Are Emerging-Market Multinationals Creating The Global Operating Models of the Future?

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Executive summary

For multinational enterprises (MNEs), the rise of the multi-polar world creates an additional layer of complexity that makes global operating model configurations and organizational capabilities more important than ever. A recent Accenture survey shows that 95 percent of senior executives say that they doubt their companies have the right operating model to support their international strategy. Consequently, they are seeking to strengthen their organizational capabilities to achieve better performance.

Accenture defines a global operating model as the set of organizational capabilities that allow multinational managers to coordinate the relationships between the multinational's headquarters and the geographic business units to effectively support the company's international strategy. These capabilities include the configuration of five organizational components which need to work in synergy. Two components—leadership and people—are more intangible and often more invisible; as such we call them "soft components". Three components—organizational structure, processes and technology, and metrics—are more formal, so we call them "hard components".

The rise of the multi-polar world raises a number of questions related to global operating models. Is there one model that is best suited? How do developed-market and emerging-market multinationals' operating models differ? What can they learn from each other? Accenture is researching the answers. Ahead of the full results—scheduled for publication in August 2009, this research report compares the literatures on emerging- and developed-market MNEs and sets out the six core research-based hypotheses that the Global Operating Models program is testing.

Hypothesis 1 Developed-market multinationals tend to emphasize hard operating model components

Developed-market MNEs' global operating model configurations tend to emphasize hard components, meaning that their distinctive strengths lie in organizational architecture, processes and technology, and performance management metric capabilities.

Developed-market MNEs tend to thrive on the multi-divisional, decentralized hierarchy which allows top managers to concentrate on strategy. This architecture is associated with explicit control processes based on high formalization. It includes comprehensive rules and policies. Even if they have to change often, roles need to be precisely defined to avoid ambiguity and chaos in execution.

Processes and technology are also an essential component of their global operating models. When they gained an edge in innovation processes in the 1980s, Japanese MNEs pioneered sophisticated knowledge management processes to make knowledge more explicit and broadly shared by organizational members. On-demand workplace portal sites—for example, at General Electric and at BP— become essential knowledge management tools to support human resource management practices where highly mobile employees can connect and communicate all around the world. Supply chain and innovation processes can even lead to fundamentally new organizational structures, for example in multinational pharmaceutical companies.

Metrics for assessing the performance of their global operating model are common among developed-market multinationals. They routinely measure the quality of human resource management, innovation processes, supply chain effectiveness, knowledge management and leadership. In short, developed-market

MNEs' global operating models appear to be geared to stability and a reduction of uncertainty. Architecture, process and metrics are critical for anticipation, forecasting, risk-limitation and prevention of threats to the core. Their organizational culture relies on formalized organizational components and emphasizes the reassurance of investors who are risk- and uncertainty-averse. In other words, their model is geared towards complexity reduction and well suited to developed countries where the level of turbulence and complexity can be comparatively lower than in emerging economies—for example, clear and enforceable intellectual property regimes, relative homogeneity in customer tastes and behavior due to on-going processes of regional integration.

Hypothesis 2
Emerging-market multinationals tend to emphasize soft operating model components

By contrast, emerging-market MNEs' distinctive strengths stand on soft component capabilities in leadership and people. Research suggests that their leadership tends to be strong and highly personalized, as opposed to institutionalized in processes and structure as in many developed-market multinationals. The fact that many emerging-market MNEs are privately owned leads to a greater unity of ownership and control than in developed-market MNEs. Their CEOs, who have often a very "hands on" style, tend to concentrate much more power in the centre, which results in individual-based leadership structures more than in team-based leadership structures, where power is more distributed. Their leadership is also more entrepreneurial, more risk-oriented and prone to accept long-term more than immediate returns.

A distinctive strength of emerging-market MNEs seems to be their people's expertise for creating powerful inter-personal networks. In support of a leadership style based on highly personalized interactions, networking is second nature and deeply ingrained in emerging-market MNEs' culture and often reflected in the home-country culture as well. The effective management of inter-personal networks can be a critical capability to secure the success of inter-organizational networks (particularly in knowledge and resource intensive industries); by contrast, many developed-market multinationals seem to struggle to make these networks work.

Because their home-market conditions have been rather volatile, emerging-market MNEs are at ease with volatility, risk taking, change and flux. In contrast with developed-market multinationals, their global operating model is geared to complexity absorption and this is perfectly appropriate to conduct business in other emerging markets. For this reason, this type of configuration requires little adaptation when emerging-market MNEs operate in other emerging economies.

Hypothesis 3
Operating models must be assessed in the context of MNEs' international strategies

There is no "one best way" to configure a global operating model. A global operating model configuration, that is the specific combination of organizational components, need to fit the context of a MNEs' home market and the characteristics of its host markets as defined by its international strategy.

Regarding the home market, we distinguish between MNEs coming from emerging countries and MNEs coming from developed countries. As regards host markets, we distinguish between (a) multinationals that operate in regions with levels of development similar to those in their home country (i.e., developed-to-developed or emerging-to-emerging); and (b) multinationals that operate in regions with similar and different levels of development to their home country (developed-to-emerging and emerging-to-developed). The former can be said to result in a "narrow" multi-polar footprint and the latter can be said to lead to a "broad" multi-polar footprint. The breadth of a multinational's multi-polar footprint can vary greatly—thus influencing the configuration of a global operating model. Thus, it is both where the MNE "starts" from and where it goes to that influences the choice of an appropriate global operating model configuration.

Hypothesis 4
Configurations which follow home-country characteristics can be appropriate for narrow multi-polar international strategies

When their multi-polar footprint is narrow, emerging-market and developed-market multinationals may successfully internationalize and yet rely on global operating model configurations which vary little from those they have always used in their home environments. Indeed, in this case, they operate in regions whose economic, cultural and institutional characteristics are similar to those of their home environment. These multinationals can then emphasize cross-border standardization over local adaptation since there is only a minimal need for adaptation.

Since we hypothesize that emerging-market MNEs rely mostly on soft global operating model components and developed-market multinationals may tend to rely mostly on hard global operating model components, we conclude that it might be only when their multi-polar footprint is narrow that they might be able to configure their global operating models in this way and achieve high performance. Consequently, we can expect that emerging and developed-market multinationals' global operating model configurations will differ in the most significant ways when their multi-polar footprint is narrow.

Hypothesis 5
Home-country based configurations need to change as multinationals' international strategies become more global

When both developed- and emerging-market multinationals expand beyond regions similar to their own, and try to operate in regions with different levels of institutional and economic development simultaneously, they will face significant hurdles if they try to manage based on their intrinsic strengths alone. For example, it is far from certain that managers and employees of developed-market units owned by an emerging-market MNE will accept very hands-on and interventionist CEOs. Conversely, employees at home may aspire to benefit from some of the human resource, supply chain or knowledge management processes that make the strengths of their colleagues in the developed-market units. For developed-market multinationals, there is already some evidence that they are working to improve their networking skills by relying more on local managers rather than on expatriates, for example to facilitate the relationships with local authorities and other local companies. Yet, their efforts remain inconclusive because their rigidly standardized structure and processes hamper the required emphasis on people and networking talent.

When multinationals broaden their multi-polar footprint, their managers have to face the more challenging task of adapting to more varied local conditions and environments. They not only have to deliver a high level of cross-border economies of scale, but they also have to be more locally responsive and adaptable at the same. These combined pressures increase the complexity that their global operating model needs to accommodate. Neither highly independent geographic subunits nor highly centralized operations are satisfactory. Operating in more heterogeneous host markets creates more uncertainty and risks.

For such situations, studies of developed-market multinationals have established that global operating model configurations which emphasize only hard components cannot address this complexity. A broad multi-polar strategy requires a networked global operating model configuration which balances the soft and the hard components because here, the potential pay-offs of such complex arrangements will compensate for their costs. This networked global operating model is based on the high differentiation but also high integration of cross-border resources that a multi-polar strategy requires: units and people inter-dependence, high knowledge exchanges, revision of the headquarter roles, centres of excellence for supply chain and innovation, global talent pools.

Consequently, we propose that when emerging- and developed-market multinationals become more global, the differences may start fading. Indeed, they may need to converge towards a relatively similar configuration which dynamically balances hard and soft components. Emerging-market MNEs may have to increase focus on the hard components of their developed-market competitors, while the latter may need to adopt the soft components of their emerging-market peers. For this reason, we see an opportunity for two-way learning.

Hypothesis 6 In the medium-term, emerging-market MNEs may have a competitive advantage due to their advance in soft component capabilities

We should not expect emerging-market MNEs to resemble their developed-market peers in the short-term. Indeed, they may retain some of their home-country characteristics, particularly when the latter exerts a strong influence, as it is in the case for Chinese, Indian, Russian, and Brazilian multinationals. In particular, if their source of competitive advantage relies on their ability to orchestrate the soft components better than their developed-market counterparts, they should have an advantage when they start implementing a networked global operating model. Indeed, the latter is highly based on people and leadership capabilities. If these multi-nationals succeed in maintaining this advantage, extending it to their developed-market units, and strengthening hard operating model components simultaneously, then they will become more threatening for their developed-market counterparts.

This advantage might only be temporary, however. The history of multinationals' evolution illustrates that as new organizational models emerge, the most successful incumbents have always learned from their new challengers, sometimes even defeating them at their own game.

Conclusion

By testing these hypotheses, this research project will be able to provide answers to the following strategic questions:

How can developed-market multinationals retain their strengths in hard components and at the same time remedy some of their weaknesses if they adopt some of their emerging competitors' organizational practices?

Should developed-market multinationals learn the lessons of their emerging-market peers only when it comes to managing in emerging markets, or would changing their entire global operating model confer advantages in developed markets as well? In other words, what aspect of the new practices should stay local and what aspect should become global?

Which aspects of developed-market MNE's architecture, processes and technology and metrics should emerging-market MNEs emulate? How can they reconcile those with their current strengths and try to retain them?

By providing a ground-breaking empirical analysis of global operating models for both developed world and emerging-market multinationals, this study will provide key lessons for MNEs as they go about seeking global expansion in an increasingly challenging multi-polar world.

1. Rising interest in global operating models

Globalization was once characterized by developed-market multinationals looking for low-cost factories and call centers. Now it is a complex game of chess played by developed- and emerging-market multinational enterprises (MNEs) encroaching on one another's home turf and employing what could be dramatically different operating models. In this new phase of globalization—what Accenture calls a "multi-polar world"—economic power is more broadly distributed across all regions of the globe and the search for growth now extends well beyond the developed markets. As more and more mature-market MNEs are expanding into faster-growing emerging economies, they are confronting increasingly powerful local competitors. And these emerging champions are now competing in more affluent economies.[1] As the international strategies become more global, the geographic, cultural and institutional distance between home and host-countries widens and puts new pressures on MNEs' ability to achieve high performance through their global operating models.[2]

A global operating model is the set of organizational capabilities that allows multinational managers to coordinate operations between the corporate center and the geographic business units. In addition to the more tangible "hard" components such as organizational structure, metrics, and management processes and technology, a global operating model also includes somewhat invisible yet still important "soft" components such as leadership and people.[3]

In this new phase of globalization, it is perhaps not surprising that nearly 95 percent of senior executives surveyed recently by Accenture doubt whether their companies have the right operating model to support their international strategies and, ultimately, achieve high performance.[4] Managers in developed- and emerging-market multinationals are anxious to get answers to critical questions. Developed-market MNE managers primarily want to know whether emerging-market multinationals have pioneered the global operating models for the future and if so, what they should change not only to succeed better in emerging markets, but also to operate differently at the global level. For their part, emerging-market multinational managers want to know how they can maintain their advantage, if their global operating models are indeed giving them an edge. Or, if they are at a competitive disadvantage in relation to the developed-market MNEs' global operating models, they will want to know how they can close the gap.

Attempts to answer these questions are complicated by a lack of empirical research on emerging-market multinationals.[5] As this report will make clear, a great deal of literature exists on how developed-market multinationals should configure their global operating models in order to compete with one another.[6] However, little has been written about the organizational challenges that developed-market multinationals face when competing in emerging economies.[7] To further complicate matters, researchers highlight the radically new and highly flexible business models of some emerging-market champions but don't explain how these companies achieve this flexibility.[8] In other words, researchers provide little detail about how emerging-market multinationals organize themselves to enable different types of international strategy.

Objectives of this report

The principal objective of this report is to assess what is currently known about global operating models in developed-market and emerging-market multinationals. In reviewing the existing literature on MNEs, we extract several hypotheses.

1. There is no "one best way" to configure a global operating model. To achieve high performance, managers of emerging market MNEs need to configure their companies' global operating models to fit with their international strategy and specific competitive and economic environments, just as it is the case for managers of developed-market MNEs.

2. A MNE's international strategy is characterized by its geographic scope—that is, by the type and range of host and home countries it operates in. We refer to this scope as an enterprise's "multi-polar" footprint. We distinguish between multinationals that operate in regions of similar development (i.e., developed-to-developed or emerging-to-emerging) and multinationals that operate in regions of both similar and different development (developed-to-emerging and emerging-to-developed). The breadth of a multi-polar footprint can vary greatly—thus influencing the configuration of a global operating model.

3. Fundamental differences between developed-market and emerging-market MNEs appear when they operate in regions with similar development. Developed-market MNEs that operate solely in developed markets emphasize the hard components of their operating model (structure, processes and metrics). Conversely, emerging-market MNEs that operate solely in emerging markets emphasize the soft components (leadership and people).

4. As MNEs' broaden their multi-polar footprint—and operate in markets much different than their home market—their global operating models are likely to converge. Developed-market MNEs will need to strengthen their soft components in order to be more market-responsive in emerging nations. Meanwhile, emerging-market MNEs will need to strengthen their hard components in order to consolidate their international business on a global scale. But this convergence will not be total and neither should it be.

In the next phase of our research, we will test these four hypotheses in an empirical study of the wireless telecommunications and oil and gas industries. Based on the results of that study, we will then come up with a set of recommendation for MNE managers about how to reconfigure their global operating models, if indeed they need to.

This report is organized as follows: in the next section, we will define global operating models and introduce the notions of configuration and fit. In this section, we will also explain how both environment and location strategy determine the configuration of global operating models needed for high performance. In the third section, we will explain why we think the global operating model configuration of both emerging-market and developed-market MNEs with narrow multi-polar footprints will not converge and why the configurations of emerging and developed-market MNEs with broad multi-polar footprints will converge. In the fourth section, we will explain the logic behind these hypotheses by examining past research about global operating model configurations in MNEs. And finally, in the fifth section, we will speculate on what the implications of these hypotheses could be, if they are empirically supported.

2. What is a global operating model?

At the core of business today are two high-level challenges: strategy and execution. At the heart of strategy is a business model or value proposition that answers the question, "How do we make money?" At the heart of execution is a global operating model that answers the question "Are we properly organized and aligned to execute that strategy across geographic borders?" To succeed in a multi-polar world, a company's global operating model must be as robust as its business model is sound.

For a global operating model to succeed, it needs five organizational components working in synergy with one another. These components must also be aligned with the MNE's international strategy which influences its host country environments and with its home country environment.

Five organizational components

Management researchers have proposed a number of different frameworks and terminologies to characterize the components of a global operating model.

Accenture's framework combines many of these theories and stresses the importance of five core components (see Figure 1.)

We make a distinction between the more formal, hard components (shown in blue) and the more informal (often invisible) soft components (shown in green).[10] The content and the relative importance given to each of the five organizational components characterize the global operating model configuration. The meaning of the term "configuration" may be clearer if you think of each component as a dial that can be set at different levels (high or low, for example); the configuration is the unique combination of five dial settings.

Figure 1: Global operating model according to Accenture

Leadership. Accenture defines this first soft component as "the senior team of people and associated governance that substantially influence and serve as an example for how an organization should operate".[11] This component has several characteristics: the personalities of a company's leaders; the number of leaders there are; their position in the MNE (are they at headquarters, in the geographic subunits or both); how diverse they are; who makes decisions; how the decisions are made; and the leaders' communication and leadership styles.[12] Ownership structure influences the leadership component and consequently the other components. Research shows that private companies tend to have more long-term oriented and bolder decision-making styles because contrary to publicly listed firms, they are shielded from the regular and short-term oriented stock markets' sanction.[13]

People. This second soft component refers to "the individuals in an organization in terms of their skills, capabilities, experience, and individual competencies".[14] It refers to how talent is managed internationally (for example, sourcing, training, developing and retaining talent); how engaged employees are; and how networked they are across geographic boundaries.[15] This soft component also includes the cultural dimension of the organization—that is the beliefs, norms and shared values that bind its members, even across geographic locations[16]—and even internal politics (power, coalitions, succession and promotion games, etc.).

Organizational architecture. This hard component refers to "the way in which responsibility, reporting, and accountabilities are defined".[17] It includes the mechanisms of differentiation and integration a MNE uses to connect geographic business units and the corporate center, including the organizational structure, the degree of centralization and formalization, and the control mechanisms utilized.[18]

Processes and technology. Accenture defines the processes and technology component as "the clusters of activities and enabling technologies that produce measurable outputs".[19] This second hard component includes all the management processes that help coordinate input-output activities in the value chain across geographic subunits. Some examples of processes are strategic planning, resource allocation, knowledge management, innovation management, customer relationship management, and supply chain management. Enterprise resource planning software and intranet knowledge portals help to support these management processes.[20]

Metrics. This last hard component ties together all aspects of the operating model and drives organizational behavior.[21] Metrics include the strategic and operational, financial and non financial indicators that reflect how the global operating model is performing. For instance, measuring the direction and intensity of trade between geographic business units will tell how well they are operating as a network; it may indicate whether managers need to strengthen inter-unit cooperation to develop synergies across locations. An operational metric that can tell if the company generates a sufficient number of economies of scale across boundaries is the ratio of central purchases over local purchases for each geographic unit. A non financial measure used to assess whether the global operating model is performing well is the top talent geographic rotation metric, which measures how effectively the most talented employees are assigned in foreign units. Multinationals can use it to tell if their top talent has a broad international exposure and a sufficient understanding of all key businesses.

Internal alignment

Conventional research focusing on developed-market MNEs has established that to enable high performance, the configuration must be internally aligned—that is, all five components must work in synergy with one another.[22] Indeed, a global operating model is a holistic system where the decisions about one component also affect the others. For example, when a MNE seeks to implement a cooperative, network-based global organizational structure, but the incentives and rewards (HR processes) are based on countries' individual performance and results, the desired inter-unit cooperation might not be achieved. This is a frequent cause of company underperformance.[23]

Internal alignment does not mean that each component plays an equal role in the configuration. A MNEs' international strategy as well as its home and host-country environments may require more emphasis on some organizational components than others. For example, studies of developed-market MNEs have demonstrated that successful MNEs which operate in fairly homogenous host markets compared to the home market, may give a greater role to the organizational structure to coordinate foreign operations.[24]

External alignment

To enable high performance, a global operating model must be externally aligned too—as we have noted, it must fit the MNE's home-country environment and its international strategy which shapes the host-country environments. For example, when a MNE operates in host markets that are relatively similar to one another and to its home market, it can apply a global operating model that emphasizes economies of scale over the creation of highly locally responsive strategies. In this case, a more centralized hierarchy will outperform a decentralized organizational structure.[25]

MNEs' international strategy consists of the market entry choices and location decisions that determine their geographic footprint, i.e. the number and type of host markets used for sourcing and/or selling.[26] Consequently, international strategy shapes the nature of a MNEs' host environments. Location decisions are crucial since they can make internationalization easier or more difficult depending on the countries selected. We use the term "narrow multi-polar" footprint to describe MNEs whose international strategy focuses solely in regions of similar economic and institutional development. For example, China National Petroleum Corporation which operates mostly in Africa and South-East Asia and Deutsche Telekom which operates in Western Europe and the United States have a narrow multi-polar footprint. Their host environments are relatively similar to their home environment. This creates fewer pressures on the domestic operating model to accommodate foreign operation specificities. We also use the term "broad multi-polar" footprint to describe MNEs whose international strategy is positioned in regions of similar and different economic and institutional development. For example, Petrobras operates in Latin America, Africa and the United States; France Telecom operates in Western Europe, Eastern Europe and Africa. In these cases, the host-market environments are more diverse and sometimes drastically different from the home-market environments, creating the need for more complex global operating models.

We also argue that where MNEs come from also shapes their global operating models. The home country, with its economic, cultural and institutional specificities, embodies much of the identity that subsequently influences global operations. Bartlett and Ghoshal refer to the home country's lasting effect on the global operating model as MNEs' "administrative heritage".[27]

Many MNEs still derive the majority of their revenues and profits from their home country, particularly if the home country is large (Chinese, Indian, and American MNEs derive most of their revenues at home compared with Swedish, Singaporean, or South African MNEs which generate a majority of their revenues overseas).[28] Thus, the home country may have a variable influence on global operating model configurations when the company internationalizes. When referring to home countries, we do not want to dismiss the important differences between, say, Japan and the United States in the developed world and between China and India in the emerging world. Yet, some common characteristics among countries allow us divide them into two groups (see Table 1). Consequently, we could expect to find

Table 1: A comparison of emerging and developed countries

Emerging countries	Developed countries
Wealth: low GDP per capita	Wealth: high GDP per capita
Growth rate: rapid, usually above 6 per cent per year	Growth rate: slow, usually below 3 per cent per year
Growth volatility: high; markets are promising but volatile	Growth volatility: low; markets are mature
Institutional context: in phase of deregulation; partial privatization; reduction of state bureaucracies	Institutional context: relatively stable
Institutions: weak legal, accounting, intellectual property and labor market institutions	Institutions: very strong and established legal, accounting, intellectual property and labor market institutions
Consumers: very segmented and differentiated with prevailing poor class but rising middle classes	Consumers: very segmented and demanding with predominance of middle classes

Adapted from Luo (2002)[29]

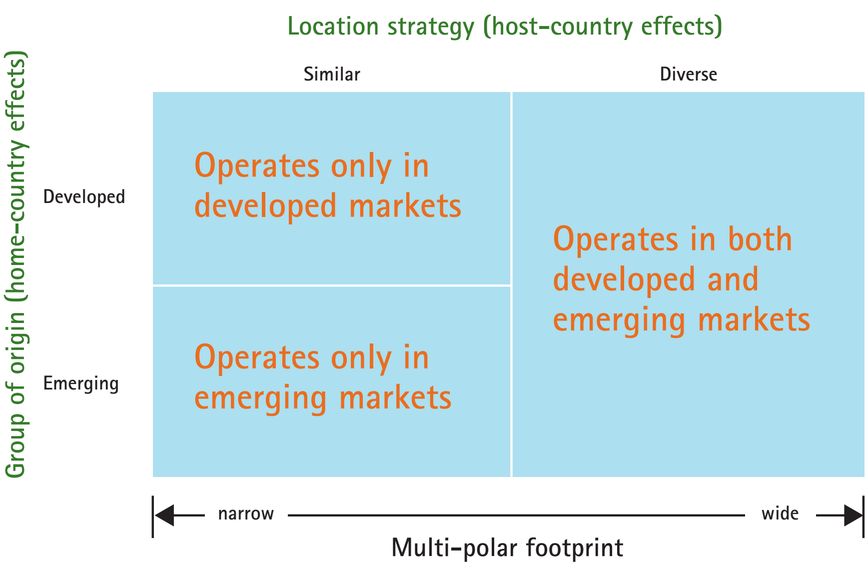
differences of global operating model configurations between MNEs originating from the developed world and from the emerging world.

Comparing global operating model configurations

To reiterate, we suggest that both home country and host country conditions (associated with the international footprint) influence a MNE's choice of a suitable global operating model configuration. We use Figure 2.—which shows three scenarios of interaction between country of origin and international footprint—to hypothesize how MNEs' global operating model configurations may vary to be externally aligned and generate high performance.

We hypothesize that MNEs that want to achieve higher performance will want to align their global operating model configuration with their environmental and location strategy conditions. Thus, within each cell, MNEs will seek to adopt a similar configuration to fit similar home and host country effects. But across cells, due to the differences created by home and host country effects, the configurations will be more likely to differ. This hypothesis also hints that as its location strategy changes (the home country is usually more immutable, unless a MNE relocates itself to another country), a MNE's global operating model will also need to change. This study will highlight how.

Figure 2: A framework for comparing global operating models



The notion that the configuration of components as well as internal and external alignments matter for high performance remains a hypothesis because it has been tested only in developed-market MNEs. It is not entirely clear whether this rule is also relevant for emerging-market MNEs. Some researchers argue that western-based theories are not relevant to understand emerging-market organizations' behavior.[30] They explain that the notion of internal and external alignment for high performance is based on models where economic performance is a primary driver of organizational behavior. But they explain that in China, for example, politically driven behavior is as important as—or maybe more important than—performance-driven behavior. However, other researchers argue that China has substantially shifted toward performance.[31] Moreover, some researchers indicate that the notion of alignment is equally applicable to emerging-market MNEs that want to achieve high performance. As Cantwell and Barnard[32] put it:

Whether outward-foreign direct investment is directed to a neighboring developing country, to a developing country in another region (South-South development) or to the developed world, the destination of foreign direct investment is likely to affect the types of challenges faced by firms, and therefore also the types of corporate learning that may affect their continuing competitiveness. (p 56)

On this basis, our hypothesis is that the configuration perspective is also applicable to emerging-market MNEs.

3. Diverging and converging global operating model configurations

We now delve deeper into the hypothesis just presented—and Figure 2—by comparing the different global operating model configurations that result from different interactions between the home environment and the location strategy (host environments). On the basis of an in-depth review of the literature, we believe that successful MNEs operating only in regions of similar development can retain most of their home-country global operating model configuration. We note that the global operating models of emerging-market MNEs, particularly those with a narrow multi-polar footprint, are configured predominantly around soft components. Conversely, developed-market MNEs—again, particularly those with a narrow multi-polar footprint—emphasize hard components in their configurations. Thus, we hypothesize that if a "narrow multi-polar" footprint enables MNEs to retain more characteristics of their home region in their global operating model, we will observe diverging configurations between developed and emerging-market MNEs which are "narrow multi-polar".

However, when MNEs start operating in regions that are economically and institutionally different from their home countries, relying predominantly on existing soft or hard components may not be sufficient to manage the increasing level of complexity imposed by a broader global footprint. Consequently, we hypothesize that emerging-market MNEs with a broad multi-polar footprint may have to strengthen the hard components in their global operating model configuration. Likewise, developed-market MNEs with a broad multi-polar footprint may need to strengthen their soft components which seem to be key success factors in emerging economies. In doing so, we may observe a two-direction convergence process. However, this convergence may be partial only because MNEs may still retain specificities from their home country (for example, emerging-market MNEs may retain an advantage in their command of soft components). These ideas are summarized in Figure 3.

Global operating model imperatives for narrow multi-polar MNEs

MNEs with a narrow multi-polar footprint tend to have a firm grasp of their particular foreign markets and host environments. For example, developed-market MNEs doing business in the U.S., Japan and the EU benefit from equally predictable intellectual protection and contract enforcement regimes. And while different, the consumer tastes and market mechanisms in these regions have converged following regional integration processes in North America and the EU in particular. Therefore, an American multinational will have more opportunities to easily standardize various operations across geographies when it operates in other developed countries. For this reason, a vast majority of developed-market MNEs have a "narrow multi-polar" footprint and are home-region based.[33]

Similarly, it is easier for emerging-market MNEs to do business in other emerging countries rather than in developed markets where institutions, human resource behavior, market structures and consumer preferences tend to differ from those in their home markets. Researchers note the cultural similarities across emerging markets: acceptance of power distance and hierarchical differences; acceptance of benevolent paternalism; and collectivism.[34] They also note that because consumers tend to have more homogeneous expectations than in developed markets (the emerging middle classes are still very price-sensitive and value the convenience that overcome poor infrastructures), innovations that originate in one emerging country can be more easily transferred into other emerging countries than into developed nations.[35] For example, MTN, the leading South-African mobile phone operator, is able to roll out across its African markets convenient banking services that enable customers to conduct banking operations in the absence of such banking branches around them. For these reasons, emerging-market MNEs tend to make foreign direct investment in other emerging economies.[36]

Because their host-markets often resemble their home market, MNEs with a narrow multi-polar footprint can favor economic integration and minimize local adaptation. They can emphasize synergies and the standardization of their competitive strategy across countries. Consequently, many do not need to significantly alter their global operating models for their host environments. In fact, studies on developed-market MNEs have concluded that when MNEs can favor economic integration, their global operating models can largely reproduce the model implemented at home.[37] Thus, emerging-market MNEs which thrive on soft components for home-country reasons, and developed-market MNEs which succeed mostly with hard components—as we will demonstrate below—may reproduce this model when they internationalize towards economically and institutionally similar regions—and still be economically successful.

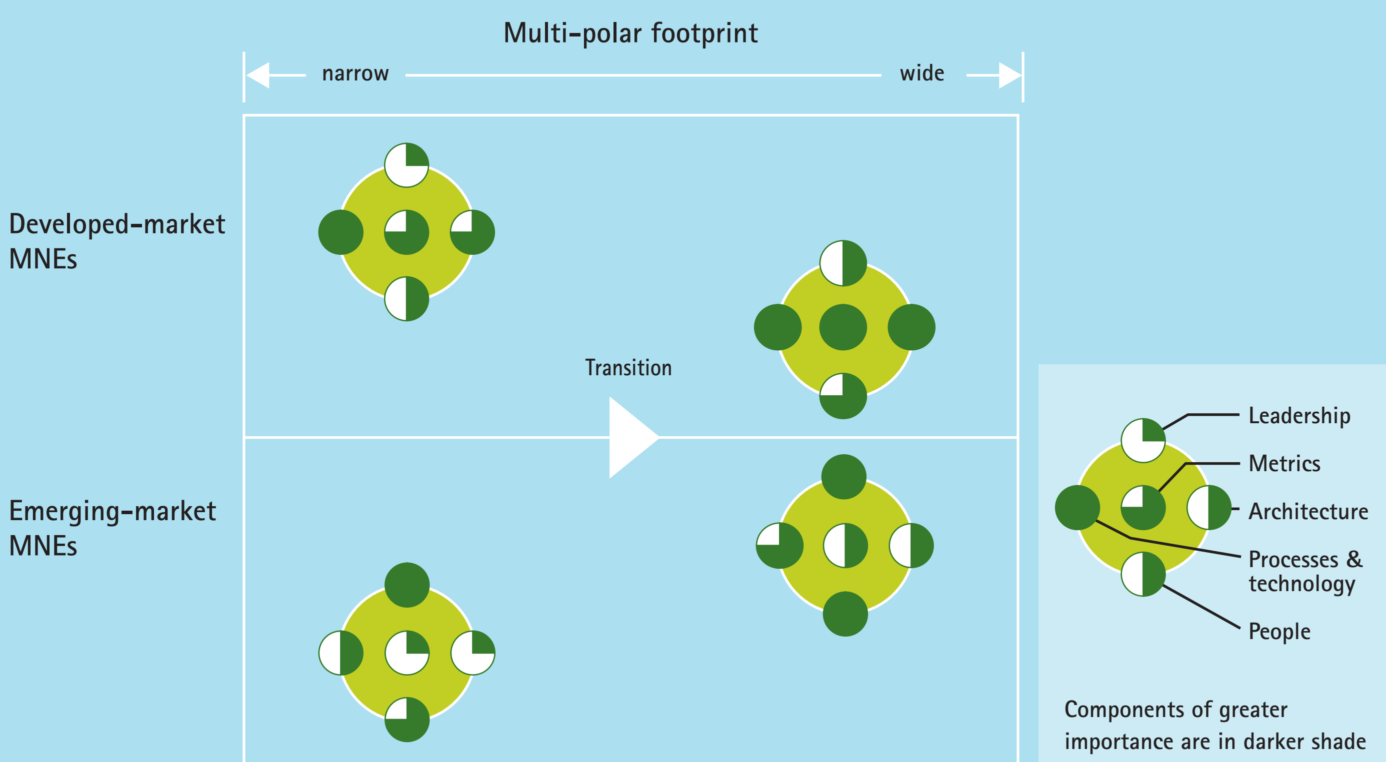
As a result, we expect to find the greatest global operating model differences across emerging and developed-market MNEs with a narrow multi-polar footprint (see Figure 3.)

Global operating model imperatives for broad multi-polar MNEs

When a MNE's multi-polar footprint broadens, managers have to face the more challenging task of adapting to much more varied local conditions and environments. These variations between developed and emerging markets are felt in the geographic spread or concentration of customers; regulated or deregulated labor and capital markets; the strength of intellectual property right regimes; the availability of utility infrastructures; the presence or absence of business schools; the presence or absence of accounting, law and advertising suppliers, etc.[38] For example, it seems that to secure access to resources in emerging economies, international oil companies (IOCs) need to change their approach to government relationships in these countries. They need to forge different relationships with national oil companies (NOCs) and the states that control them.[39]

At the same time, technological, competitive and institutional pressures are forcing MNEs with broad multi-polar footprints to develop more economies of scale and scope across countries. As Table 2 shows, wireless telecommunications and oil and gas MNEs are

Figure 3: Emerging-market and developed-market MNEs' global operating model configurations



facing several industry-specific pressures to increase the economic integration of their international operations.[40]

In general, the MNEs in these two industries will not succeed with either highly independent geographic subunits or highly centralized operations. Operating in more heterogeneous host markets will require global operating model configurations that balance soft and hard components.[41] For developed-market MNEs that operate in heterogeneous host markets, leading research suggests that they need to move beyond their traditional reliance on hard components. In addition to those, they need strong soft components too.[42] They should not only:

Create an organizational architecture based on the differentiated network of interdependent geographic subunits. This means that some subunits are highly autonomous and can adapt strategy to the local market (in markets which are highly different from the home market); they can also receive a global mandate for developing strategies or innovations in their areas of expertise. Other subunits simply implement the strategy decided by headquarters (in markets that are more similar to the home market); they are less autonomous.

Build this differentiated network around an efficient supply chain and learning-focused knowledge management and communication processes.

Create the right metrics capable of continually spotting and correcting internal and external misalignments.

But they should also:

Foster employees' interpersonal networks by sourcing talent globally and rotating talent between geographic subunits and headquarters; ensure that informal and formal networks stimulate employee commitment; introduce more diversity into the strategy formulation stage and enhance the exchange of best practices across borders.

Rely on trusted, charismatic leaders who will take risks and who can also empower others and appreciate diversity. Such leaders can foster an entrepreneurial culture in which change and adaptability are the norm.

The recommendation of balancing soft and hard components was developed and tested solely for developed-market MNEs. But as they become more global, emerging-market MNEs may need to increase their local responsiveness since operating in developed markets will be different from operating in other emerging markets. Meanwhile, they also need to leverage their scale more effectively across heterogeneous markets as their internationalization progresses. To achieve this double objective, they might have to rely more on formal coordinating processes, on standardized technologies, on a differentiated-network organizational structure, etc—that is on hard components. Building a differentiated network structure in particular, highly depends on interpersonal networking capabilities—that is, on soft components. So, when strengthening their hard components, emerging-market MNEs will also have to retain their soft component strengths, in which they may have an edge.

Thus, to create a more balanced global operating model configuration developed-market MNEs with a broad

Table 2: Pressures for economic integration on MNEs with a global footprint

Wireless telecommunications	Oil and gas
Convergence of handset and technological offerings around the world	Expectations from institutional investors for higher returns quarter after quarter
The need for building scale and buying power around the world to countervail handset manufacturers' larger size	Sustainability pressures related to climate change
Technological convergence towards "cloud information technologies" which integrate network providers, IT equipment manufacturers, software and Internet service providers and other related service providers around the world	More cross-geographic coordination using information technologies
Globalization of innovation processes and cycles	Increasingly sophisticated and costly exploration and production techniques
	Increased competition from ever-larger IOCs and more assertive NOCs

multi-polar footprint may have to converge toward the more soft-component-oriented configuration of emerging-market MNEs. Conversely, the latter may have to converge toward the more hard-component-oriented configuration of developed-market MNEs. We may then observe a two-way convergence process.

To summarize, we hypothesize that while we will observe more global operating model configuration diversity for "similar multi-polar" strategies, the configurations will converge for "diverse multi-polar" strategies to cope with the additional complexity entailed by a broader international footprint. This also means that globalization substantially influences multinationals' operating model trajectories so that the direct impact of home-country specificities, while not disappearing altogether, will have less impact on global operating models as globalization progresses.

Empirical uncertainties

As it can be observed, we assume here that emerging-market MNEs do already have some global operating model strengths. But it is important to point out that several researchers would disagree with us. Dunning and colleagues write (p 177):

Unlike yesterday's developed-country transnational corporations, today's emerging-market transnational corporations rarely have the firm-specific ownership advantages (notably organizational and management skills) to ensure success in their foreign direct investment.[43]

To comply quickly with the "go global" directive in 1999, Chinese state-owned enterprises (SOEs) had to internationalize even before they had the operating capabilities.[44] Chinese SOEs would not seriously pioneer new global operating models because they don't have this type of firm-specific advantages, in particular compared with Chinese private firms.[45]

Yet, we can cite examples to the contrary. In the light of the noticeable international success of some emerging-markets MNEs, other researchers argue that emerging-market MNEs have begun to develop distinctive organizational capabilities, such as being able to rapidly adapt and to anticipate market changes, make savvy acquisitions, and think unconventionally.[46] Moreover, Chinese SOEs have already undertaken deep transformations since the mid-1990s and the acceleration of corporate reforms has developed their organizational capabilities.[47] So, it might be a mistake to complacently ignore these strengths. In the late 1970s, many Westerners dismissed the rise of Japanese MNEs on the basis that they merely copied Westerners and benefited from cheaper labor costs.

Some researchers think that emerging-market MNEs should not converge towards developed-market organizational practices because many Chinese and Indian global firms have provided them with successful alternative models.[48] It may be that emerging-market MNEs' soft component skills are sufficient to achieve flexibility in a more uncertain multi-polar world, and that these MNEs will not need to add hard components, even to operate in developed markets. What's more, the notion of alignment may not be relevant to them if non-alignment allows for more agility. Emerging-market MNEs may be better off completely relying on their peculiar organizational form.

However, a recent Accenture analysis found that 25 of China's highest-performing companies (they are China's most international companies) still underperform their developed-market high performer counterparts in terms of profitability, an indication that their growth may not be sustainable.[49] We believe that a new emphasis by Chinese MNEs on hard global operating model components may change that picture. In fact, there are signs that Chinese multinationals are already learning in that direction. Some have been keen to benchmark themselves against developed-market MNEs and to learn from them, for example through alliances, joint-ventures and study visits in developed-market MNEs.[50] Many Chinese MNE leaders look to people like Jack Welch and Michael Porter as role models—making their companies an interesting mix of Western management techniques, Confucian philosophy, communist indoctrination and discussion groups, and Japanese-style executive training.[51]

In the following section, we turn to explaining the hypotheses of divergence and two-way convergence hypotheses just proposed. We also explain that while many emerging-market MNEs with a diverse multi-polar footprint are successfully adopting aspects of developed-market MNEs global operating models, total convergence has not taken place. We question whether that should be the case.

4. How global operating models may work according to the literature

We now turn to explain the previously developed hypotheses by reviewing in detail the existing literature dealing with the five operating model components and their role in the configuration of MNEs from the developed and emerging worlds. For each of the five operating model components, we highlight first why we believe that emerging-market MNEs and developed-market MNEs differ most when they have a narrow multi-polar footprint. We conclude with the burgeoning evidence that global operating model configurations partially converge to support more global footprints. It is important to remember that this evidence is challenged. It is also scarce and does not discuss the implications of a relative two-way convergence for global competitors.

Leadership

Today's business literature suggests that the global operating models of emerging-market MNEs strongly rely on the leadership component. Leadership at these companies is personalized and centralized; it is also more entrepreneurial in that top executives make fast, bold decisions and are oriented toward long-term risk. Yet, we observe that the most multi-polar emerging-market MNEs have introduced a more formalized and structured leadership style, borrowing from their developed-market counterparts. We also observe that developed-market MNEs' under-emphasis on entrepreneurial leadership might be a disadvantage to them operating in emerging economies. They may have to learn from their emerging-market counterparts.

Centralized versus institutionalized leadership structure. Because many emerging-market MNEs are privately owned, they often have greater unity of ownership and control than developed-market MNEs do.[52] The CEO, who is often the owner, usually has more power than the CEO of developed-market MNEs. This results in individual-based leadership structures more than in team-based leadership structures where power is more distributed.[53] The CEO is also highly visible throughout the company and top executives are often family members or members of the same political party (ownership-related) or clan (political clan); by contrast, in developed-market MNEs, the leadership is almost exclusively composed of professionals.[54] There are exceptions, of course, in which leaders have only professional links to one another (Tata Sons; Sasol).[55]

The tendency to centralize power is often embedded in traditional values. In China for example, it is important that leaders do not lose face, so employees rarely contradict them.[56] It does not mean that leaders behave like tyrants. By the contrary, many Indian CEOs are extremely active in promoting social welfare for India.[57] In Confucian cultures (China, South Korea), the CEO is associated with the benevolent father and "father knows best".[58] In Islamic countries, the discourse of democratic leadership is not as important as the discourse of justice—employees expect a powerful but just ruler.[59] For this reason, decision making can be highly consultative (structured in the very personalized networking process called "diwan") but not participative. In China, although strategizing includes bottom-up consultations, decisions are concentrated at the top where management by consensus apparently prevails but where the ability to create powerful networks among leaders, within and outside the firm (in the communist party), is even more determinant to influence decisions.[60]

By contrast, leadership in developed-market MNEs tends to be more institutionalized: the CEO's personality surely counts, but it influences employees' collective thinking and behavior less than in emerging-market MNEs (clearly, there are some exceptions: Steven Jobs at Apple, Jack Welch at General Electric to name a couple). In most developed-market MNEs, leaders' personalities are not as important as rules, processes and organizational structure. Leadership in these companies revolve around planning and structured and formal decision making more than around direct interactions and personal contacts with employees.[61] Leadership is not concentrated just at the very top but distributed throughout the hierarchy and the top-management team.[62] Like the democratic societies they usually operate in, developed-market MNEs tend to diffuse authority and to create an operating model that emphasizes empowerment and decision-making.[63] They also offer talent management programs that identify, train and develop leaders to ensure the succession of good leaders. These programs emphasize international assignments in which leaders are encouraged to network and to draw a more holistic view of the company.[64]

Entrepreneurial versus conservative leadership style. Possibly because many emerging-market MNEs are state-owned or privately-held and don't need to meet the short-term demands of shareholders, their top leaders are more comfortable with risks and look more to the long-term.[65] But even leaders from publicly-listed emerging-market MNEs seem to be more comfortable with stretch goals than Westerners are[66], probably because they know that stock markets are more willing to accept the emerging world's performance volatility compensated by higher growth prospects. For example, in the mid-1990s, against industry rationales, Russia's Lukoil decided to establish strong upstream footholds in unexplored areas and to sacrifice immediate gains in production growth.[67]

This entrepreneurial leadership style is precisely what has led many emerging economies to take off. Prahalad explains that fast decision making and low risk-avoidance led to the inversion of the decision-criteria pyramid.[68] Taking the opposite view of their mature-market competitors, emerging-market MNE leaders foresaw and decided that the poor can be target customers, that emerging-market consumers can appreciate and pay for new technologies, and the bottom of the pyramid is important for a multinational's long-term survival. The amount of red-tape and bureaucracy that emerging-market leaders have had to deal with in their home countries is also a sign of their leaders' strong entrepreneurial spirit.[69] It has equipped them with a superior ability to create networking skills within their ecosystem and to deal with political stakeholders. They are much less politically naïve than their developed-market counterparts, and this can help them in their efforts to internationalize.[70] They tend to leverage their ecosystem and their network to quickly solve problems.[71] Thanks to their political connections with the Chinese state, for example, CNPC, Sinopec and CNOOC have been able to include resource-access negotiations as part of larger bi-lateral talks. They have entered African markets with all-encompassing deals that include development aid, education programs and social infrastructure financing, which most IOCs have not been able to do.[72]

In developed countries, stock market pressures lead to more emphasis on the short term as weel as a more conservative attitude toward risk.[73] Cascading committees also tend to delay decisions despite distributed leadership structures created to foster individualized organizations.[74] The decentralized approach, which gives considerable discretion to business unit managers and which is expected to foster internal entrepreneurship, often results in fiefdoms and rivalry at the top.[75] This structure can stifle innovation, entrepreneurship and flexibility—a serious problem when host markets are very different and particularly dynamic.

Convergence. Indeed, although these respective leadership styles may work well for narrow multi-polar strategies, there is some, albeit limited, research and anecdotal evidence suggest both can limit MNEs as they become more global. To overcome these limitations, some emerging-market MNEs with a "broad multi-polar" footprint are introducing Western-based leadership practices. And although few developed-market MNEs have adopted emerging-market practices, they should do well to consider a more entrepreneurial leadership style. In China, for example, the leaders of SOEs are using a more structured strategic agenda. Strategy-formulation includes more bottom-up initiatives and leaders are using portfolio management based on performance metrics and core-capability analysis to make strategic decisions.[76]

We should note, however, that the propensity of emerging-market CEOs to centralize decision making—a possible flipside of their personalized leadership style—could be a handicap to their success in developed markets. The autonomy of subsidiaries might be stifled when they need it the most. For example, Hyundai has suffered important setbacks recently in the United States (market share loss, high executive turnover) due to the feudal leadership style of its CEO.[77] Evolving partially toward the more Western distributed-leadership model might then make sense.

Because family, cultural or political clan relationships matter for leadership selection and appointment, and because the clan is likely to be home country-based[78], leadership in emerging-market MNEs also needs to become more geographically diverse to manage a broad multi-polar footprint. More global emerging-market MNEs are beginning to understand this. Companies like Tata manage the career of future leaders with multiple foreign assignments, which creates more sensitivity to international markets.[79] At Orascom, the top team includes non-Egyptian citizens to meet the more specific needs of their developed markets.

Developed-market MNEs, on the other hand, may have problems because of excessively structured leadership. Some experts argue that the West needs to move from an emphasis on management, in which good managers produce predictable results, to an emphasis on leadership, where leaders are charismatic, risk-taking, fast moving and far sighted. Grantham and colleagues explain this shift:

If your strategy is to deliver breakthrough performance, you need a different type of leader to make that happen. Seems logical enough; but the problem, we believe, lies within existing workplace structures and business processes that are constructed not for breakthroughs, but for predictable performance. Simply put, successful leaders of the 2000s will not be cut from the cloth of managers of the old. Can't you just see General Motors recruiting Richard Branson as its new CEO (as if he would want the job)?[80] (p 244)

In other words, developed-market MNEs might be wise to look to leaders like Pat Davies (Sasol), the Ambani brothers (Reliance Communications and Reliance Industries), Carlos Slim Helu (Telmex), and Naguib Sawiris (Orascom). It needs to be further explored.

Thus, emerging-market MNEs with a broad multi-polar footprint seem to embrace some of structural leadership attributes of their developed-market counterparts. Although there are currently no signs that their leaders have become less bold, charismatic, visionary, and inspiring as they implement some Western leadership practices, we still don't know how they will be able to reconcile more structure and their current agility and speed of decision making. There are signs that these features might become more important, not less in a multi-polar world. So, despite some two-way convergence, emerging-market MNEs may well have a leadership advantage that they should consolidate, not lose.

People

Past research suggests that the global operating models of emerging-market MNEs' typically rely heavily on people skills. These companies excel at fostering and leveraging wide inter-personal and interorganizational networks, although we don't know if and how they replicate these skills globally. For developed-market MNEs, the emphasis on people means extensive, formal international human-resource management processes. Some research suggests that more global emerging-market MNEs have started to implement these processes, yet we don't know whether a full convergence towards the Western model would be desirable. Developed-market MNEs that want to succeed in emerging economies may well have to learn from their emerging-market counterparts how to develop their internal and external networking capabilities.

Networking as second nature versus networking as second best. In alignment with a leadership style based on highly personalized interactions, networking is second nature and deeply engrained in emerging-market MNEs' corporate and national cultures. Called "guanxi" in China or "wasta" in Islamic countries, interpersonal networks are at the root of all corporate operations and of extensive interorganizational relationships. In fact, relationships between organizations are essentially seen as extended interpersonal networks, i.e. as relationships between individuals, which is more personal and less abstract. As Zhang explains:

Interpersonal relations are not a prerequisite for inter-firm networking in the West, while in China, personal networks are particularly important as they set the premise and form the basis of institutional networks.[81] (p 60)

In emerging-market MNEs, networks are based on reciprocal obligations, long-term commitments, kinship and trust. The criteria for being part of a network vary from region to region: in Asia, the Middle-East and Africa family and political ties are important[82], while in Latin America, class and education are key.[83] Since exclusion from a network can have severe consequences, emerging-market MNEs commit themselves to promoting and extending their networks. In the automobile sector, for instance, Chinese carmakers are very loyal to their suppliers. Instead of subjecting them to strict competition, they provide them with the monopoly of supply, which stimulates trust on both sides.[84] By contrast, in developed-market MNEs, networks tend to be rational and calculated, which limits trust due to the higher risk of free riding and opportunism. One exception is Japan. Though Japanese MNEs rely heavily on the processes and structural elements of their global operating model—which their North American and European counterparts borrowed from them—they also have a network culture that is much like that of other Asian countries. This global operating model balance may be one of the factors of their current world domination.

While interpersonal networks can be critical to the success of interorganizational networks (particularly in knowledge and resource-intensive industries), many developed-market MNEs seem to struggle to make them work. That is a significant disadvantage because research shows that the ability to manage alliances and partnerships provides multinationals with:

greater access to resources and with key opportunities for learning,[85]

easier international expansion by helping them to reduce capital investment exposure in some markets and to overcome institutional impediments in host countries—for example, those related to hidden protectionist barriers,[86]

a stronger local image in consumers' and employees' minds, especially if the image is linked to a strong local partner.

Despite these advantages of building effective networks, developed-market MNEs like IOCs find it difficult to manage a portfolio of relationships and to change their transaction-based mindset.[87] On the other hand, NOCs—mostly from emerging markets—are more comfortable dealing with one another because they trust one another more and identify more with one another's cultures. Gaining these networking skills might be key for IOCs' long-term survival.

Reliance of developed-market MNEs on extensive, formal international HR processes. By contrast, the people component in developed-market MNEs is typically focused on human resource processes. According to Luo, successful developed-market MNEs emphasize international human resource management processes that create a "culture of human resources".[88] Contributing to this strong culture are:

Performance-based promotions and incentives. These processes encourage forecasting and tracking of individuals' performance. To increase commitment, stock option plans across borders become a norm so that financial ties, perhaps more than personal ties, shape employees' engagement.

Empowerment and accountability. The assumption is that talent requires new challenges and some autonomy. Empowering employees provides them with leaning and growth opportunities.

Broader job content. Job content is expanded (for example, through more delegation) to increase employees' skills and commitment to the company. It is also formally specified so that employees always know what and what not to do.

Continuous training and development. Knowledge and experience are prerequisites for internal promotions but also for external job mobility in countries where job markets institutions tend to be efficient.[89] Thus, the employer institutionalizes continuous learning opportunities.

Rotation of managers and key employees across geographies.

Convergence. Recent studies indicate that emerging-market MNEs with multi-polar footprints are converging toward the human resource culture of their developed-market counterparts.[90] As they acquire developed-market companies, engage with them into joint ventures, or recruit their talent in Western business schools, they are increasingly implementing career-development training, annual reviews, performance-based rewards and international job assignments as part of their practices. More multi-polar Chinese MNEs, for example, use the normative and systematic Japanese management style which includes motto recitations and experience exchanges in ritual morning sessions.[91] By introducing more standardization and transparency, these practices can prevent emerging-market MNEs from focusing too much on the inner groups within their networks. When the strategy is more global, exclusion and lack of diversity may hamper their adaptation to local markets.

This convergence in relation to the people component may have exceptions and vary by market. In their developed-market business units, for example, Chinese MNEs converge more completely toward developed-market practices. But in their domestic operations, Chinese multinationals seem to retain their local specificities: care for employees, strong union-practices, paternalistic style for harmony in the society, a culture of face-saving.[92] These modifications indicate that global Chinese MNEs are able to differentiate their human resource management between the home and host countries—a positive sign for their performance.[93]

Furthermore, convergence toward more systematic international HR processes does not—nor should it—entail the loss of networking skills and original specificities. Despite a progressive adoption of Western human resource practices, the emerging-market networking capability seems enduring. It influences both organizational and individual performance. Against expectations, "the historical importance of networks in Chinese organizations remains largely unchanged by the corporatization"—a convergence process toward more developed-market style management that began in the mid-1990s.[94] Anecdotal evidence suggests that more global emerging-market MNEs like Tata are using international networking extensively to leverage knowledge across borders.[95] They not only keep the senior management of acquired foreign companies but also connect them with all employees in and outside India who hold valuable knowledge. These strong interpersonal networks have the added benefit of creating strong identifications with the company and of fostering the emerging-market entrepreneurial culture that helps employees become more comfortable with change.

Research suggests that more multi-polar developed-market MNEs are trying to emulate these networking capabilities. Some researchers actually find that while developed-market MNEs in China tend to use networking ties as much as their Chinese competitors (an indication that they have seemingly converged towards this practice), an increase in the number of ties for these developed-market companies produces diminishing returns. It cannot equal the skills of the Chinese. One explanation is that networking "requires a different mind-set that is incompatible with the entrenched, efficiency-based routines of foreign firms"[96] (p 386). Indeed, if broad multi-polar MNEs from developed-markets do not realign their global operating model thoroughly (for example by developing employee's ability to network, by letting ties to be created by local people and not by senior expatriates, by creating structure and performance metrics which allow foreign subsidiaries to lead more initiatives that go out from the corporate standard), the convergence towards one soft practice may not be sufficient. This relative lack of success highlights the need for new alignments and new configurations for broad multi-polar strategies. Although the benefits of networks have been largely publicized[97], deep global operating model impediments prevent many developed-market MNEs to reap their benefits.

Of course, once again, empirical evidence is scarce and focuses on a limited number of emerging nations, which hampers generalizations. But it seems that more global emerging-market MNEs keep the interpersonal networking advantage of their country of origin. Reciprocally, more global developed-market MNEs are willing to converge towards networking practices but they do not necessarily succeed. They may have to try harder and differently. In this two-way convergence, convergence is partial only.

Organizational architecture

We still know little about emerging-market MNEs' organizational architecture (See Table 3 for a description of what constitutes organizational architecture).

Most of the literature on the organizational architecture of emerging-market MNEs focuses on how these architectures support domestic operations. The literature suggests that organizational architecture is not the most developed component of their global operating models, even when they have a diverse multi-polar footprint. Developed-market MNEs with broad global footprints, on the other hand, have begun implementing network-based organizational structures that both create cross-border synergies and respond to local market specificities. We observe that emerging-market MNEs' emphasis on hierarchical structures might not be ideal when they have broad multi-polar strategies. They may have to adopt some of their developed-market competitors' more sophisticated structural arrangements. The competitive advantage emerging-market MNEs may have over their developed-market counterparts, however, is that the former already possess the soft component skills that are essential to coordinate these networks.

Centralized versus decentralized hierarchies. As explained earlier, in emerging-market MNEs where CEOs and top managers seem to concentrate more authority, organizational structures are more centralized and hierarchical than in developed-market MNEs.[98] High power-distance acceptance and benevolent paternalism are common traits of emerging countries which could explain this reality.[99] In Russia, for example, intracorporate knowledge exchanges tend to be predominantly horizontal because people are reluctant to share knowledge with organizational members they consider to be inferior in the hierarchy. They also fear punishment from their superiors.[100] In Latin America, despite some exceptions such as Embraer's successful flat multidivisional structure[101], companies seem to remain highly hierarchical and centralized.[102]

Anecdotal evidence suggests that some emerging-market MNEs may lack the lateral structures necessary to formally coordinate international operations. These structural difficulties seem to be a problem for rapidly growing Middle-Eastern telecommunication MNEs like Zain and Saudi Telecom: as their global footprints have become wider, it has become more difficult for them to rely on informal contacts only.[103] In India as well, innovation efforts seem to be based on individual efforts rather than on teamwork, which strongly contrasts with Western and Japanese cross-divisional and cross-geographic innovation styles.[104]

By contrast, developed-market MNEs tend to rely more heavily on their organizational architecture to coordinate their international operations. Since Chandler[105] highlighted the benefits of operational decentralization to business units functioning as semi-autonomous profit centres, developed-market MNEs have primarily relied on this type of organizational architecture.[106] This multi-divisional architecture, which first appeared in the United States in the 1920s and spread around the developed world between the 1950s and the 1980s, is based on highly formalized control processes around supervision.[107] Supported by elaborate financial and budgeting control mechanisms, the multi-divisional has favored the convergence in the developed world towards a transparency and accountability culture where governance depends on precise role definitions.[108] Even if they have to change often, roles need to be precisely defined to avoid ambiguity in execution and chaos.[109]

The multi-divisional architecture in developed-market MNEs has changed considerably over time with waves of delayering to empower employees at home and abroad[110], periodic organizational restructurings and regular modular reconfigurations of business units. These changes indicate how important formal structure is in developed-market MMEs.[111] Despite more decentralization, the multi-divisional architecture remains relatively hierarchical, with strategy and knowledge originating mostly from headquarters.[112] This architecture is appropriate when economic integration is more important than local adaptation, as is often the case when MNEs have narrow multi-polar footprints.

Table 3: Organizational architecture

1. Organizational structure:

Vertical axes of differentiation and integration which shape the hierarchy. For example the extent of hierarchical, hierarchical structure or flatter, network configuration of interdependent elements.

Horizontal axes of differentiation and integration. This is the way activities are regrouped, for example around geography, customers, products, functions, etc.

2. Centralization or decentralization: extent to which power and authority are concentrated (centralized) or distributed (decentralized)

3. Formalization and standardization: written policies, rules, job descriptions and standard procedures.

4. Output and behavior control: financial performance, technical reports, sales and marketing data and direct supervision.

5. Lateral and cross-departmental relations: direct managerial contact, temporary or permanent teams, task forces, committees, integrative functions or departments across geographic locations.

Adapted from Martinez and Jarillo (1989) and Girod (2008)

Convergence. Following influential research on new organizational models for multinational enterprises, such as the "transnational multinational," the "multi-focal multinational," and the "heterarchy,"[113] many developed-market MNEs with broad multi-polar footprints have strived to implement a network-based architecture to replace their multi-divisional architecture. This new architecture is based on more horizontal and inter-dependent relationships between headquarters and geographic subunits, and between the subunits themselves (see Figure 4.).[114]

The result is that some responsibilities like knowledge and learning don't necessarily originate from headquarters yet still flow throughout the network. In function of their distinctive capabilities and their host-country specific advantages, some subunits become centres of excellence and become largely autonomous, generating strategies not only for their own market but for markets globally.[115] This type of architecture (differentiated network) fosters local autonomy and entrepreneurship and generates synergies across geographic operations.[116] For example, in the 1990s, Ford chose Australia to lead its development in four-wheel drive vehicles; in the early 2000s, Nokia chose China to develop low-cost handset capabilities. Meanwhile, less-strategic subsidiaries, or those where local adaptation is not as necessary, remain more centrally controlled.

In these networks, developed-market MNEs often balance the local and the global by using sophisticated matrix structures that combine two or even three organizing principles. Indeed, the matrix usually seeks a balance between global products or functions and geographic responsiveness. Nokia and Procter & Gamble are examples of multinationals that use successful matrix structures. Cisco currently uses a front-back structure that subordinates technological platforms departments to customer-facing business units themselves organized by type of customer and geography.[117] Other developed-market MNEs with a global multi-polar footprint now organize their operations according to the economic development of their markets. For example, in 2004, Kimberly-Clark pioneered a structure that regroups its operations for the "North Atlantic markets" and for the "emerging markets". Relying more on formal structural arrangements than on informal coordination with key expatriates, many developed-market MNEs have also created regional headquarters that are closer to the local operations than world headquarters: this prevents geographic subunits from gaining too much power.[118]

To create these networks and foster a more entrepreneurial culture, more global MNEs from developed-markets have also increased collaboration by establishing rapidly reconfigurable project management teams and cross-unit and functional project management teams, and by favoring intense managers socialization across geographic locations.[119] To create more synergies across the globe, they also increasingly rely on central functions and shared services for the supply chain, information and knowledge management and technology management. This structure gives

Figure 4: Multinationals as networks

more customer-facing autonomy to the subsidiaries yet centralizes the back-office and reduces costs.

Despite these impressive efforts, many developed-market managers still struggle with the complexity and costs that these arrangements entail. A network organizational architecture requires then to reconfigure their global operating models sot that more informal, soft components can play the necessary lubricating role.[120] For example, it has been well documented that networks require intense inter-personal communication[121], a capability well found among emerging-market MNEs. This is where more global developed-market MNEs which re-balance their configuration to include more of the soft components will gain.

We cannot determine the extent to which global emerging-market MNEs have begun converging toward this network model. It seems that most of them still rely on a variant of the multi-divisional form. While this variant also departmentalizes functions and creates more autonomous business units, it is more hierarchical and uses more central control mechanisms. A limited amount of research seems to suggest that emerging-market MNEs have not yet implemented the differentiated network, even when they are more global. Ownership structure and leadership peculiarities hamper further convergence. According to Zhang, in Chinese SOEs

The roles of HQ are changeable at all times, depending on their own government's needs, which makes it difficult for their subsidiaries to carry out responsibilities and causes numerous problems in their strategic development.[122] (p 239)

Thus, a tight hierarchy among emerging-market MNEs with wide multi-polar footprints may be hindering integration and responsiveness. On the other hand, as the strong interpersonal networks of these companies may someday be an advantage in helping them to manage the differentiated networks needed to manage successfully broad multi-polar footprints, we may expect emerging-market MNEs to progressively converge towards this arrangement.

Again, both groups of MNEs can learn from one another, though we believe at this time that developed-market MNEs have a stronger organizational architecture capability.

Processes and technology

Research indicates that processes and technology have a smaller space in the global operating model configurations of emerging-market MNEs with a narrow multi-polar footprint than in those of developed-market MNEs with narrow footprints. This component is also less important than their leadership and people components. But research also indicates that more global emerging-market MNEs are matching their Western counterparts in processes and technology deployment. However, if convergence takes place, emerging-market MNEs should be careful to retain their distinctive strengths.

Little versus strong emphasis on processes and technologies. Some researchers argue that when emerging-market MNEs have not been exposed to Western process-based management (as is often the case for MNEs that do not have operations in the developed world), these MNEs have very few skills related to processes and the technologies underpinning them. For example, some observers argue that weak processes of China's "new dragons'" prevent these companies from coordinating and running complex, systemic businesses, including international supply chains.[123] In India as well, "there are no long established rules to treat knowledge as a resource."[124] (p 114) One of the reasons is that emerging-market MNEs tend to subordinate processes to people. In countries that make up the former Soviet Bloc, for instance, knowledge management is treated withy suspicion because explicit knowledge is often associated with repression and top-down authority. Knowledge and information, which is mostly implicit in these firms, flows through personalized networks with well-chosen partners rather than through more impersonal, process-driven exchanges.[125]

By contrast, processes and technology in developed-market MNEs are an essential component of their global operating models, even when these MNEs operate in regions of similar economic development. When they gained an edge in innovation processes in the 1980s, Japanese MNEs pioneered sophisticated knowledge-management processes to make information more explicit and broadly shared by organizational members.[126] Many other large companies like General Electric and BP – and Accenture for that matter— have created on-demand-workplace portal sites that have become essential knowledge management tools: the portals support emergent human resource management practices where highly mobile employees can connect and communicate all around the world.[127] The result is that planning and strategic processes no longer begin and end with corporate headquarters.[128] Emphasizing the predominance of processes in developed-market MNEs, supply chain and innovation processes can even become the paradigms of new organizational architectures, for example in multinational pharmaceutical companies.[129]

Convergence. While many global emerging-market MNEs will need to increase the role of processes and technologies, some are already using the newest and most sophisticated technologies and organizational processes to coordinate their international operations. They have reproduced those used by developed-market MNEs and sometimes beaten them at their own game.[130] For example:

Tata implements the "Tata Business Excellence Model" across its business units and newly acquired divisions. This model is based on the Malcom Baldrige Award standard and on Kaplan and Norton's balanced scorecard for the development of strategic initiatives.[131]

Samsung was a very early adopter of Japanese quality circles.

Cemex was the first cement company in the world to use GPS technologies in its product delivery, giving them more speed than its competitors.

Infosys thrives on quality and process objectives, quality performance monitoring and improvement initiative processes.

Yet, most studies find that emerging-market MNEs have a long way to go. For example, many leading Brazilian MNEs have not established global and diversified supply chain networks, even among their operations in developed nations.[132] As a result, they are not sufficiently integrated and responsive in those markets. To what extent, however, should the processes of emerging-market MNEs with a more global footprint converge toward those of their developed-market peers? It seems that while emerging-market MNEs may need to strengthen the role of processes and technologies in their configuration, they should also be wary of the rigidities that processes can create. In fact, we believe emerging-market MNEs should continue to subordinate processes to people. Although formal processes and technologies are important in a differentiated network, excessive reliance on them can inhibit the creation of interpersonal ties[133] and thus, hinder the creation of customer intimacy and the adaptation to local markets. Examples of customer dissatisfaction with call centers abound. Many British service firms have been forced to relocate their call centers to Scotland or Ireland from India because British customers were resenting a service that was too distant from their reality. Customer relationship processes that are too complex or fragmented can de-personalize the company-client relationship. That is because many of these highly formalized and rigid processes don't allow for non-standard decisions that customer interactions sometimes call for.

Perhaps, developed-market MNEs with diverse multi-polar footprints should work to balance processes and people, in particular to succeed in emerging markets. The key for them might be to differentiate where standard processes work best (for efficiency maximization) and where they should rely more on people's skills and networks. In other words, in some locations, human-based solutions might be the least expensive and most satisfying to customers.[134]

Metrics

Accenture places metrics at the center of the global operating model because they help to determine whether the global operating model is performing well and whether each of the components is internally and externally aligned. Table 4 presents examples of two common metrics used to measure the effectiveness of the leadership component and the people component.

We know little about whether metrics matter for emerging-market MNEs' global operating model alignment, and if so, which type of metrics they use. But it seems that emerging-market MNEs do not use metrics as much as developed-market MNEs[136] where the adage "what gets measured gets done" is popular and where competing on analytics is important.[137]

Low versus high importance of metrics. It is perhaps not surprising that emerging-market MNEs use fewer metrics than developed-market MNEs since the former may have fewer tracking processes in place to generate the metrics. In the oil and gas industry, for instance, emerging-market NOCs do not seem to rely as systematically on the strict net-present-value metric that IOCs use in their decision-making process—which is consistent with a more-risk conscious leadership style. Rather than adopting this metric, NOCs change the game by creating deals that involve aid and infrastructure packages.[138] This signals a market-development mind-set as opposed to a market-exploitation mind-set.

In our review of the literature, we also found differences in how metrics are used to measure the alignment between leadership, people and organizational structure. In emerging-market MNEs, metrics used to measure individual performance and productivity do not seem to be as important as they are in developed-market MNEs. Emerging-market MNEs appear to place more emphasis on loyalty, kinship and political connections for talent management and incentives, rewards and promotions decision more than on formal individual performance metrics.[139]

Developed-market MNEs typically use metrics to assess the quality of human resources, innovation, supply chain effectiveness, knowledge management and leadership. Some examples are time and cost compliance of new product development, teamwork effectiveness, learning, and supplier performance.[140]

Convergence. We have not found any literature comparing the use of metrics in emerging- and developed-market MNEs that have broad multi-polar footprints. Yet, if our hypothesis is correct that the alignment of global operating model components will be increasingly important to emerging-market MNEs' performance, more emerging-market MNEs whose footprint is more global may also need to employ more metrics.

Table 4: Examples of metrics for global operating model alignment

Metrics	What they tell us	Measurable Costs	Measurable Benefits
Decision-mapping (leadership)			
Time to decision	Time necessary for decisions	Time wasted	Competitive advantage from decisiveness
Degree and diversity of managers involved	Where decisions are made	Unnecessary people involved	Savings in time and resources
Time on value	Elapsed time	Resources used	Increased leadership capacity
Number of strategic decisions divided by costs	Productivity of decision-mapping	Failed execution	Increased innovation capability
Organizational network analysis (people)			
Density: percentage of existing relationships in the geographic subunits	How work really gets done	Resources used to build network	
Cohesion: average number of steps to reach any other person in the geographic subunits	Levels of cross-geographic collaboration		
Centrality: average number of relationships per person across geographic subunits			

Adapted from Accenture[135] (2006)

5. Remaining questions

The first systematic comparison of the global operating model configurations of emerging and developed-market MNEs in function of their internal footprint shows that researchers still know little about how successful emerging-market MNEs sustain their internationalization. For example, we could find no literature on how they make decisions about what should be local, regional and global in their global operating models—what are the rules. Moreover, the current literature does not explain if or how the components of their global operating models work in synergy with one another. These gaps make the new Accenture research project based on an exploratory case study methodology in the energy and wireless telecommunication industries (see "About the research") highly necessary. For this reason, our conclusions remain mostly hypotheses:

To achieve high performance, both developed-market and emerging-market MNEs may have to configure their global operating models according to their location strategy—in order to fit the constraints of their host markets—and on their home-market specificities. They may also need to align the global operating model components with one another.

When their multi-polar footprint is narrow, emerging-market and developed-market MNEs may successfully rely on a global operating model that largely follows the characteristics of their home environment. Indeed, the global operating model used in the home market is appropriate in regions which are rather similar to those of the home environment. Since emerging-market MNEs with narrow multi-polar footprints tend to rely mostly on soft global operating model components (leadership and people) and developed-market MNEs with narrow multi-polar footprints rely mostly on hard components (architecture, processes, and metrics), we can expect these two groups of MNEs to have very different global operating model configurations.

The current business literature indicates that the global operating models of developed-market MNEs are configured to create stability and reduce uncertainty. (See Figure 5.) These MNEs emphasize forecasting and risk-management and are wary of threats to the core. Some researchers have argued that their model is geared towards "complexity reduction".[141]

Because the home-market conditions of emerging-market MNEs are often unpredictable, these MNEs are at ease with volatility, risk and change. In contrast with mature-market MNEs, their model is geared toward "complexity absorption".[142]

Due to various constraints, the models used by developed- and emerging-market MNEs may converge toward one another. In the case of emerging-market MNEs, home-market employees. May begin to question the broad differences in empowerment or benefits between them and their host-market colleagues in the developed world. In the case of developed-market MNEs, managers will begin to feel the need for more radical innovation and strategic renewal by means of an entrepreneurial operating model. What's more, all MNEs with a broad multi-polar footprint will experience the difficulties of operating in regions with different economic and institutional structures. To manage these constraints, emerging-market MNEs may implement some of the hard components of their developed-market competitors, while developed-market MNEs may adopt some the soft components of emerging-market MNEs.

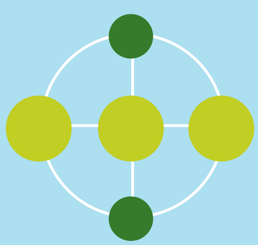
Even if the global operating model of some emerging-market MNEs begins to converge with the global operating models of developed-market MNE's, the convergence will be only partially. The competitive advantage of emerging-market MNEs, as far as their organizational model is concern, is in their ability to orchestrate the soft components better than their developed-market counterparts. Thus, even if they adopt some hard component skills, they should retain some of their original strengths.

We believe that emerging-market MNEs represent a new organizational form whose capability to manage the required open organizational boundaries (alliances, joint-ventures), and the interpersonal and interorganizational networks necessary to sustain a global strategy, is superior. They try to combine previous generations' best practices while avoiding their mistakes and inventing new solutions to new problems. This capability has incubated in their more volatile domestic environments.

As doing business in a multi-polar world becomes imperative for companies, emerging-market MNEs that are successfully going global may provide some solutions to the complexities of doing business in emerging economies. Just as European models had to catch-up with American global models in the middle of the last century, and American models had to catch up with the Japanese in the 1980s—they were better able at fostering cross-border innovation and at combining local responsiveness and economies of scale, today's international companies will need to look to global emerging-market MNEs for answers to new complex international problems—the necessity to succeed in faster growing emerging economies. (See Figure 6.)

Managers of more global developed-market MNEs cannot afford to remain complacent. In industries where networking and alliance management capabilities are important (for example in energy and wireless telecommunications) and where creating networked-based organizational structures requires new leadership and people capabilities, developed-market MNEs will have to learn from emerging-market MNEs. But first, it will be important to determine exactly how developed-market MNEs

Figure 5: Traditional and new models of multinational enterprises

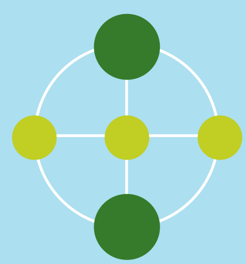


Traditional model of developed-market MNE

- Configuration emphasizes hard components
- Anticipate
- Forecast
- Prepare
- Prevent threats to core (complexity reduction)

Culture: systems geared toward stability and reassurance of investors

Constraints / sustainability:
- Radical innovation
- Expansion into emerging markets



New model of emerging-market MNE

- Configuration emphasizes soft components
- Embrace volatility
- Keep things in flux
- Don't buffer
- Complexity absorption
- Home country as incubator for "learning to cope"

Culture geared toward risk-taking; investors expect volatility

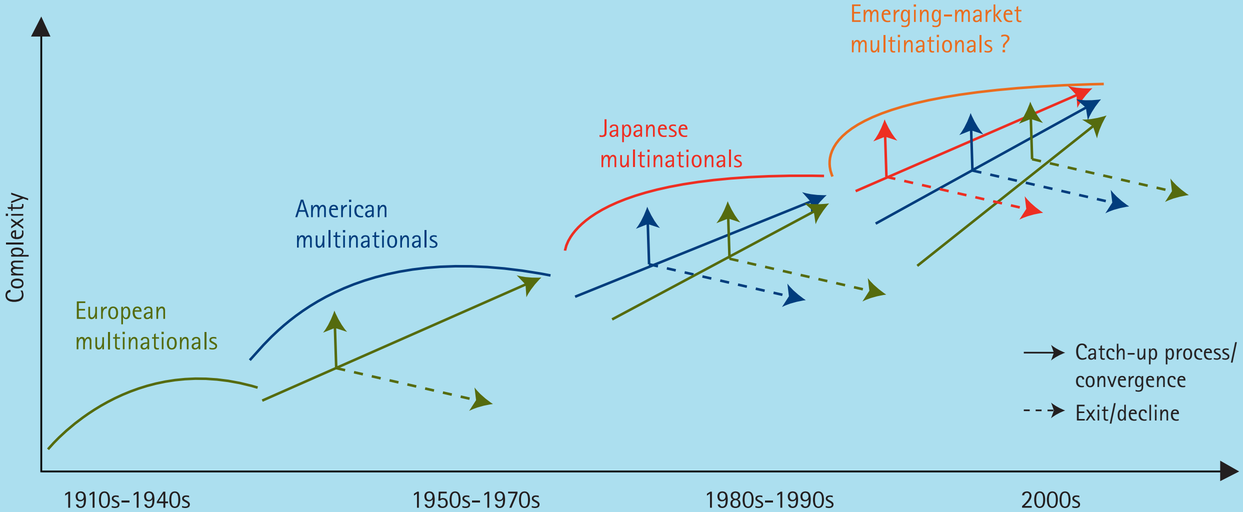
Constraints / sustainability:
- Demographics
- Attracting and retaining talent (employee satisfaction)
- Expansion into developed markets

can retain their strengths in hard components while adopting their emerging competitors' soft practices. And it will be interesting to know whether they should continue using existing global operating model in regions of similar economic and institutional development and converge towards emerging-market forms for their emerging-market operations only.

In other words, what aspect of the new practices should be local and what aspect global?

Finally, it's important for managers to understand how to change their global operating model configurations as their international strategy changes. This study is a step in this direction.

Figure 6: Evolution of global operating models



Multi-local model

- Decentralized, independently run markets
- Key goal: local profit maximization

Global model

- Centralized, integrated market
- Increased formalization

Distributed model

- Excellence in supply-chain and innovation process
- Growing role of regional units
- Constellation of partners

Multi-polar model

- Global and local
- Networked operations
- Global integration of back-office activities
- Growing role of centralized functions
- Decentralization of customer operations

About the research

We have selected a case study methodology because it is the most suitable for exploring a new phenomenon—the organizational models of emerging-market MNEs.[143] This methodology involves:

Selecting industries and companies that are relevant to test the framework just developed (see decisions criteria below),

Gathering data through a number of methods in order to triangulate and contrast different sources of information,

Analyzing the data for each case and across cases in order to identify patterns of similarities and differences.

Industry selection

We have chosen to look at different types of multinationals within two industries. This approach has two advantages. First, it allows us to account for specific industrial contexts. Second, we can control for similar industry trends and factors which may compete with our hypotheses and explain the findings.

Sample

	Similar Multi-polar (multinationals operating in markets of similar economic development)	Diverse Multi-polar (multinationals operating in both developed and emerging markets)
Wire-less Telecom Industry	Kuwait Telecom Etisalat MTN China Mobile America Movil MTS Deutsche Telecom	Orascom Hutchinson Whampoa Tata Communcations Singapore Telecom NII Holdings Telefonica France Telecom Telenor Vodafone
Energy Industry	Sasol Lukoil ONGC CNPC	CNOOC Petronas Petrobras Kuwait Petroleum Chevron BG Total ExxonMobile BP ENI Statoil Hydro

Emerging markets   Developed market origin

After a detailed analysis of all industry-groups, we decided to focus on the wireless telecommunications and the oil and gas industries, because they satisfy several criteria of comparability:

Industry diversity. We have selected industries with a sufficient number of players per country so that if one MNE does not grant access, we can still have a relevant alternative.

Multi-polar industries. The wireless telecommunications and oil and gas industries are truly multi-polar. The number of directly comparable MNEs is evenly spread across all regions of the world so that there is no asymmetry between contenders from the triad and those from emerging economies. There are large and directly comparable players all around the emerging world, not just in China and India.

Transnational industries. Both industries experience similar forces (although to a different extent). In both industries, MNEs need to build synergies and economies of scale, as well as be locally responsive and adaptive. This double and conflicting challenge makes the pressures on global operating models more acute. Since transnational forces will become stronger as industries become more multi-polar, we are focusing on two trend-catching industries.

Network industries. Both industries require extensive networking skills in order to gain market access. In the oil and gas industry, networks are required for resource access; in wireless telecommunications, networks are required to create beneficial roaming agreements and serve clients seamlessly across countries.

Company selection

We selected our companies on the basis of the following criteria:

Size and age comparability. We chose emerging- and developed-market MNEs that are comparable in size and age. Smaller and younger firms tend to be more agile and entrepreneurial while older and larger ones tend to be more conservative and to favor the status quo. We want to be certain that our findings are not affected by differences in size and age.

Multinationality. Since this is a study about global operating models, our companies have to be multinational—that is they need to operate through directly owned subsidiaries in at least two countries and generate more than 5 percent of their total sales abroad.[144]

Industry leadership. The selected MNEs we have selected are market leaders in their home country and in several other host countries.

Matched comparisons. To control for home-country specific effects, we have sought to create three matched-paired comparisons of MNEs from a similar home region or home country but with a different international footprint: Kuwait Telecom (similar multi-polar) and Orascom (diverse multi-polar); Deutsche Telekom (similar multi-polar) and Telefonica (diverse multi-polar); and CNPC (similar multi-polar) and CNOOC (diverse multi-polar).

In the following table, we present the complete list of target MNEs but we aim to study eight MNEs in each industry.

Data collection

In the empirical phase of our research, we gather data from three sources. First, we interviews eight to nine senior executives in each selected MNE and obtain rich descriptions of their companies. Each interview lasts one hour each and is recorded for subsequent content analysis with specialized software.

Following a multi-layer interview strategy where some of the questions are common and some of the questions differ in function of the respondent's position, at each company we interview:

The chief executive officer, the executive chairman and the chief operating officer who provide us with an overview of their company's global operating model and of its internal and external alignment. They are also primary respondents to inform us about the leadership component in their global operating model configuration.

Two to three heads of the main geographic business units give us their perspectives on how their companies' global operating models accommodate the differences between local and global operations. Contrasting the possible perception differences between headquarters and the geographic subunits is important to understand how the global operating model works.

The heads of the main corporate functions—the head of human resources, the chief technology officer, the chief strategy officer, the chief information officer, the chief financial officer—help us understand the global operating model in greater depth.

The primary data also include any company proprietary material that the interviewees entrust us to read.

Second, we complement these interviews with interviews of Accenture senior executives and of their collaborators who are in charge of the sampled companies' accounts.

Third, to check the validity of the interviewees' responses, to embed ourselves in the deep context of each case, and to control for the bias introduced by the interviewer-interviewee relationship[145], we triangulate these primary data with externally available information. Before each case study begins, we prepare a detailed company profile that includes:

The interviewees' biographies.

Companies' international journey that retraces the dates of country entries or exits, the modes of entry, the evolution of international sales, and the moments of crisis or success that follow these steps.

A detailed historic performance analysis of the company against industry benchmarks (total return to shareholders, growth and efficiency).

Details of corporate and business strategies: company history; strengths and weaknesses; and opportunities and threats.

Published articles and case studies about the company.

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About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance businesses and governments. With deep industry and business-process expertise, broad global resources and a proven track record, Accenture can mobilize the right people, skills and technologies to help clients improve their performance. With more than 186,000 people in 49 countries, the company generated net revenues of US$23.39 billion for the fiscal year ending August 31, 2008.

About the Accenture Institute for High Performance

The Accenture Institute for High Performance creates strategic insights into key management issues through original research and analysis. Its management researchers combine world-class reputations with Accenture's extensive consulting, technology and outsourcing experience to conduct innovative research and analysis into how organizations become and remain high-performance businesses.

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