



High performance. Delivered.

This article originally appeared
in the June 2009 issue of

Outlook

The journal of
high-performance business

High-Performance Business

Adapting to the multi-polar world

The new globalization playbook

By Mark Purdy, Matthew C. Robinson and Paul F. Nunes

The dynamics of global competition are rapidly moving away from the traditional mix of product exports, reliance on local partners and single-nation headquarters. High performers are adopting a new way of doing business that exploits the power of being simultaneously global and local.

• Consulting • Technology • Outsourcing

It's highly unlikely that British shoppers will find live toads and turtles at their favorite Tesco stores anytime soon. But in China, where consumers are familiar with "wet" markets, the big UK-based grocer caters to local tastes by selling a range of live food in tanks.

Tesco is just one of a group of high performers that are overhauling their approach to business to more effectively address the opportunities and challenges presented by the multi-polar world. As well they must: The dynamics of global competition are rapidly moving away from the traditional mix of product exports, reliance on local partners and single-nation headquarters toward a new way of doing business that exploits the power of being simultaneously global and local.

Older strategies took a narrow view of the sources of consumption, talent, capital, resources and ideas—the five critical arenas where competition is being waged in the multi-polar world (see "Brave new world," *Outlook*, May 2008). The economic landscape has changed significantly in a short time. Companies from emerging markets now have the ambition, resources and operating models to actively shape globalization. Capital can come from Norway just as easily as it can from New York. Talent streams across borders. Ideas are no respecters of national frontiers either, as they are increasingly shared worldwide in an instant via the Internet.

To discover what companies must do to thrive in this world, Accenture conducted extensive research into the globalization strategies pursued by both high-performance businesses and less successful companies. As part of that research,

we surveyed business leaders from 375 companies, representing all major industries and 53 developed and emerging markets. Respondents included executives from 45 high-performance businesses and 35 businesses whose performance ranked them at or near the bottom of their industries.

The survey confirmed that most executives have identified the benefits to be reaped in the multi-polar world and are rethinking their strategies accordingly. For example, 86 percent of respondents reported that they are looking to boost sales beyond their home markets.

However, what was most interesting was how executives plan to do this—and the stark differences in approach, industry by industry, between high-performance businesses and their lower-performing competitors.

High performers stand out in three ways. First, these companies move beyond parochial thinking and regional focus by taking a "superglobal" view of world. They actively and continually explore new geographic sources of value to create more options for where and how to compete. At the same time, they avoid insular corporate thinking by taking a "superlocal" view on the ground, recognizing market differences and weaving themselves into the local fabric. Finally, they invest in networking their organizations so that people and ideas can flow rapidly to the places they are most needed.

In doing so, high performers are writing a new playbook for globalization that will help businesses withstand short-term pressures while laying the groundwork for long-term growth.

Create geographic options

High performers realize that they need to tap multiple geographies to find the resources they need, whether they are seeking talent, raw materials, components or capital.

High-performance businesses continually look outward, exploring the larger business environment (and that of their value chain partners) and making deliberate choices about where to compete and with whom to engage. Knowing no two markets are the same, high performers realize they need to tap multiple geographies to find the resources they need, whether they are seeking talent, raw materials, components or capital.

Consider the importance of finding new sources of talent. In our survey, 44 percent of high performers told us that obtaining access to new talent pools drives their investments in foreign markets to a significant or great extent, compared with just 20 percent of low performers (see chart, page 7). Avon Products, the first firm to be granted a direct-selling license by the Chinese government, credits its successful recruitment drive in China—more than half a million “Avon ladies” enlisted since March 2006—with dramatically boosting revenue in the country.

Because high performers know that skill and expertise can be found virtually anywhere, they are alert to the possibilities offered by talent pools beyond their immediate operational boundaries. Fifty-seven percent of high performers reported that they actively recruit from markets where they have no operations or sales, compared with 39 percent of low performers.

All of the high-performance businesses we surveyed also build links with local universities and research institutes as sources of interns and new recruits, compared with just 59 percent of their competitors. And high performers are much more likely to use innovative, non-conventional recruit-

ing methods, such as competitions and word-of-mouth strategies (89 percent versus 62 percent).

High performers also understand that reaching previously underserved customer groups requires new approaches, such as the use of seemingly unorthodox distribution and marketing channels.

Norwegian media company Schibsted, for example, has won new business in places once regarded as peripheral markets, such as Italy, Austria, Singapore and Russia. Despite the dominance of television advertising in Russia—one of the world’s fastest-growing media markets—Schibsted’s efficiently distributed free publication, *Moi Rayon*, has created a new market for advertising that has helped it become St. Petersburg’s most-read newspaper.

Innovation without borders

New ideas are no longer the special province of developed economies. Nor does it make sense for companies to place all their innovation bets in one geographic area (see chart, page 10).

High-performance businesses are clearly aware that there are now many more innovation hubs and untapped sources of expertise outside their home markets. Fifty-eight percent source innovation from more than one country, compared with 34 percent of low performers. The recent wild volatility in commodities markets points to another area where geographic options are critical. To reduce risks and control costs, high-performance businesses have more than one source of key raw materials. In our research, 44 percent of high performers reported that they diversify the geographic sources of these materials to a sig-

A changing leaderboard

By 2030, the make-up of the world's 10 biggest economies will be dramatically different than it is today.

Ranked by real GDP at purchasing-power parity

	1990	2008 ^e	2030 ^f
1.	United States	United States	China
2.	Japan	China	United States
3.	Russia	Japan	India
4.	Germany	India	Japan
5.	France	Germany	Brazil
6.	Italy	Russia	Russia
7.	United Kingdom	United Kingdom	Germany
8.	China	France	United Kingdom
9.	Brazil	Brazil	France
10.	India	Italy	Mexico

Source: Economist Intelligence Unit

nificant or great extent, compared with 28 percent of low performers.

For example, US-based industrial conglomerate Danaher Corp. purchases raw materials and components—including steel, copper, cast iron, electronic components, aluminum, plastics and other petroleum-based products—from many independent sources around the world. Similarly, South Africa's Anglo Platinum searches for new sources of raw materials not only in the obvious places—such as that country's Bushveld Complex, where new exploration permits were granted in 2007—but also in southern China and in western Russia.

Access to capital is another area where top-performing companies actively pursue multiple options, including those beyond traditional financial hubs (see chart, page 6). They are “following the money,” thus improving their access to capital and diversifying risk, as well as continu-

ously updating knowledge, relationships and financing models to reflect the new map of global investment flows. In particular, they are well aware of the new breed of sovereign and private investors from emerging nations. Given the current turmoil in the international financial markets, their embrace of diversity is particularly prudent.

A good example of the multi-polar nature of financing: Not long ago, despite a dramatic slowdown in infrastructure lending, an Asian technology, engineering, construction and manufacturing conglomerate secured a loan that set records in the company's home country for the length of its term and the degree of leverage. The deal highlighted this emerging-market multinational's heightened standing in global debt markets. Half of the funding came from a major commercial bank in the Gulf.

(Continued on page 6)

Nokia's global brain trust: Encouraging the mobility of ideas

It is not surprising that mobile-phone leader Nokia teams up with leading international universities in search of the next great communications technology ideas. The Finnish company's research center in the United Kingdom works with the University of Cambridge to develop nanotechnologies for mobile communication and what is being called "ambient intelligence"—electronic environments that are sensitive and responsive to the presence of people. In Beijing, Nokia's research hub was set up to take advantage of China's top-level universities and to gather valuable local perspectives on communications trends and market potential.

But the other aspect of Nokia's open innovation model is far less conventional: its abundant use of the Internet to harvest new ideas. The progress of current projects is posted on company wikis. The Nokia Beta Labs website plays host to a legion of testers who provide feedback on new and potential applications. And Forum Nokia, a portal available in English, Chinese and Japanese, gives outside developers access to resources to help them design, test, certify, market and sell their own applications, content, services or websites to mobile users via Nokia devices.

By encouraging the mobility of ideas across its network and then exploiting them commercially, Nokia is able to succeed with an innovation strategy that represents the best of global and local approaches.

But Nokia's open-innovation thrust is by itself only part of a long-term innovation strategy aimed at supporting sustained expansion into markets outside the company's traditional European markets.

Venture capital investment is the other thrust. The company's Nokia Growth Partners, with offices in China, Finland, India and the United States, manages \$350 million for direct investments and fund-of-fund investments in other venture capital players, primarily in the United States, Europe and Asia. One recent fund investment was in Madhouse, China's leading mobile advertisement network—a crucial driver for continued growth in mobile communications markets.

The new playbook

In a multi-polar world, high-performance businesses are those that successfully pursue three broad strategies across five key competitive battlegrounds.

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

Source: Accenture analysis

(Continued from page 4)

Be authentically local

When companies enter new markets, the many differences in tastes and customs, as well as unfamiliar regulatory and political environments, often constitute major stumbling blocks. That's why, when it comes to operating in local markets, high performers don't just "switch the label on the can." Instead, they immerse themselves in the markets to become part of the local business and social fabric, adapting their strategies, operations and products to meet local conditions and tastes. They become *authentically* local. (For an example, see the Tesco sidebar, page 8. For a related article, see "A passage to India," *Outlook*, January 2009.)

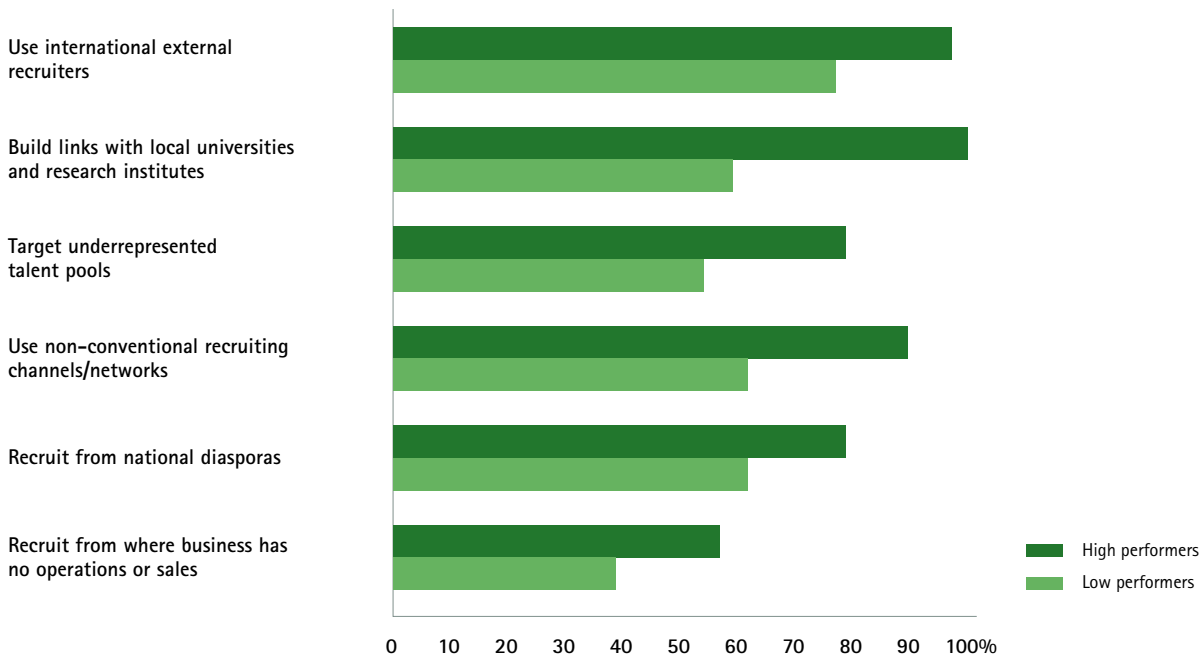
One way to do so is to make an effort to relate to customers in new markets and to tailor offerings specifically to their needs. Norwegian telecom company Telenor Group is entering

new markets with innovative mobile offerings that suit particular customer groups. For example, in a partnership with Citibank, Telenor's DiGiREMIT service allows migrant workers in Malaysia to transfer money securely to Bangladesh, Indonesia or the Philippines. In Pakistan, subscribers to Telenor TeleDoctor service receive easy access to experienced doctors who can provide medical advice and symptom diagnosis in eight languages to those who can't travel to an appointment.

Just as local talent is one of the keys to effectively exploiting geographic options, developing and employing talent is equally important to efforts to become authentically local. Talent pools in new and emerging markets can be shallower than they first appear, with business-ready skills often in

Help wanted

As part of our research into globalization strategies, Accenture asked business leaders which of the following steps they were taking in foreign markets where they aimed to expand their workforces.



Source: Accenture analysis

short supply. In particular, knowledge-based skills can be hard to find. Increasingly, they demand not only technical proficiency but also a range of complementary softer skills, such as management experience, organizational ability and creativity.

A lack of senior management talent with international business experience often compounds the problem. Expatriates can fill the gap in the short term, but they seldom represent a sustainable model in terms of cultural insight, business stewardship and cost.

Narrowing the talent gap

High-performance businesses fully recognize those challenges and apply a range of responses to ensure that their workforces are equipped with the full complement of technical and managerial skills. Nearly nine out of 10 high performers—compared with fewer than six out of 10 low

performers—establish their own academies to develop the people they need to compete in new markets. These institutions can help to augment technical skills, build management proficiencies, and emphasize less tangible aspects of performance, such as teamwork and creativity.

Cisco Systems, for example, has ramped up its Global Talent Acceleration Program, which now has hubs in Jordan, South Africa and India. The program aims to narrow the gap between the supply and demand of regional talent by creating next-generation consulting, engineering and sales expertise in emerging countries. The 37-week program offers two tracks: professional, for students with three to five years' work experience, and associate, for recent university graduates. All program graduates are expected to join Cisco as full-time employees.

(Continued on page 9)

Tesco's toads: Tailoring store experiences to local cultures

Tesco, the world's third-largest grocer, sells live toads and turtles from tanks in its Chinese stores, catering to consumers familiar with shopping in "wet" markets. In Japan, where the UK-headquartered retailer's research showed that shoppers prefer buying small amounts of fresh food each day, the company entered the market not by opening hypermarkets but by acquiring a discount supermarket operator.

Tesco is a master of the multi-polar world. Today the company, which made its first move abroad in 1994 when it entered Hungary, operates more than 3,900 stores in 14 countries. It is expanding rapidly in nations such as Turkey, Malaysia and South Korea. More than 60 percent of Tesco's sales space is now located outside the United Kingdom.

Tesco's strategy is to maintain its authentically local approach by being highly flexible about its retailing format and its means of entering markets. In 2004, it entered China's booming retail grocery market (which today is estimated to be worth roughly \$285 billion and to be growing at a rate of 7 percent annually) through a joint venture with Taiwan's Ting Hsin International Group, of which it now owns 90 percent. Today, the company operates more than 60 stores in China, and much of what it sells there is made in China. Its global reach is key to its local effectiveness: Tesco believes that in China it can use the experience it has gained from operating around the world to offer a mix of products that will have greater local appeal than those sold by its two major rivals.

In India, Tesco has teamed up with local retailer Trent, a subsidiary of the Tata Group, to establish wholesale cash-and-carry stores for retailers, restaurants and caterers. The company is also sharing its know-how and technology to help Trent expand its Star Bazaar hypermarket chain.

Tesco's authentically local approach is enhanced by its commitment to using local talent. Today in China, 80 percent of its managers are local hires. Globally, it has recruited MBAs from India to staff the core function charged with deploying Tesco's new global operating model around the world.

At the same time, the company is rigorously global when it comes to the systems that support its different customer-facing approaches worldwide. All stores use the same technology and processes for billing, purchasing and general management. Tesco plans to centralize IT applications under a single network and voice contract and to standardize its main finance, human resources and sales applications. Standard reporting functions will allow executives to manage a store in Malaysia or Japan just as they would a store in the United Kingdom.

(Continued from page 7)

High performers also become authentically local by formally encouraging innovation in locations close to emerging and future customers. Our survey showed that they are more likely than low performers—86 percent versus 63 percent—to locate research and development facilities near their customer bases in new markets (see chart, page 10).

Sometimes growth by acquisition is needed to enable effective participation in local innovation clusters, particularly when access to specific know-how or technology is critical. Our survey found that high-performance businesses are far more likely than their lower-performing counterparts to embed themselves more deeply with local innovation hubs such as universities or research institutions (85 percent versus 58 percent).

Network the organization

The appropriate balance of global activities and local focus will vary according to the times, the industry and the company. To find and maintain that balance, high performers are taking steps toward creating a global operating model that mirrors their multipolar business environment and enables them to reap the benefits of being both “superglobal” and “superlocal.” (For a related article, see “How to organize for the new realities,” *Outlook*, June 2009.)

Worldwide consistency, standardization and a global culture are essential features of these models. In our research, we learned that high performers successfully network their organizations by concentrating on three specific networking activities.

Promote mobility

For high performers, mobility is the key to getting the most from their resources—especially their human and intangible resources. They actively seek and find ways to scale the benefits of local success to the organization at large. By creating companies that are permeable—both internally and externally—the high performers enable people, ideas and best practices to flow through the organization.

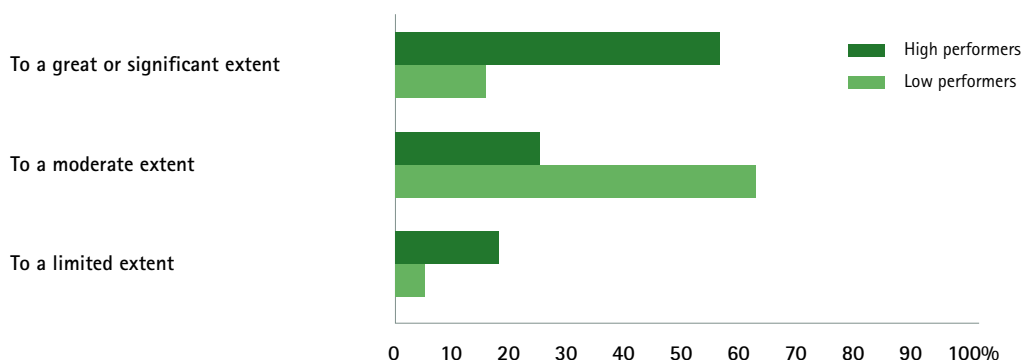
The high performers we surveyed undertake a variety of activities to promote mobility in their organizations. In the realm of talent, 51 percent, to a significant or great extent, equip employees with the skills and opportunities they need to work in different markets—offering language courses or job rotations, for instance—compared with 35 percent of low performers. More than half of the high performers, to a significant or great extent, also give their employees opportunities early in their careers to work abroad, compared with 31 percent of underperformers.

Making sure that ideas get communicated throughout their businesses is an important part of the networking agenda for high performers. Half of those we surveyed told us that they channel innovative ideas from employees via established processes to a significant or great extent, compared with 32 percent of lower performers. Businesses can also encourage employees to connect and share globally so that best practices can be transferred across the company.

Bob Willett, CIO of Best Buy and CEO of Best Buy International, describes the benefits of global interconnectedness this way: “From

Ideas without borders

Accenture also asked business leaders about the extent to which their companies were successfully replicating innovations across different markets where they aimed to expand R&D/innovation activities.



Source: Accenture analysis

a shareholder perspective, it means we've got a balanced portfolio across the world of learning, of sourcing—and also, equally important in terms of development, of people and their careers. If you work internationally, it adds a completely new dimension to your experience that you bring back to the mothership, and you do a better job as a result in the way that you treat people, how you develop people.”

Maintain strong core processes and structures

To operate successfully on a global scale, companies need to make the essential components of a global operating model—especially organizational architecture, information systems, business processes and data—consistent and standardized. Global enterprise-resource-planning systems will continue to have an important role in this process. Maintaining a backbone of systems and common processes enables the mobility that allows a company to scale successfully.

Common processes and the active sharing of best practices help high performers successfully bring product and service innovations

to multiple markets. For instance, Japanese automaker Suzuki Motor Corp. plans to use the lessons learned from its R&D for the Indian market to strengthen its approach to other emerging markets in South Asia, the Middle East and Africa. High performers are more than three times as likely as low performers to replicate successful innovations across different markets to a significant or great extent (57 percent versus 16 percent).

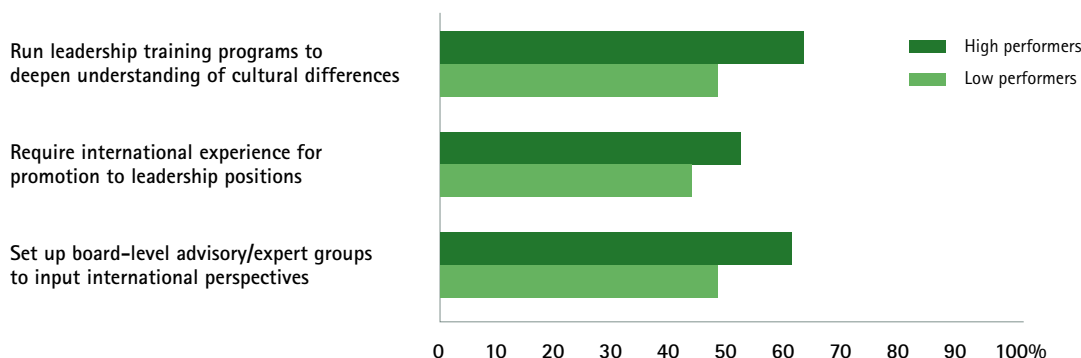
Foster multi-polar leadership

A global mindset starts at the top. The flow of ideas and know-how requires leaders who understand the nature of the multi-polar world. The effective creation of geographic options and valuable local links is more likely to come from a leadership team that reflects the company's current and future geographic footprint.

High performers are already out in front, forging multi-polar leadership teams (see chart, page 11). Eighty-two percent of the high performers we surveyed currently have foreign board members, and, based on their responses, that proportion should rise to 91 percent within three years. The comparable

Global leadership

These business leaders also told us what changes their companies made to the composition, structure or operation of their leadership teams in response to globalization.



Source: Accenture analysis

figures for low performers are 71 percent (now) and 77 percent (in three years). In addition, more high performers than low performers have set up board-level groups of advisors to gain international perspectives (61 percent versus 49 percent).

A global mindset can be inculcated in a variety of ways beyond the composition of the leadership team. For instance, nearly two-thirds of high performers—compared with fewer than half of low performers—run leadership training programs to deepen understanding of cultural differences.

As an offshoot of its “innovation academy,” one major European insurer runs a one-year training course for 25 senior and middle managers. The program relies heavily on fieldwork—visits to NATO headquarters, for example, or the London Stock Exchange and major corporations—to enable the course participants to see firsthand how other organizations confront the kinds of challenges they face and to help them identify sources of value creation and begin to apply what they learn to opportunities for the company. The program also aims to foster critical and creative thinking at all levels of management across the group.

Accenture’s latest research confirms that high performers everywhere tackle globalization in very different ways than yesterday’s multinationals. They don’t think only in terms of product exports or the leverage of local partners. Rather, they deliberately create clear geographic options, embed themselves deeply in local business ecosystems, and build operating networks that enable people, processes and ideas to flow easily around their global operations.

There can be no one true path for success in a globalizing world, of course. But the contours of a new approach are now evident. The strategic playbook for globalization shows how to navigate those contours. It’s now up to business leaders to read it.

About the authors

Mark Purdy is the chief economist of the Accenture Institute for High Performance, where he leads research into a wide range of macroeconomic and geopolitical trends affecting the CEO agenda. He is one of the authors of "The Rise of the Multi-Polar World," Accenture's point of view on globalization and its impact on business; he is also coauthor of the recent follow-up study, "Strategies for Achieving High Performance in a Multi-Polar World," which had been launched at the 2008 annual meeting of the World Economic Forum. Mr. Purdy, who is based in London, also leads a variety of economic briefing and analysis projects on behalf of Accenture.

mark.purdy@accenture.com

Matthew C. Robinson is a senior research fellow at the Accenture Institute for High Performance. His team analyzes global economic, political and social trends and their implications for business. His current areas of interest include the re-emergence of a multi-polar world, scenario planning and business simulation, and the evolving relationship between business and government. He is based in London.

matthew.c.robinson@accenture.com

Paul F. Nunes is an executive research fellow at Accenture's Institute for High Performance in Boston, where he directs studies of business and marketing strategy. His work has appeared regularly in *Harvard Business Review*—including "Can Knockoffs Knockout Your Business?" (October 2008) and "The Tourism Time Bomb" (April 2008)—and in numerous other publications. He is also the coauthor of *Mass Affluence: Seven New Rules of Marketing to Today's Consumers* (Harvard Business School Press, 2004). In addition, Mr. Nunes is the senior contributing editor for *Outlook*.

paul.f.nunes@accenture.com

The authors thank **Ladan Davarzani** and **Katharine Hirst** of the Accenture Institute for High Performance for their research contributions to this article.

Outlook is published by Accenture.
© 2009 Accenture.
All rights reserved.

The views and opinions in this article should not be viewed as professional advice with respect to your business.

Accenture, its logo, and
High Performance Delivered
are trademarks of Accenture.

The use herein of trademarks that may be owned by others is not an assertion of ownership of such trademarks by Accenture nor intended to imply an association between Accenture and the lawful owners of such trademarks.

For more information about Accenture,
please visit www.accenture.com