



Competing in a Multi-Polar World: A General Manager's View

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Agenda

- A report from the Shanghai Expo
 - Scale and significance
- A General Manager's perspective on Strategy: The three challenges
 - **Pattern recognition**
 - Today's topic: **Competing in a Multi-polar world**
 - **Response repertoire**
 - Today's topic: **Recombinant resources**
 - **Upgrading strategic thinking**
 - Today's topic: **Learning agility**



Photo courtesy, Andy Chen







The Shanghai Expo as Symbolic Event

Scale

- ~200 countries represented, over 1300 acres
- 70-100 million visitors expected
- Shanghai's turn in the limelight after 2008 Beijing Olympics
- Carbon-neutral technologies showcased

Significance

- China reminding itself *What the Future Can Be*
 - Re-balancing of the Chinese economy
 - For 45% savings rate to a consumer economy
- "Better City, Better Life" theme
 - China's Urbanization challenge
 - 65 new cities
 - 50,000 new skyscrapers

The Story in Outline

- New models of growth
 - Grand Challenges
 - Urbanization
 - Human Needs Driven Opportunity Mapping
- Multi-polar competition
 - From geographically concentrated (Triad) economic power to multiple centers (BRIC, N11)
- Extent of BRIC M&A
 - BRIC companies increasingly active as overseas acquirers
 - Triad responses
 - Success stories
- M&A strategies
 - M&A as core capability – *recombinant corporate strategy*
 - Principles of successful M&A
- Upgrading the personal skill set

The Urbanization Challenge

- For first time in history, worldwide urban population > rural population (2008)
- By 2030, 4/5 urban population will live in the developing world
- By 2030, urban populations in Asia and Africa will double from 2000 level
- Cities with >1m population
 - Europe has 35
 - China will have 221 by 2030
 - India will have 68 by 2030

Searching for New Models of Growth

Current growth models are not globally scaleable.

- Airbus experiment story
- Today's resource-intensive and inefficient models of economic growth cannot be scaled up to include the entire world
- We need new models that are more sensitive to human needs and to resource constraints
- Two-fold challenge:
 - Design
 - Social acceptance

There is opportunity in the search for new models.

- IBM's Eco-efficiency initiative
- Cleantech
- Zipcars
- Freecycle

BRIC companies have an advantage in the search for new models of growth

Grand Challenges

Human Needs

- Urbanization
- Infrastructure
- Communication
- Water
- Education
- Health
- Energy
- Governance
- Environmental security

Illustrative Opportunities

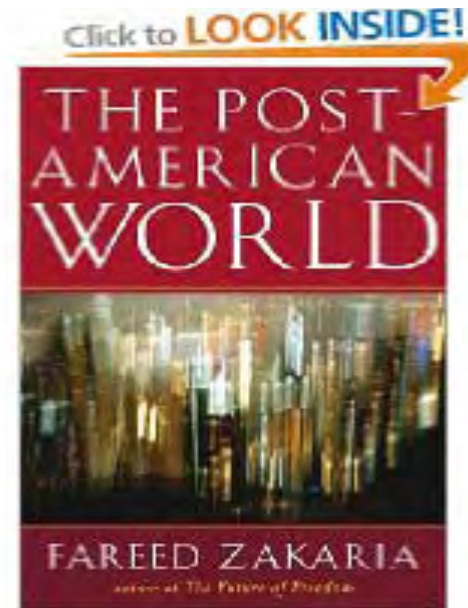
- Mass transit systems
- Roads
- Broadband
- De-salinization
- Educational technologies
- Generic pharma, Urgentcare
- Renewable energy
- Consulting
- Zero Waste Economy

Challenge I: Pattern Recognition

Multi-Polar Competition

- Historically, economic power and corporate initiative have flowed in one direction (**uni-polar** – from Triad nations to others)
- Today's world is increasingly **multi-polar**
- Drivers of multi-polarity
 - Information and communication technologies
 - Economic openness
 - Increasing size and reach of the multinational corporation
- Developing countries' share of world GDP
 - 1990 – 39%
 - 2010 – 49%
 - 2030 – 57%
- Manifestation
 - *Financial depth* >3X world GDP
 - Multi-directional capital flows
 - Multi-polar M&A

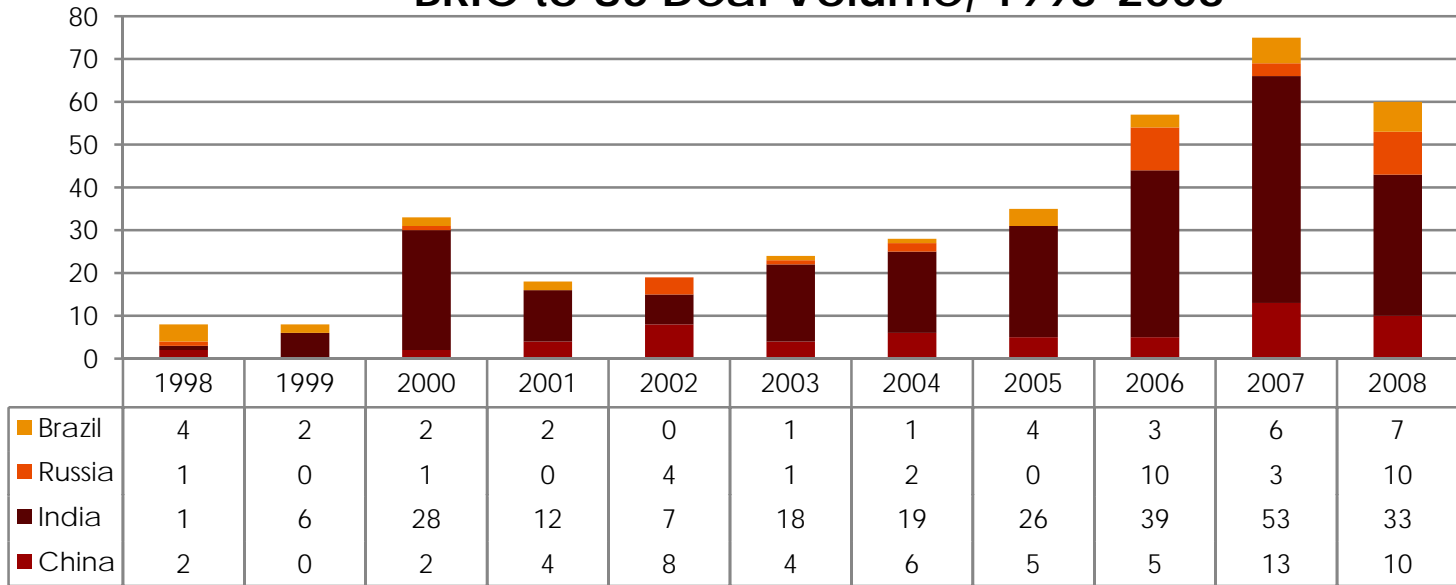
Schadenfreude & Angst



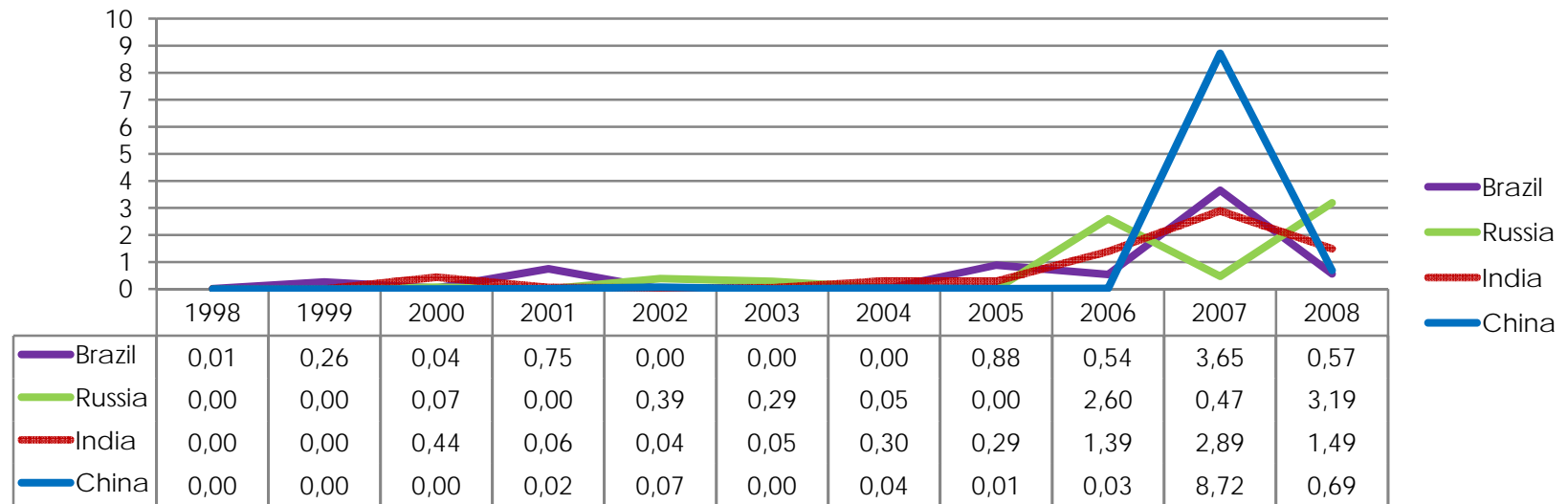
For the last 50 years, the US, with 5% of the world population, has enjoyed a 20% share of world output. This has been the basis of the high US standard of living. This differential is now under threat. The same holds in general for the Triad nations.

<http://www.imagepoop.com/image/4516/German-Engineering-Swiss-Innovation-American-Nothing.html>; <http://www.amazon.com/Post-American-World-Fareed-Zakaria/dp/039306235X>
Last accessed Nov 2, 2008

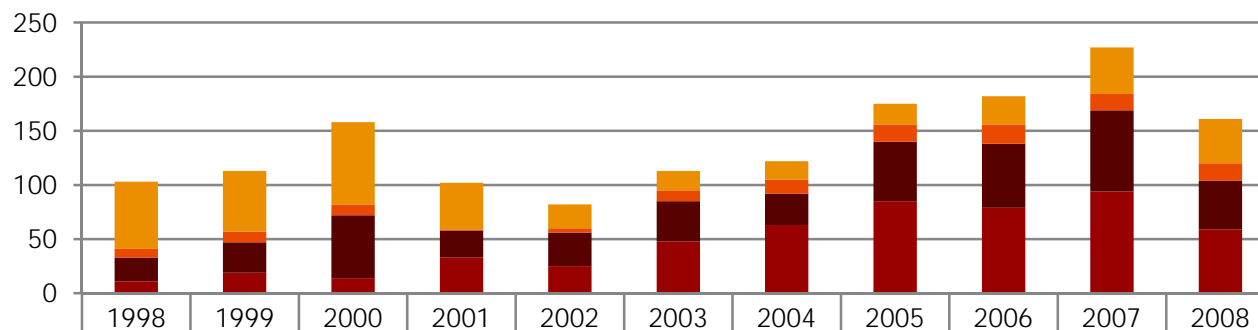
BRIC to US Deal Volume, 1998-2008



BRIC to US Deal Value, (\$ B) 1998-2008



US to BRIC Deal Volume, 1998-9/30/2008

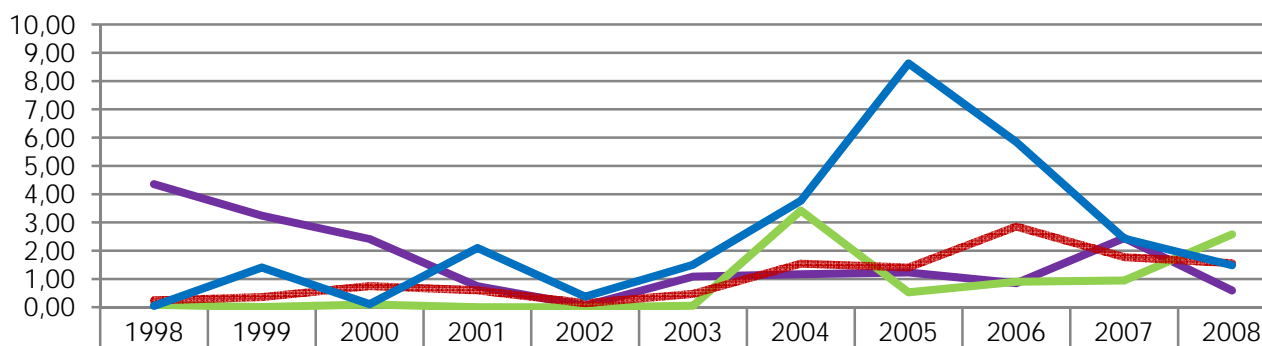


- US to Brazil
- US to Russia
- US to India
- US to China



■ US to Brazil	62	56	76	43	22	18	17	19	26	43	41
■ US to Russia	8	10	10	1	4	10	13	16	18	15	16
■ US to India	22	28	58	25	31	37	29	55	59	75	45
■ US to China	11	19	14	33	25	48	63	85	79	94	59

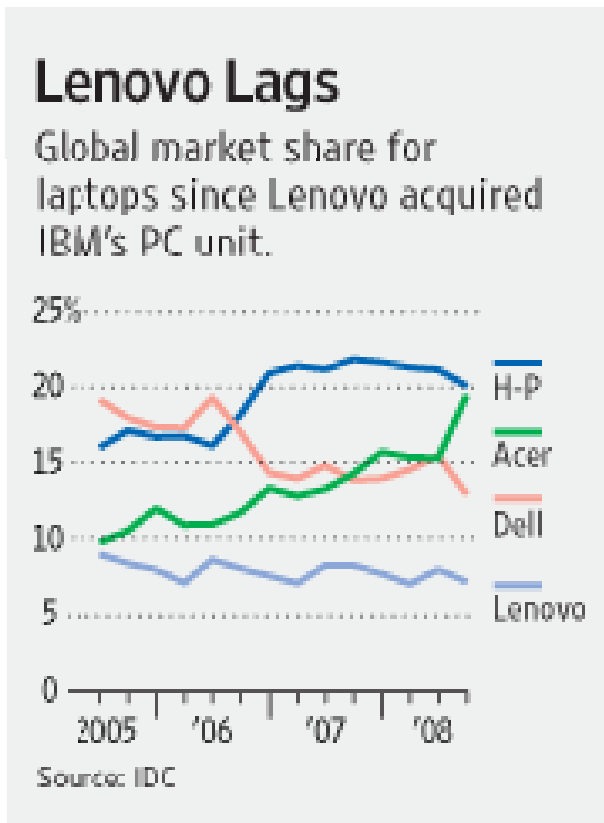
US to BRIC Deal Value, (\$B) 1998-9/30/2008



- US to Brazil
- US to Russia
- US to India
- US to China

— US to Brazil	4,36	3,24	2,41	0,74	0,05	1,08	1,17	1,23	0,85	2,45	0,59
— US to Russia	0,09	0,01	0,10	0,00	0,00	0,05	3,42	0,53	0,90	0,95	2,58
— US to India	0,24	0,36	0,75	0,60	0,14	0,47	1,54	1,41	2,85	1,77	1,56
— US to China	0,05	1,41	0,11	2,10	0,38	1,50	3,77	8,63	5,84	2,43	1,48

Caveat: The Lenovo experience



- BRIC acquirers still learning to play the cross-border M&A game
 - Managerial expertise is the frontier now
- Salary differentials
 - BRIC players' profitability driven at least partly by arbitrage between Triad prices and BRIC costs
- Cultural issues

Graphic Source: Wall Street Journal, Nov 4, 2008

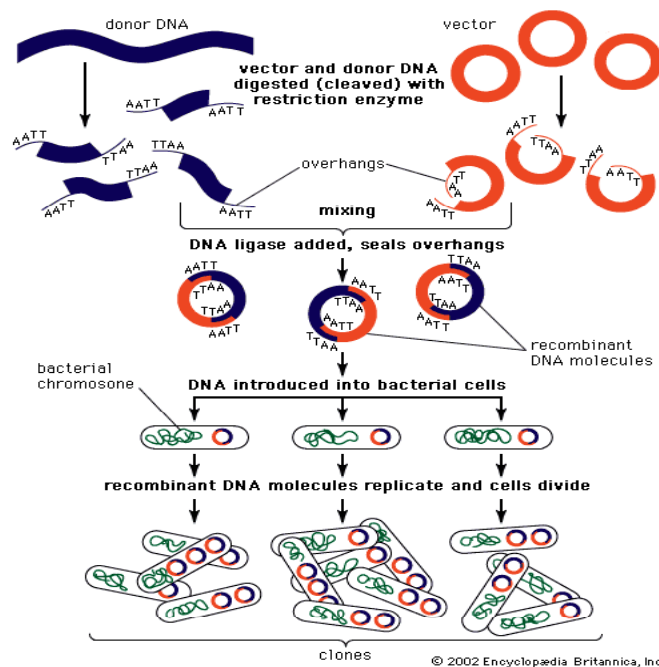
The Triad Response

- Putting up barriers
 - Political resistance
 - CNOOC/ Unocal
 - Dubai Ports World
 - Political/ Financial resistance
 - French proposal to set up SWF to shield national champion companies
- Better strategy is to raise own game
 - Upgrade M&A skills
 - Strategic analysis – opportunity identification, early mover, risk management through real options approaches
 - Integration – organization and management

Challenge II, Response repertoire: Recombinant Strategy

DNA recombination as adaptive evolutionary response

M&A and alliance moves as corporate DNA recombination



- Ability to recombine corporate DNA through M&A and alliance moves will be a crucial source of competitive advantage
- Successful recombinant strategy has two steps
 - Identifying the right elements to recombine
 - Recombining the elements appropriately

<http://media-2.web.britannica.com/eb-media/87/22487-004-5347D587.gif> last accessed Nov 2, 2008

Principles for M&A Success

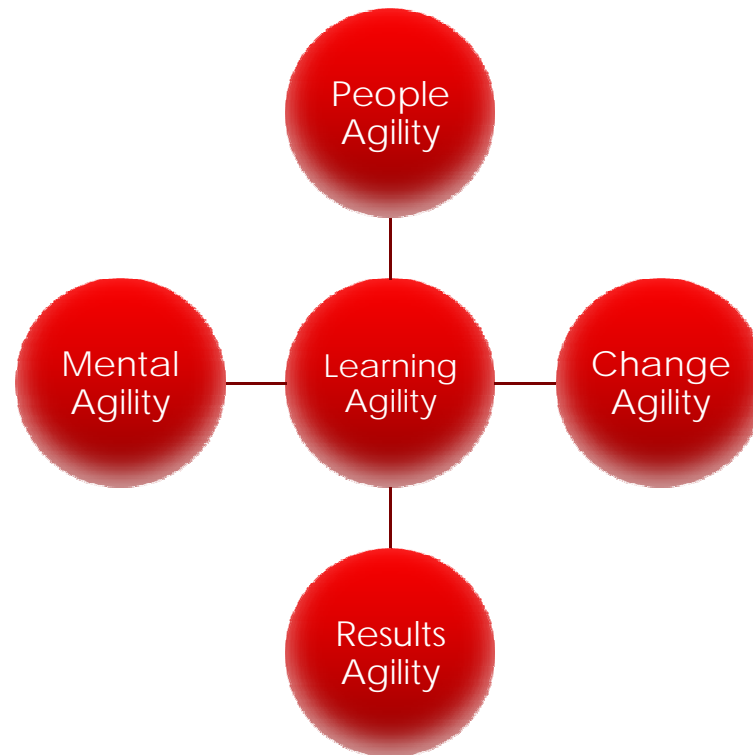
- Make sure the deal is based on a **sound corporate strategy**
- **Consider all options** thoroughly before committing to the deal; once committed, implement rapidly and in a disciplined manner
- Do **strategic due diligence** – make it about more than legal and financial issues
- Make sure that post-merger **integration reflects deal drivers**
- Manage **stakeholder expectations** – underpromise and overdeliver
- **Tightly execute** the integration, using the best resources available
- Constantly ask: What have we **learnt** from doing this deal?

Beyond the Multinational?

- Sam Palmisano's notion of globally integrated enterprises
 - *Foreign Affairs* article (2006)
 - IBM analyst meeting in Bangalore (2006)
- What will be the relationship between Companies and Countries?

Challenge III, Upgrading Strategic Thinking: **Learning Agility**

- Ability and willingness to learn from experience, and then apply that learning to perform successfully in new situations
 - “The signature skill of leaders is the ability to process new experiences...and integrate them into their lives.” (Bennis & Thomas, 2002)
 - Framing, reflecting and leveraging (Gardner, 1998)



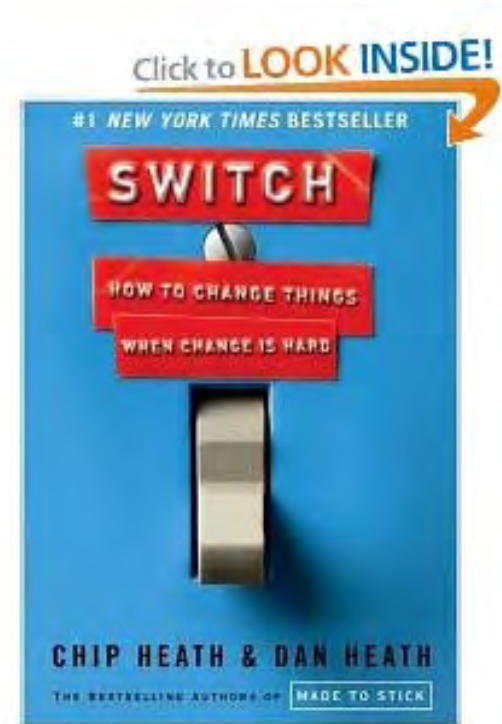
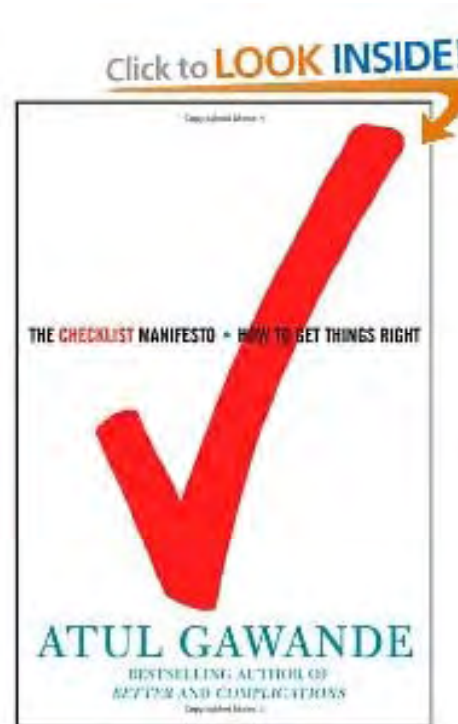
More on Learning Agility

- Evidence-based thinking
- “Learning from samples of one, or fewer”
- Options thinking
- Discovery-oriented action
- Working with an executive coach

“He who stops getting better stops being good.” (Oliver Cromwell)

“Enlightened trial and error outperforms the planning of flawless intellects.” (Eric Drexler)

Bedside Reading



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 - **Strategic thinking capacity**
 - Today's topic: **Learning agility**

Obrigado!

- Q&A
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<http://strategyscape.typepad.com/and/>