

ÉDITORIAL

GLOBAL, BUT HOW?



Companies investing in emerging markets must establish a long-term presence. Two other success factors are the ability to carry out their strategies as quickly as local competitors, and to build management teams that combine knowledge of the company's culture and history with a thorough understanding of the local market.

Most companies today know that their growth depends on their ability to benefit from emerging economies. This means that they not only have to take advantage of existing opportunities, but also actively look at exporting to these regions. Jean-Pierre Clamadieu, our partner based in Beijing, emphasizes the fact that companies

But how does one gain a competitive position and grow? First, one needs to regularly assess strategies for environmental savings, as emerging economies evolve and grow at a much faster pace than developed Western economies. Companies might not be able to reap profits if they are not able to localize and adapt at the pace at which local competitors operate. Companies also need to swiftly implement growth strategies, such as locating and integrating local acquisitions, streamlining the implementation process, building awareness levels, raising the competency level of human resources, adapting products locally and developing local networks. They also need to treat and handle local projects with greater vigor and speed. As Eric Goujon, a Partner with PricewaterhouseCoopers in Beijing says: "A combination of local and global concepts becomes an absolute necessity when a company wants to grow. Companies must also tirelessly strive to build mixed teams combining both business knowledge and knowledge of local practices. This is what X-PM does in over 30 countries today.

that are able to integrate into the local economy produce results that are much better than those that are not. He also points out the fact that the world is gradually witnessing a shift in growth and balance of power from the West to the East. Companies must therefore encourage more investment in these emerging economies.

Patrick Laredo

President, X-PM Transition Partners

X-PM INDIA CEO ROUNDTABLE

CONSTRAINTS ON GROWTH IN INDIA, AND OPPORTUNITIES FOR EUROPEAN MANAGERS



Here are some of the observations of the CEOs and Chairmen of some of India's leading companies who participated in a roundtable discussion in New Delhi in November 2011:

- "Good quality talent in India is still in short supply."
- "We need a new breed of managers in India who can think differently – globally – and act locally."
- "Professionalism is still a far cry in Indian businesses and the current groups of professionals do not bring in real value to the business. There is an issue of ownership and professional management in India. The challenge is how to tackle the lack of ownership issue at top management levels."
- "We are now in a position to bring people from overseas and one must not forget the fact that the top level management salaries in India are also on the rise."

While entry level wages have grown, they are still well below levels in developed markets. On the other hand, executive compensation has increased exponentially, as it has in other fast growing emerging markets such as China and Brazil. Any economy that is growing as fast as India will face this problem, because the number of experienced managers is a function of the size of India's economy 20 years ago, whereas the size of the economy that these executives are managing is now many times larger. The expansion of Indian companies abroad means that Indian talent, particularly those who can think globally, is getting further stretched. Moreover, the fact that there is a shortage of senior talent means that even underperforming Indian managers are being promoted to the highest ranks of companies, leading to concerns about professionalism and responsibility (i.e. "ownership").

Clearly, this talent gap represents an extraordinary opportunity for X-PM and its talent pool of European managers, many of whom are underutilized due to the economic slowdown at home. Just 20 years after the opening up of its economy in 1991, India now represents a viable destination for European expatriate managers, whose compensation levels are often below that of their Indian counterparts. In effect, India is now ready to import European senior level executives who have the experience and professionalism required to take India's economy to the next level. Not guest workers, but guest managers.

Ranjit Shastri
MD, X-PM India

NEWS FROM CHINA

THE OUTLOOK FOR WESTERN COMPANIES IN CHINA

Eric Goujon is a Partner at PricewaterhouseCoopers based in Beijing. He has been in China for more than 15 years and has been closely following the changing business landscape.

What is the current situation of Western companies in China?

E. G. The profitability of Western companies tends to decrease as competition from Chinese companies becomes increasingly strong. Chinese companies exert pressure on margins and this, in turn, enhances their market share, both in the local market and export markets where their presence was negligible.

In response to this, some companies have recently initiated reorganization projects like cost reduction, productivity improvement, etc. However, the key challenge for multinational companies lies in maintaining and gradually increasing their market share.

What are the key characteristics of profitable businesses in China?

E. G. Businesses that are the most profitable in China in the past several years are the ones whose products and services are locally tailored. These are those that address the needs of a large geographical segment and the ones that feature distinctive technological competitive advantages.

Should unprofitable businesses stay?

E. G. China is a rapidly growing market with favorable prospects for the next decade. This is a difficult question to answer, but unprofitable companies must not be complacent with their existing strengths and weaknesses and draw conclusions.

They should prioritize their market strategy and offer the right products that the Chinese market wants. These companies must also ensure that they invest sufficiently for the future, both in terms of capital and human resources.

What are the priorities in 2012 for businesses located in the country?

E. G. I would mention two key priorities: The businesses need to be very proactive and reactive, need to constantly cope with changes in the Chinese market, maintain technological advantages, and anticipate local competition, both in the local market as well as for exports. These companies also need to study the possibility for partnerships.

The Chinese market is booming, and may well remain so for the next decade. However, the rising competition of Chinese companies is starting to erode the profitability of some Western companies, who must continuously adapt their products and services to this fast-changing, decentralised market.

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X-PM speeds up the implementation of corporate projects in three areas – restructuring, performance management, and interim management – by combining seasoned executives and best practices. With a team of 16 Partners from industry, IT, human resources, advisory and financial services, X-PM relies on a talent pool of 350 managers in more than 30 countries.

HIGHLIGHTS 2011

January 28, Paris

X-PM is exploring possibilities to establish direct operations in Russia

“Russian economic recovery means opportunities are plentiful”, said Christian Esteve, the former CEO of Renault Russia and practicing member of the Board of Avtovaz as he shared his experience on the automotive sector in Russia.

March 15-16, Paris

Gearing up for growth in India

Ranjit Shastri, X-PM India Managing Director visited Paris and met with several senior executives of French companies. Ranjit has over twenty years of experience as a consultant with Bain, McKinsey and PSI. He is an investor in service companies like Smartanalyst Inc., Design Presentation Associates Inc., and was also the former Director of the Indian Venture Capital Association. Ranjit is also the co-founder of PSI, a consulting company.

March 30, Paris

Managing human resources when revenues fall 40% in one year

Jean-François Bonheme, Director of Human Resources at Group BENETEAU shared his views on the topic of cultural transformation in organizations.

October 13, Paris

X-PM's 10 year celebrations

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de X-PM

X-PM's tenth anniversary was celebrated in Paris on October 13, 2011. This occasion was attended by more than 300 senior level executives.

Corporate contact: Rohit Thomas

X-PM India Pvt. Ltd.
14th Floor (SmartAnalyst), Tower D
DLF Cyber Greens, Cyber City, DLF Phase III
Gurgaon 122 002, Haryana-India

Cell: +91 88 60 19 42 73

Email: rthomas@x-pm.com