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GLOBAL PERSPECTIVE

The New Ways to Win in Emerging Markets

How to develop the right capabilities to lead global growth.

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Plans for the Delhi-Mumbai Industrial Corridor are nothing if not ambitious. Eight new industrial "smart" cities will link New Delhi, India's sprawling capital, with Mumbai, its premier business and financial center nearly 1,500 kilometers (about 900 miles) to the south — and that's just in Phase One of four scheduled development stages. The mammoth endeavor, which the sponsoring state governments hope to complete in 2040 at a projected cost of US$100 billion, promises state-of-the-art technology, transportation, and infrastructure, all designed with environmental sustainability in mind. The largest of the satellite cities, Dholera, is expected to house 2 million inhabitants and employ 800,000 people by the time it's completed.

All this makes the Industrial Corridor one of the most far-reaching urban projects in world history, and the most expensive ever within one country, though it is by no means the only mega-development that an emerging economy is undertaking.

The Chinese government expects to spend even more — the current estimate is $1.2 trillion — on its Belt and Road initiative, a plan to build a vast land and sea infrastructure network that will foster commercial, financial, and cultural ties across 65 countries. Malaysia's Northern Corridor Economic Region, launched in 2007, is an initiative aimed at creating a world-class economic region in Malaysia’s four northwest states by 2025. It has already attracted more than $12 billion in private investments.

For anyone thinking about economic growth prospects over the next 10 years, projects like these are well worth studying. It’s true that parts of the grandiose plans might very well fall flat as a result of such impediments as capital shortages, legal issues involving land acquisition, or planning delays. Nevertheless, their sheer scope indicates the path that most leaders of emerging economies believe they have to take to catch up with their industrialized counterparts. As the U.S., the U.K., and Germany did 150 years ago, and Japan and South Korea did after World War II, today’s emerging markets laid the foundation for growth by developing a manufacturing sector — which itself led to the growth of cities, transportation technology, social institutions, and the service sector. But the world is so competitive and complex today that these economies need to be far more proactive in managing the next wave of growth, bringing broad areas along simultaneously and making tangible improvements in quality of life.

To accomplish these goals, emerging economies need investment and planning across three broad domains that are, in effect, the prerequisites for economic growth. A country (or an area within a country) can't move forward until there is enough progress in each of the three domains:

• **Human development:** This domain includes the conditions that are essential to improving the standard of living of individuals, including the natural environment needed for human survival (the state of agriculture, the water supply, and sanitation) and the services necessary for human development (education and healthcare). As highlighted by the United Nations Development Programme, "development…is about expanding the richness of human life, rather than simply the richness of the economy in which human beings live." At the same time, advances in a country's standard of living help drive consumer spending and business opportunities.

• **Institutional development:** This domain includes the public and private sectors that are essential to the generation of economic value: the industrial base needed to produce goods and services, including those for export (energy and manufacturing) and the commercial value chain needed for a consumer economy (distribution and retail).

• **Growth platforms:** This domain includes the support base that makes it possible for other sectors to flourish, such as the physical infrastructure needed for transportation, communications, and energy, and the financial infrastructure needed to channel investment and savings. As these platforms develop, they provide resources essential for national growth and reduce the market inefficiencies that slow the pace of development.

In an established industrial community, these three domains have grown up over time, and it is easy to take them for granted. But in an emerging economy, they must be designed and developed in unison. Hard infrastructure, such as roads, must be matched by softer infrastructure, such as good hospitals and schools. Dependable power supplies and communication networks must be in place before manufacturers can set up efficient production facilities and distribution networks. Companies must be able to attract skilled labor with more than just jobs. They must offer an environment conducive not only to economic success but to good living as well.

The need for such development opens up any number of opportunities for business leaders, both foreign and domestic, to invest in the economies of Asia, Latin America, Central and Eastern Europe, the Middle East, and Africa as they advance to the next stage. These are regions where growth is rapidly shifting — and in some countries has already shifted — from industrialization to technology-fueled transformation. For that reason, we've stopped calling them *emerging markets*; the term *growth markets* is a better descriptor.

Investing in these markets is a very different game from going into an industrializing market in search of double-digit GDP growth or cheap labor. But thousands of opportunities beckon for all sorts of forward-looking companies, big and small, established and entrepreneurial, domestic and foreign.

Many global companies and investors have been discouraged from going into these markets over the past decade as overall GDP growth has slowed and emerging market equities have trailed those of developed countries. But withdrawal and retreat is a shortsighted strategy. It is shortsighted in part because growth economies are still expanding much faster than those of the developed world; they will account for almost two-thirds of global GDP growth by 2021. We expect, on the basis of trade, investment, and GDP growth data from the International Monetary Fund's World Economic Outlook, to see the next major growth surge begin in the year ahead, and to return to the global economic heights experienced in 2011–12. Absolute gains in GDP — the actual growth in value — should reach 1.9 times that expected in developed markets by 2021.

Much of the decline in GDP growth has been a function of commodity prices, which despite some recovery last year have declined since China began to shift its emphasis from manufacturing to its technology and service sectors, causing a steep decline in demand for commodities. For that reason, looking at overall GDP growth doesn't tell the full story of the specific sectors that are driving China — nor does it tell the full story of other growth economies, many of which have begun to diversify and become less dependent on commodities. And that brings us to the other reason that companies should not withdraw and retreat: Over the next five to 10 years, great opportunities will lie in the industry sectors that are propelling development in the areas where it's most needed. Those sectors are the environment and human services; institutional development of manufacturing, retail, and consumer goods; and growth platforms such as financial services, transportation, and technology.

Capabilities for the Future

Companies seeking to capture these opportunities will need to navigate the existing hurdles in each country: political instability in some cases, difficult cultural environments in others, limits on financing in still others, and low availability of skilled labor in most. The challenges will vary from one country to the next, depending in part on where they fall on the trajectory from frontier growth market to full participant in the global consumer economy (*see Exhibit*). And even then, there are differences between one growth economy and another. China has limited managerial talent and an underdeveloped capital markets system, while Brazil faces supply chain bottlenecks, the heavy-handed influence of trade unions, and a complex bureaucracy. Critical factors everywhere include the levels of inflation, government mismanagement, and corruption. And businesses must assess whether a particular market is merely hindered by temporary external factors beyond its control or is weakened by its own structural inadequacies.

Exhibit: **Maturing Growth Markets**

The types of capabilities needed to succeed in a market are determined by that market's level of development.

	Operational Efficiency		Innovation	Go-to-Market Excellence		Competitive Strength
	Operations	Footprint/ Supply Chain	Nature of Innovation	Value Proposition	Partnership	
FRONTIER GROWTH MARKETS	Labor driven	Local presence	Low R&D, reverse innovation	Price focused	Domestic government relationship	First-mover advantage
DEVELOPING GROWTH MARKETS	Moderate automation	Nationwide presence, local alliances	Localized innovation	Value focused	Local cross-sector	Market know-how
DEVELOPED MARKETS	Automation driven	Global presence and sourcing	High R&D design/tech focus	Quality focused	International and omnichannel	Technical know-how, scale

Source: PwC analysis

These are the challenges corporate leaders and investors should be taking on, however, building their own capabilities for future growth.

One company can't solve all the problems of the developing world, of course, but today it's essential for a venture to understand how it will fill the gaps that exist in these markets and thereby contribute to growth. Otherwise it is going in without a clear-cut plan. In particular, every company needs a plan for establishing the capabilities of operational efficiency, innovation, and go-to-market excellence, adapted for each market where it does business.

• **Operational efficiency** can be achieved through a variety of elements, such as developing more short-term and flexible business strategies, using half-year and annual growth plans as opposed to the more familiar three- to five-year growth strategies seen in developed markets, and transferring more decision-making powers to local units or developing more efficient supply chains through technology adoption and local partnerships. As labor costs rise in many of these markets, companies must focus less on low-cost labor and more on improving productivity through technology enhancements and automation. Furthermore, they need to reevaluate their manufacturing footprint by considering new and emerging manufacturing centers such as India, Thailand, and Vietnam, while also taking into account evolving trade linkages and market integration efforts such as the ASEAN Economic Community in Asia or the Pacific Alliance in Latin America.

• **Innovation** is also critical as new product development, often tailored for specific markets, has become more of a necessity. It isn't just product innovation, however; this capability can also involve finding innovative ways to reach untapped markets, and those product or process improvements might even work in the developed world.

• **Go-to-market** capabilities that are regularly reviewed and adapted enable a company to keep up with the evolving consumer trends and maturing business environment in these markets. These might include new technologies and sales channels, as well as an ecosystem of partners that includes cross-sector players, public sector entities, and social sector units. Companies might need to build that ecosystem by taking a proactive approach to local entrepreneurship, mentoring and funding small companies that might become their partners or acquisitions someday.

These capabilities will help businesses compete in a system that might require launching a new product almost overnight, or tapping a new customer base in a remote village, or knowing who can grant a local permit. In observing the social, technological, and institutional developments that now drive growth markets, we've also found that these capabilities are critical to success in six key sectors. Using data from the International Monetary Fund and BMI Research, we estimate that these six sectors represent 60 percent of the GDP of the top emerging economies across global regions: China from East Asia and the Pacific, Russia from Europe and Central Asia, Brazil from Latin America and the Caribbean, Saudi Arabia from the Middle East and North Africa, India from South Asia, and Nigeria from Sub-Saharan Africa.

Here is a look at how these capabilities will work in each sector.

Agriculture and Environmental Sustainability

Agriculture remains enormously important in most growth economies. In India, Pakistan, Indonesia, and Thailand, for example, more than one-third of the labor force remains agrarian. In China, more than 31 percent of the labor force works in agriculture, and the sector's value-add to the overall Chinese economy has recorded double-digit growth since 2010.

Market developments and growth opportunities in the agricultural sector are spread across the value chain. On the production side, these opportunities enable farmers to become more efficient and productive. On the consumption side, food and drink preferences of consumers in growth markets are changing rapidly, quickly boosting demand for certain products.

> In emerging markets, companies must offer an environment conducive not only to economic success but to good living as well.

This domain badly needs investments in better operational efficiency. In Nigeria, for example, a scant 1 percent of agricultural land is irrigated. India loses between 35 and 40 percent of its fruits and vegetables each year because of such factors as bad roads and unrefrigerated trucks and warehouses, according to local industry studies. We are seeing explosive growth in agricultural technology startups that have identified innovative ways to address such problems. In 2015, investment in these startups reached $4.6 billion, almost double the figure from a year earlier. Investments have targeted both the basics (irrigation and water technology) and the sophisticated (drones and robotics).

In Chile, sensors in the soil of blueberry farms are now monitoring irrigation needs. Researchers believe these sensors could cut water consumption by a stunning 70 percent. In India, device manufacturer Ossian Agro Automation launched a mobile-based remote control system for agricultural water pumps, so that farmers can use mobile phones to monitor the pumps and turn them on and off.

Food companies are going to find that increasingly, as incomes rise, consumer preferences change. Yet it's also possible to establish a go-to-market capability that helps expedite the growth of a consumer class. That is how Groupe Danone has developed a surging market in Latin America; the company has set up partnerships with local NGOs and social impact organizations to promote research and education about nutrition, diet, and public health, but also helped lift underprivileged women out of poverty by training them to be sales and marketing representatives for Danone yogurt products. Danone Brazil and its local NGO partner Aliança Empreendedora, for example, co-created the "Kiteiras" project, which trains women from the poorest communities of Salvador de Bahia to be door-to-door vendors. Another Danone-funded project trains dairy farmers to increase their productivity and their income while providing Danone with a reliable local source for milk. Training the farmers in professional production techniques addresses another growing issue in maturing markets — the need for higher food safety standards. Public scandals, especially social media furor regarding food contamination, are becoming more commonplace, and a company that can position itself as having its own high standards is positioned to gain against both domestic and foreign competition.

Human Development (Health and Education)

Although growth market governments almost uniformly acknowledge the importance of health and education for social and political stability and economic prosperity, many know that they don't have the capacity or the capabilities required to provide universal access without private investment. That realization opens doors to private players.

When it comes to social-sector investments, the gap between high-income and growth economies is dramatic. In 2014, for example, health expenditure in the U.S. was 17 percent of GDP, versus only 5.5 percent in China and 4.7 percent in India, according to the most recent data from the World Bank. Healthcare spending has grown faster than the overall economy in only a few growth markets, notably China, Egypt, India, Indonesia, Nigeria, Saudi Arabia, and Thailand. However, the World Economic Forum (pdf) expects health-related expenditures to grow by 10.7 percent per year in growth markets through 2022, compared to only 3.7 percent in developed economies. That translates to spending to the tune of $4 trillion in growth markets as of 2022.

The private sector can carve a niche in the healthcare value chain especially by providing low-cost alternatives for life sciences companies, medical device manufacturers, pharmaceutical companies, healthcare providers, and insurers. The adoption of technology-driven services in particular is also expected to grow, with an emphasis on low-cost and less resource-intensive options designed to bridge existing gaps. Health insurance is an area where growth markets desperately need coverage that the bulk of the population can afford. In Nigeria, for example, the National Health Insurance Scheme has made affordable insurance available to lower-middle-income customers, particularly in rural areas, through an alliance with financial-services aggregator Salt & Einstein MTS and mobile phone operator MTN Nigeria to launch Y'ello Health Cover. Y'ello is a mobile health insurance product that allows automatic online registration that gives subscribers unlimited visits to hospitals and a choice of provider from more than 6,000 registered partners nationwide.

Higher education, similarly, is an area in which governments alone won't be able to fill all the gaps. In many growth markets, including China, India, and Mexico, almost two-thirds of prospective students don't have access to tertiary education. E-learning is proving to be one way to reach populations that might be widely dispersed — and participating companies stand to gain a share of a global market that is projected to reach $126 billion by 2020, with the Asia-Pacific region leading the growth, according to TechNavio Research. In China, one online education company alone, Hujiang, boasted more than 110 million users enrolled in 20,000-plus language-learning courses as of July 2016, many of them using mobile devices to access the courses. Hujiang has established go-to-market excellence partly by entering into partnerships with some of the world's top educational organizations, including Oxford University Press, Cambridge University Press, and McGraw-Hill, and providing teacher training. The company also uses technology that allows it to deliver content at lower costs to customers in smaller cities.

Manufacturing

Manufacturing is a major provider of productive employment in the early growth stages of an economy. However, countries that have been able to significantly increase their GDP per capita levels have done so through making structural shifts in the manufacturing sector, by boosting the share of high-tech manufacturing at the expense of the low-tech sector.

In Asia leading manufacturing centers such as China and India are looking to move further up the value chain by focusing on high-tech segments of industries including automotive, aerospace, electronics, and medical devices, often through partnerships with foreign companies that have proven capabilities.

Meanwhile, although new manufacturing technologies are expected to improve operational efficiency, foster product innovation, and improve customer interactions, the social implications of these technologies in terms of their impact on employment opportunities and the investments required to develop new skills remain an area of concern.

The Danish company Universal Robots, in a partnership with India's Bajaj, the world's third-largest motorcycle manufacturer, has managed to put technology to work in a way that boosts production and simultaneously supports women in the workforce. Collaborative robots, or cobots, designed to mimic the human arm, are deployed alongside the assembly line workers, most of whom are women, to carry out the physical and high-end precision tasks. From 2015 to 2016 alone, Bajaj witnessed productivity growth of almost 60 percent thanks to the use of 120 cobots.

Some growth markets are making a play to be regional hubs for specific industries. Bangladesh is concentrating on textiles and apparel. Poland has made a push in food and beverages. Turkey specializes in machinery and commercial vehicles. Thailand, Indonesia, and Mexico are focused on the automotive sector.

In setting up facilities in industrial hubs like these, however, foreign companies will need to consider whether such factors as trade policies, free trade agreements, and shipping costs work in their favor. How will a local manufacturing presence boost operational efficiency and go-to-market excellence? Will it help a company target local consumers and save on exporting costs? Can the company serve multiple regional markets from one manufacturing hub? If company leaders decide that having a presence in the hub makes sense, they will need to build or acquire the necessary skills to manage vendors and partners across a series of complex value chains. To develop those capabilities it will be very important to identify the right local partners, create and enforce appropriate compliance processes, and negotiate suitable contractual terms.

In Thailand's automotive manufacturing hub, where almost 80 percent of the output is exported, GM Thailand spent $1.4 billion on a manufacturing facility and another $200 million on a state-of-the-art powertrain plant to assemble vehicles that it exports to more than 60 countries. But GM also relies on dozens of suppliers, including big names like Delphi, Mitsubishi, and Bosch. Many of these suppliers have their own plants in Thailand, and others have facilities in other ASEAN countries including Indonesia, Singapore, and the Philippines.

Retail and Consumer Goods

The strength of a growth market's retail sector is a good measure of its economic potential, because most developing economies depend on domestic consumption to drive economic growth. Most growth markets are eager to facilitate domestic spending, particularly within the new emerging middle class, which is expected to grow from 1.8 billion people worldwide in 2010 to 4.9 billion by 2030, with almost 70 percent of the world's middle class living in these markets by 2020, as detailed in the report "Rising Middle Class, Global Outlook and Growth Potential," by PwC and Switzerland Global Enterprise. These emerging consumers are often willing to pay a premium for quality and will drive opportunities across retail, particularly in discretionary and aspirational product categories, including consumer durables, clothing, entertainment and leisure, and automobiles. Increasingly, they are shopping at specialty retail stores. Home and garden retailers, the fastest-growing specialty segment in the top growth markets, has grown by a phenomenal $200 billion since 2009 according to a Euromonitor study from January 2015.

Outsiders trying to develop a retail consumer following in these markets, however, have to be aware of the social and cultural norms that are inevitably going to collide with consumer buying habits. In the competitive consumer products market, companies should be prepared to engage new customers in ways that show them how well the product fits into their lives. For the home goods retailer IKEA, for instance, growth countries were the fastest-growing markets in 2016, but it took a lot of planning to achieve local go-to-market excellence. To serve China, for example, IKEA set itself up as an aspirational brand for the growing middle class — as opposed to the mass market that the retailer targets in other parts of the world. Even so, IKEA needed to bring its prices down for Chinese consumers, so the company opened factories in China, increasing local sourcing to 65 percent of volume sales. That local content solved the problem of high import taxes. The company steadily expanded outlets while mounting campaigns on social media and microblogging platforms, building a brand image of family-friendly customer service. These efforts, along with extra-large stores to accommodate China's large crowds, have created a perception of IKEA, with its inexpensive but fashionable furniture, as practically synonymous with moving into new homes.

Even though disposable income levels are increasing, a number of institutional voids are impeding the growth of the retail sector. Weak transport infrastructure and logistical gaps will restrict many brands to key urban centers, missing out on major swaths of geography — IKEA, for example, has had to keep its stores close to urban public transportation systems. But there is a growing market for e-retailers that are able to innovate by offering must-have products and convenient service to customers far away from major cities. The B2C online retail market in the six largest growth markets — China, India, Indonesia, Brazil, Russia, and Mexico — is predicted to more than triple from 2015 to 2025, topping $2.5 trillion, according to a 2016 survey from Credit Suisse Research (pdf), and much of that growth will come from rural and semi-urban areas.

Transport and Communication

In many growth markets, the scale and quality of both transportation and communication infrastructure is below what is needed to facilitate and sustain high growth. The Asian Development Bank (pdf) estimates that in Asian economies, a 10 percent increase in road density and paved roads would result in a 1 percent increase in trade flows and a 5 percent improvement in economic growth.

From now until 2020, the Asia-Pacific region is expected to spend $3.5 trillion on transport infrastructure, or about 60 percent of all global spending between 2016 and 2020, according to PwC's projections. Latin America and Africa are coming on strong as well. During this period, the investment in infrastructure projects across growth markets will offer innumerable opportunities for engineering and construction companies as well for those that service these contractors.

The logistics sector is another area where growth markets lag, and as a result have not been able to keep up with the surge in demand for trade, especially in South Asia and Africa. This imbalance, coupled with local complexities, has helped spur the growth of so-called third-party logistics providers, or 3PLs. These third-party services can provide companies with the chance to expand their market reach as well as lower costs in markets where the logistics infrastructure isn't well developed. The growth of e-commerce is expected to stimulate these outsourced services, which include domestic and international transportation, warehousing, freight forwarding, and customs brokerage, as well as more advanced tasks such as supply chain consultancy, inventory, and fleet management and IT services.

Indonesia provides an example of how 3PL providers have stepped into the breach, especially when it comes to last-mile connectivity. The provider JNE, for example, delivered on average 4 million e-commerce packages per month in 2014–15, 40 percent of which were delivered outside Jakarta. To reach the remote corners of this nation of 17,000-some-odd islands, JNE use 7,000 motorcycles and 2,000 vans, as well as hired trucks and boats.

Likewise, telephone and Internet connectivity improves GDP growth in low-income and middle-income markets. Opportunities for network infrastructure companies will grow, thanks in part to national governments' greater focus on expanding digital connectivity. The gap between urban and rural penetration of mobile telephones is dramatic. In rural India, for example, there are only 51 subscriptions for every 100 people, whereas in urban India, the subscription rate was 148 per 100 people as of April 2016, according to figures from the Telecom Regulatory Authority of India. This demonstrates not only that developing markets are still far from being saturated in terms of mobile connections, but also that mobile operators need to devise new operating models to maximize earnings from the lesser-tapped rural market. They will need to offer value-added services and partner with companies in other sectors, such as financial services or retail, to lessen the entry risks and cross-sell products.

Within ecosystems such as rural India are myriad cultural considerations that present challenges to efficiency but that also offer opportunities to visionary companies. In India itself, one of the shortcomings behind the lack of Internet penetration to date is that providers haven't made content available in all of the several hundred languages spoken there. A significant majority—88 percent—of Indians are non-English speakers, yet slightly less than half of this segment of the population are Internet users. According to estimates made by the Internet and Mobile Association of India, enabling content in local languages could increase the current Internet user base by 39 percent, three-fourths of that growth coming from rural areas.

Financial Services

Financial services play an important role in promoting economic growth and in reducing poverty and social inequality at the grassroots level. However, although the financial-services sector in many of these markets has grown at double-digit levels since 2010, much work needs to be done to expand access, especially for people who remain excluded from the formal banking system owing to their inability to provide formal documentation, their remote location, or just their lack of awareness. There are enormous opportunities for banking and non-banking companies alike to tap into the informal consumer and small business sectors, particularly through the use of technology that makes it easier and less expensive to use banking services. The most competitive companies are those that come up with the business models and technology to fit local needs.

Grupo Famsa, a large Mexican retailer of household goods, has initiated a novel approach to expand credit to consumers who wouldn't be likely to apply on their own initiative. Famsa staff target districts within a specific distance from each store. They knock on doors, explaining that they can provide credit and assess creditworthiness using key questions captured via a mobile device. An evaluation is made within 72 hours, so the customer quickly knows how much credit is available at a local Famsa store. Door-to-door credit assessments now drive about 10 percent of the company's revenue.

In India, solar-powered ATMs and non-banking entities that operate as so-called white-label ATMs are critical when it comes to reaching those who have been excluded. The power grid is insufficient for all of the country's needs, and the vast network of far-flung Indian villages is ill-suited for traditional bank branch networks. Vortex Engineering is a leader in the field of solar-powered ATMs, offering machines that can operate in temperatures up to 122 degrees Fahrenheit without air conditioning, consuming one-sixth the power of traditional ATMs at around half the operating cost.

In Brazil, banks are focusing on alliances with grocery stores, drugstores, and gas stations, employing point-of-service machines, barcode scanners, PC-enabled systems, and ATMs to lower entry costs and risks. In 2016, Banco do Brasil, the country's largest bank, faced with the need to shut down 400 branches in the midst of the country's recession, launched a mobile application that uses voice recognition, enabled by advanced artificial intelligence, to work as a bank assistant. This was a first step in the bank's plan to focus on digital innovation to increase profitability. Already, some 40 percent of Banco do Brasil's client transactions are made through mobile phones.

However, although mobile payments led by the private sector have gained strong acceptance in markets including Kenya, Uganda, Bangladesh, and Pakistan, participating companies face the challenge of converting largely over-the-counter transactions into stored value wallets so that they can provide a wider spectrum of banking services, such as credit or insurance, on these mobile-linked accounts. For this to happen, the growth markets need to improve both their digital infrastructure and their online literacy — a need that opens opportunities for companies with the foresight to go into such markets and provide these advances.

HQ on the Ground

When we look at the plans for 21st-century mega-development such as the Delhi-Mumbai Industrial Corridor, then at outlying villages where people are still farming in much the same ways their grandparents did, we see a world in which the needs are complex, varying from region to region and even village to village, and rapidly changing in ways that aren't always easily predictable. Companies have to be on the ground to identify where there's a gap, how they can fill it, and at what price they can do so.

We see senior executives at larger companies in developed markets and even in the growth markets themselves grappling with the best ways to deploy their capabilities in these diverse, unpredictable markets. But the executives in corporate headquarters from Boston to Beijing have an evolving role to play in adapting capabilities to conditions. No one can assume that a last-mile delivery strategy that works in India will automatically work in Brazil, but headquarters can be a value-added player in identifying the best practices in one market so that the company can adapt the strategy to other growth markets. Of course, that means headquarters executives have to be strategists themselves, and spend many hours flying around the globe.

Unilever is a company that has been able to cross-share lessons and best practices across different parts of the world. Its pioneering Shakti initiative in India, which trained and employed rural women as sales agents, was adapted to other global markets including Pakistan, Bangladesh, Vietnam, Sri Lanka, and Egypt. When Unilever introduced audio entertainment with product advertisements on mobile phones in rural India, the campaign successfully pushed sales of its detergent product, so it is now planning to run similar — though culturally adapted — mobile ad campaigns in Pakistan and Bangladesh as well as several African countries.

Far-flung field office managers aren't in a position to coordinate such projects, but headquarters can take the lessons of individual business units and devise a strategy for exporting innovative projects and efficient processes from one market to another. And as the world's growth engines speed up their pace, more and more of the strategies that work in maturing markets will also be adaptable to developed economies.

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