collaboration, very high-end telepresence, social networks, blogs, wikis, RSS, free content distribution mechanisms, twitters and murmurs. But until recently, almost all of these options have been point solutions to specific communication problems. Fortunately, different combinations of these technologies gradually are beginning to converge. Having traditionally seen collaboration technologies simply as the electronic extension of meeting rooms and the proverbial water cooler,

companies now have many different technological options to rethink for their workforces and work practices.

m is the new e

Mobile technologies and devices will increasingly underpin the expansion strategies of companies in the multi-polar world, particularly in emerging markets where fixed-line infrastructure is sparse and ownership of personal computers may be limited. In the chapter titled *Being authentically local* we saw how mobile technologies are bringing services, such as banking and medicine, to previously underserved groups. These developments are possible because of both the speed of innovation in mobile technologies and the extent and depth of mobile penetration worldwide: nearly 4 billion people—or 60 percent of the world's population—are mobile customers.

Good data, good decisions

Good data—on market characteristics, consumer preferences and buying habits, skills availability, innovation activities or capital sources—are an essential aid to effective decision making in the multi-polar world. Although companies have large databases and even larger data warehouses, their use in decision making is more the exception than the rule. This will change as a variety of trends converge. New data standards are making data from multiple sources increasingly simple to use. Major technology platform vendors have acquired companies with analytics and business intelligence capabilities. We will see tighter integration between the data held by various platforms and the analytics or intelligence needed to analyze it. Data also will be easier to use as new technologies, such as mashups, enable end-users to access and manipulate live data from multiple sources to suit their unique job needs, rather than depend on standard—and usually out-of-date—reports. Business process management, where business processes are formally described and executed through orchestration, is gradually maturing, which holds the promise for automated adaptation

of business processes in response to patterns detected in data. In fact, a number of sophisticated data visualization tools entered the market recently. The dramatic increase in the amount of public information that current employees, potential future employees, customers, customers of competitors, competitors, employees of competitors and so on are putting on the Internet through blogging, social networking and content-sharing sites is waiting to be mined.

All these advances taken together lead to an interesting conundrum. While sophisticated analytics may well define the basis of business competition over the next several years, analytics itself will become a non-differentiating "utility" that's available to everyone. As a result, what goes into the analytics engine (data) and how an organization utilizes what comes out of analytic engines (decisions) will be the real advantage that companies will have.

Appendix

High Performance Business research methodology

Financial analysis

Accenture defines a high-performance business as one that consistently outperforms its peers across business and economic cycles. To be a true high performer, a company must survive and thrive through repeated economic and market disruptions—often across generations of leadership. The characteristics and capabilities of these businesses are measured by a set of widely accepted financial metrics over five key dimensions, with each graded on a curve against competitors in a carefully considered peer set. The financial results per criterion are classified within the peer group (sector) by means of a standard distribution on the basis of which the high-performance business scores are calculated, on a scale from 0 (lowest score) to 4 (highest score). The overall score per company within the peer group is the unweighted average of the score for the five criteria. If a company scores an average of 2.67 or higher on all five criteria, it is a high-performance business for the purposes of this report.

Method of calculating the five criteria

1. Profitability

Measured by the spread between the return on capital and the cost of capital. Profitability is calculated as the unweighted Average Spread over the past three and seven years.

- Profitability = (Average Spread over the past 3 years + Average Spread over the past 7 years)/2
- Spread = Return on Invested Capital (ROIC) – Weighted Average Cost of Capital (WACC)
- WACC = Debt/EV*(Kd)*(1-Tr)+Equity/EV*(Ke), where Kd is the cost of debt, Tr is the marginal tax rate, Ke is the cost of equity, and EV is the enterprise value of the company (Market Capitalization + Net Debt).

- Ke is calculated as Risk Free Rate + (Market Risk Premium * Company Beta), but for the purposes of the HPB research, the industry average Beta is assumed.

2. Revenue Growth

Measured by revenue expansion. Revenue Growth is calculated as the unweighted compound annual growth rate (CAGR) over the past three and seven years.

- Revenue Growth = (CAGR for the past 3 years + CAGR for the past 7 years)/2

3. Positioning for the Future

Represented by the portion of share price that cannot be explained by current earnings (what we call “future value”) and by the portion of the industry total each company’s future value represents. Positioning for the Future is calculated on the basis of Future Value over a period of seven years and the change over two periods of time (the first three years versus last three years of the period under observation).

- Future Value = Enterprise Value – Value of Current Operations
- Enterprise Value = Market Capitalization + Net Debt
- Value of Current Operations = (Standardized Net Operating Profit Less Adjusted Taxes (NOPLAT))/WACC

Level and change of Future Value:

- Level = Average Future Value of the past 7 years/Average Invested Capital for the past 7 years
- Change = ((Average Future Value for new period) – (Average Future Value for original period))/Average Invested Capital during the past 7 years

4. Consistency

Measured by the percentage of years over a seven year period that the company has outperformed its peer set median in the performance criteria of Revenue Growth, Spread and Future Value.

5. Longevity

Measured by the duration of out-performance in Total Return to Shareholders (TRS). Longevity is calculated on the basis of the compound annual growth rate of TRS during the past three, five, seven and ten years with equal weights. TRS is the sum of the share price appreciation and dividend.

For all criteria, the periods and observations may differ depending on industry cycle.

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