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Global Tilt: Leading Your Business Through the Great Economic Power Shift

Ram Charan

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Ram Charan : Global Tilt: Leading Your Business Through the Great Economic Power Shift before purchasing it in order to gauge whether or not it would be worth my time, and all praised Global Tilt: Leading Your Business Through the Great Economic Power Shift:

0 of 0 people found the following review helpful. BGBy BGThis is the second book that I have read written by Charan. "Execution-the discipline of getting things done" was the first-which in summary made a point of how to take vision/strategies to the "goalposts" . "Global Tilt" is very timely. Breaking the world into the the "North and South" then adding the concepts of analyzing a company "outside in and future back" can be a wake up call to some or a reaffirmation of direction to others. Thomas Friedman in 2005 published a book entitled the "The World is Flat" which opened the door to global strategic thinking. Ram Charan provides a good roadmap that leaders can consider as they check their current strategies or in the process of developing new strategies.0 of 0 people found the following review helpful. Great summary of the Global Economy InfluencersBy Thomas A. MayAs always Ram's new book helps us understand ALL the aspects that impact the global economy. We are in a world that is very complex where the outcome from any one countries actions can have magnified impact on the rest of the globe. The shifting impact of growth from the less recognized countries and economies is tilting the influences and strengths of the once powerful countries.20 of 22 people found the following review helpful. Can I get my money back?By CustomerOh brother, I see the other reviews - five stars each - and wonder what I didn't "get" that they did. I'll tell you: nothing more than rah-rah "think big, don't think small" and other obvious platitudes and observations without any actionable advice. I personally travel on business to Asia almost monthly and expected something that might provide ideas. Nothing, zilch, zip.

New York Times bestselling author Ram Charan gives business leaders the guidance they need to succeed in a world in which economic power has shifted. The global tilt is nothing less than an irreversible shift of economic power—jobs, wealth, and market opportunities—from a small part of the world to its entirety. It is improving the lives of millions of people around the world, and while it is creating immense opportunities, it is disrupting the world as you know it with dizzying speed. If you're an American or European, any assumptions you may have about national and managerial superiority are obsolete. Businesses in China, Singapore, India, Brazil, Malaysia, and other countries on the move have ready access to the capital and expertise they need to grow. Their leaders have just as much knowledge, talent, and drive as you do. And they are unleashing their entrepreneurial verve to scale up fast and grab once-in-a-lifetime opportunities. These businesses will soon be competing with yours, even if you're not aware of them yet. Finding opportunities of your own requires you to consider vastly different perspectives and to see the new global landscape in its entirety and then change the content of your work to pursue them. In Global Tilt, Ram Charan will show you how to: - Gain an edge by cutting through the complexity of demographics, different forms of government, and even the global financial system, to identify "unstoppable trends" better and sooner than others- Challenge your reliance on core competence and the incremental improvement that results. Instead, look "outside-in" and "future-back," determine the capabilities you need to build, and muster the psychological fortitude to make occasional strategic bets that can potentially alter the competitive landscape. - Develop the soft skills crucial to leading a global organization, including mastering local contexts- Equip the organization to win by facing up to painful but necessary shifts in people assignments, decision-making authority, and resource allocation—even before making structural changes. Those who can pursue the opportunities in a tilted world have a remarkably bright future. Ram Charan's unparalleled experience with global leaders and companies and the unique and powerful insights he brings to this book will light the way for you and your exciting journey.

"Ram is a gifted visionary who is above all a pragmatist. He knows that the pathway from the possible to reality is not linear, but one of applied imagination and strategic leaps. In Global Tilt, Ram teaches us that unlearning is essential to new learning, with many examples that will both inspire and educate even the most seasoned business leader." - Inge Thulin, Chairman of the Board, President and CEO, 3M Company "A timely and insightful call to establishment leaders to rethink the world business equation. Charan encourages leaders of the North to strategize and operate with a different and more realistic mind set if they are to counter the thrust of exuberant, ever more affluent and confident leaders of the South. A must read for those seeing a more growth orientated future." - Larry Bossidy, former Chairman and CEO of Honeywell "Global Tilt is more than just a crisp and insightful look at the North to South power-shift taking place in the world today. It's a brilliantly crafted managerial and strategy blueprint for leaders of businesses and organizations that are trying to make sense of this dynamic new landscape. This is Ram and his sharp strategic acumen at his very best. No CEO's library should be without it." - Muhtar Kent, Chairman of the Board and Chief Executive Officer of Coca-Cola Company "Cuts to the core, right from page 1. The first chapter sets the agenda and you are immersed. In his inimitable way, Prof. Ram Charan then proceeds to give us the solutions. An enormously educative must-read for every business leader." - K.V. Kamath, Chairman, Infosys Limited "Ram Charan has this rare ability to distill meaningful from meaningless and transfer it to others in a quite effective way without destroying confidences." - Jack Welch "He probably knows more about America than

anybody." —Richard Harrington, CEO Thomson Corporation; "He is constantly providing depth to issues, not just answers." —Ivan Seidenberg, former chairman and CEO, Verizon Communications; "He's helped me in business, in government and in the nonprofit." —Gaston Caperton, former governor of West Virginia, president and CEO of The College Board; "Ram is a catalyst in the real sense of that word. Her facilitates things happening ... and is an immense source of energy." —John Reed, former CEO of Citibank; "This is necessary reading for anyone charged with strategic planning or investing in emerging markets; for the rest of us, it's fascinating information to absorb and a window onto our economic future." —Publisher's Weekly; About the Author; Ram Charan is a highly sought-after business advisor famous among executives for his uncanny ability to solve their toughest business problems. He is the co-author of the number one New York Times best seller, *Execution: The Discipline of Getting Things Done* and the author of *What the CEO Wants You to Know*. Dr. Charan's articles have been published in *Fortune*, *Harvard Business Review* and *Strategy+Business*. Excerpt. copy; Reprinted by permission. All rights reserved.

CHAPTER ONE CHANGE YOU CAN BELIEVE IN

Late on November 24, 2010, I landed in Dubai, where I would be speaking at a corporate meeting for India's number one telecom company, Bharti Airtel. I had left New York twelve hours earlier, after three days of appointments with companies along the east coast of the United States. Some of the problems and questions I'd heard that week were still on my mind. The CEOs and senior and midlevel managers alike were wrestling with how the fallout from the debacle in Europe would affect their businesses. How deep and how long would the recession be? Like everyone, they felt battered by the headwinds of a slowing global economy, global competition, and fast change. Arriving at the hotel, I freshened up and headed to the conference room, passing through the lobby, where 160 of Bharti's top managers were mingling. Forty-six of them were Africans who were new to the company following Bharti's acquisition just a few months before of Zain, a collection of telecom assets in fifteen African countries. They were now part of the managerial mix of Bharti Airtel, along with leaders from Sri Lanka and Bangladesh, where the company had expanded the year before. Many wore typical Western business garb; others wore traditional African clothing. All were speaking English. The majority appeared to be in their thirties, and some looked even younger than that. But youth alone didn't explain the unmistakable difference between this group and the leaders I'd seen just hours earlier—a physical and psychological ocean away. There was energy, optimism, and excitement in the air. This company, already among the top five mobile operators in the world in terms of subscribers, was on the move, and its leaders knew it. Bharti had grown from nothing to a multibillion-dollar global leader of its industry in a matter of fifteen years. Why won't it win in the United States or Europe at some future point in time? I wondered. Yet its phenomenal growth and the entrepreneurial verve of its founder, Sunil Mittal, are all but unknown in the northern hemisphere. That moment crystallized for me an unmistakable truth: The world has tilted. Its economic center has shifted from what have traditionally been called the advanced or Western countries of the northern hemisphere to fast-developing countries including China, India, Indonesia, Brazil, and others in the Middle East and even parts of Africa. For decades the standard view was that the transfer of technology, managerial know-how, and capital was from West to East, from the United States and Western Europe to Japan, South Korea, and the Asian tigers. But today the flows are generally from North to South. In geographic terms, the dividing line is the thirty-first parallel. The division is rough—for example, Japan and South Korea are essentially Northern countries in their economies and business practices—but it's a simple shorthand way to view the tilt. Wealth is moving from North to South, and so are jobs. Companies in the South, big and small, have a fierce entrepreneurial drive. Many are reveling in double-digit revenue growth, bringing jobs and prosperity to their home countries. They are building scale and challenging companies of the North on all fronts. They have huge momentum, while the old heavyweights—some of which have dominated their industries for decades—can barely eke out low to middle single-digit growth. The South is driving change. The North is afraid of it. Many business leaders in the North are blind to the magnitude of trends. Some are accelerating the tilt by transferring their technology, brands, know-how, and real assets to the South, all in the search for much higher growth than they see in their own home base. Some blame such things as cheap labor, currency manipulation, and protectionism for their struggles. These are problems, but much bigger forces drive the tilt—and the Northern leaders have not yet come to terms with the world as it is today and as it is emerging. How, then, can they devise a clearheaded response? Understanding the new dynamics of global competition and economic behaviors is an unconditional requirement for business leaders from the North and the South, even in companies that are smaller or consider themselves domestic. Very few businesses are immune to the changes. When we cut through the complexity and volatility, several unmistakable realities shine through. The world is in an inevitable transition to a more even distribution of opportunity and wealth. It is fueled by an irrepressible and fundamental human drive: people's desire for a better life. While the road ahead will have unexpected twists and turns, its direction is clear, and we are moving at high speed. The global financial system, which connects the economies of all countries every second of the day, is highly unstable. No one truly understands how it works, as evidenced by the seemingly unending ugly discoveries about the behavior of major players in the system. Its malfunctioning can cause recessions and damage entire economies, as it did in the 1997 economic "Asian Contagion"; and the far more widespread loss of economic growth between 2007 and

2012. Uncertainty will continue to be the order of the day for some time to come. We are in a war for jobs. Although total employment will continue to increase worldwide, every country is seeking a larger share of the jobs pie to create or strengthen its middle class, improve its standard of living, increase its financial reserves, and ensure political stability. Nationalism is alive and well as countries compete with no clear agreement about the rules of the game. Many countries below the thirty-first parallel are creating their own rules of the road and executing their growth plans to win jobs and resources for their people. They are participating in the global economy without necessarily following the free-market principles of the North. China, Singapore, and Taiwan have explicit national economic strategies. Other countries, including Brazil and India, are beginning to shape their own. Protectionist policies are widespread; governments don't hesitate to step in on behalf of their countries' self-interest. The United States practices some protectionism in selected areas but has no coordinated economic plan. Companies are competing against countries--not just other companies. When a government decides to back a domestic company, whether to protect its home base or to help it achieve world dominance, the competitive equation can shift drastically. State-sponsored companies can scale up quickly and often don't have the same profit requirements as their publicly traded competitors. Thus they can lower prices and reduce returns for an entire industry. What's more, the unwritten rule of global expansion is that the company putting down roots in the growth market will transfer its technology and managerial know-how to its native partners. That technology transfer can happen surprisingly quickly. Northern companies may be building their future competition in exchange for access to markets. For example, in 2007 China set its sights on building an aircraft business that would compete globally. It welcomed U.S. and European aircraft makers to build plants in China, but stipulated that any foreign direct investment had to be through joint ventures with domestic companies. Such supplier relationships involve the open exchange of information, by which proprietary knowledge, accumulated over a long period and funded by taxpayer money and risk funds, can flow. Now Commercial Aircraft Corporation of China (COMAC) is gearing up to compete head-on against Boeing and Airbus with a homegrown narrow-body plane set for release in 2016. India has the same kind of protections through ownership restrictions. In some industries, non-Indian companies are allowed to expand only if they give Indian firms an ownership stake. In defense-related businesses, including nuclear, the requirement is stiffer: Non-Indian companies are welcome only if they allow Indians to hold the majority stake. Why are Northern companies willing to accept conditions dictated by the host country? Because they see the country as important to their current and future ability to deliver growth and shareholder value. Besides, they recognize that if they don't do it, a competitor will. But while individual managements make these decisions autonomously, their collective actions can affect their home country. When many companies shift their resources and attention to the same country in a short period of time in a herd effect, the home country suffers. Its unemployment increases, its tax base drops, its ratings decline, and both its budget and its trade deficits increase. Thus the collective pursuit of shareholder value, concentrated in one or two countries in the South that do not play by the rules of the game, can unwittingly undermine the national prosperity of their home country. One only has to think about the decline in recent decades of manufacturing in the United States to see the point. Many companies of the South are tapping into the global supply of capital, know-how, and technology. They are on the offensive, paying top dollar for the best talent they can get from anywhere, often from the North. The McKinseys, Accentures, and IBMs of the world help would-be clients anywhere in the world. So do headhunters: Former executives of Fortune 500 companies are eager to lend their expertise to enterprises that are growing, and they are getting compensated on a U.S. pay scale. Indian outsourcing firm Wipro hired a former GE executive as its vice chairman (and effectively the chief operating officer for its founder), at an American level of compensation, to help build that business. Wipro then moved from a low ranking to being the number three India-based company in the world. Ever-expanding stock markets, private equity, sovereign wealth funds (investment money held by governments), and global banks are pouring money into opportunities wherever they find them; opportunity is of course defined by growth. Like consultants, firms with special technological expertise will court customers wherever they can find them. Even after the formation of OPEC in 1973 and the gradual shift of power in negotiations thereafter, the major oil companies of the North had a lot of clout because of their size and proprietary know-how. But other industry players, such as Schlumberger, the world's leading independent oil-drilling specialist, sell their services and voluminous knowledge base to Saudi Arabia, Russia, Mexico, and others. As economic power shifts, political power does too. In both, U.S. influence in the South is seen to be in decline, enabling some countries whose support America took for granted to go their own way. For example, against the wishes of the United States, Brazil refused to support sanctions aimed at deterring Iran's nuclear ambitions, a surprising political stance that would have been unimaginable five years earlier. Some African countries have shown a preference for dealing with China over America because America pushes a democratic ideology, while the Chinese do not. The one that has the money has the power. The one that holds the promise of tremendous economic growth opportunities has even more power. Economic power creates political power, not the other way around. The tilt will seesaw along the way. Fortunes rise and fall; events that affect one country ripple through others. For example, the post-crisis woes of the European financial system that brought Europe's growth rate close to zero also slowed exports from the United States and China. The result has been more downward pressure on the U.S. economy and a significant deceleration in China's

growth rate. Economic factors such as inflation rates are likely to dampen the comparative advantage China and many other Southern countries now have in wages and currencies against the North. It has already begun in parts of some industries. Nonetheless, the overall direction of the tilt remains the same. Even after wage differentials narrow, the South will still have cost advantages. Over time, the tilt will persistently and inevitably continue to change the economic landscape, reshaping competitive dynamics and industry structures around the globe. Like it or not, you have no choice but to figure out how to position your business in light of the changes. Sitting like the proverbial pigeon with its eyes closed hoping the cat won't see it is not a good plan. Waiting for protection from the government is not a good plan either. The wheels of democracy turn more slowly than the central planning used successfully elsewhere. Nor is it wise to go forward using the rearview mirror as a guide, comparing China and India with Japan's rise in earlier decades, for instance, as some business leaders and academics are known to do. Such comparisons are deeply flawed. Today's competitors are not following Northern models and seeking acceptance by the established international business community. This is a new century and a new game being played on an uneven playing field.

CALL TO ACTION FOR THE NORTH If you're a leader in a North company, you have a narrow window of time in which to make a decisive tilt in your approach to running the business. You cannot rely on traditional approaches to competitive analysis, strategy, and execution. Your leadership must start with a clear grasp of the global context. While the North is suffering from low or no growth, the South is on the move, even now as the global economy cools. Projections with a long enough time horizon, say ten and twenty years out, capture the steepness of the growth curve of the South and the enormity of the opportunity. Companies that miss the window may permanently lose the chance to gain footing in the South, and at the same time, they make themselves vulnerable to attack on their home turf sometime down the road. You can't dwell on whether the help that Southern companies are getting from their governments is "unfair." Life is unfair. Once you drop your defensive psychology and grasp the shift in economic gravity, the lightbulb will go on: How then do we pursue these opportunities fast enough and without losing sight of our home markets, which after all are still huge in absolute terms and attractive to competitors from the South? The answer lies in fundamental changes in how you think about strategy, as well as changes in power, resource allocation, and decision making, and in your personal development as a leader. Opportunities in the North won't disappear, but companies that remain only in the North will struggle to find growth. Small moves into foreign markets designed to test the waters are not sufficient to meet the dynamism of South-based competitors. More and more, when the time and opportunity are right, you will face decisions about whether to make a big strategic bet or become entrepreneurial on a mega scale, as heavy hitters in the South do. In either case, you'll need a bigger appetite for risk than many Northern CEOs and their boards are accustomed to, and you might have to consider new kinds of partnerships to scale up quickly. The simultaneous growth of many nations' economies is making "large" larger than ever, and the South is achieving it astonishingly fast. The barriers to entry that large companies of the North created are in many cases now broken. Young companies in the South, helped by American, Japanese, and German experts, are now capable of competing head-on with North-based giants. Singapore has become a financial center of Southeast Asia, Taiwan has become a dominant player in semiconductors, and Brazil is competing successfully in regional jets. Brazil's Vale rode the wave of China's surging demand to become the world's largest producer of iron ore. The Chinese government has been known to push consolidation among domestic competitors precisely to achieve scale, as it is doing in autos and tried to do in rare earth minerals.