



M c K i n n e y R o g e r s

Investing in the markets of the future

An independent international study into the attitudes of senior business people on investing in emerging markets

Commissioned by McKinney Rogers

McKinney Rogers October 2008©

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1. Why did McKinney Rogers commission this survey?

McKinney Rogers works closely with large, global organizations helping them to define and deliver strategy throughout their operations. This starts at the top with the business leaders and Mission Leadership®. This is a key component of the McKinney Rogers service offering, focusing on leadership behaviors – how we think, how we act, and how we relate to others.

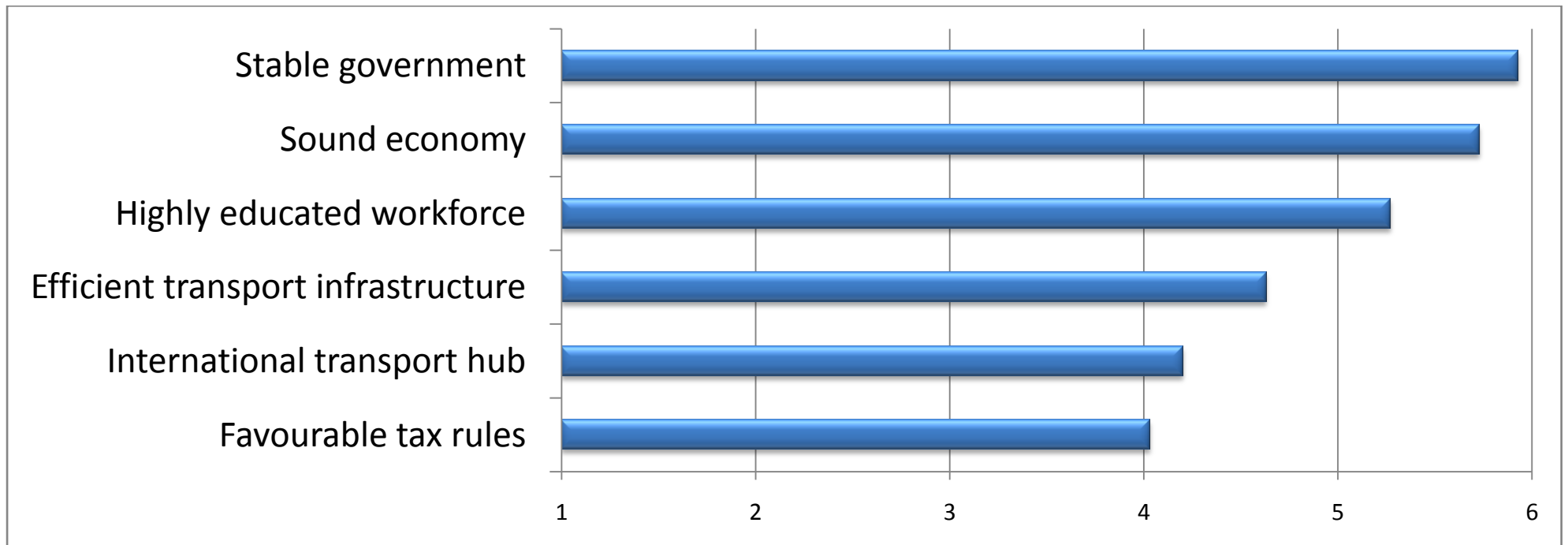
There is currently great interest in investing in emerging markets, and this report seeks to establish the views of senior business leaders. It looks at which regions they have invested in over the past 12 months, which they plan to invest in during the coming year and the elements they see as key to the success of doing business in emerging markets.

2. Overview

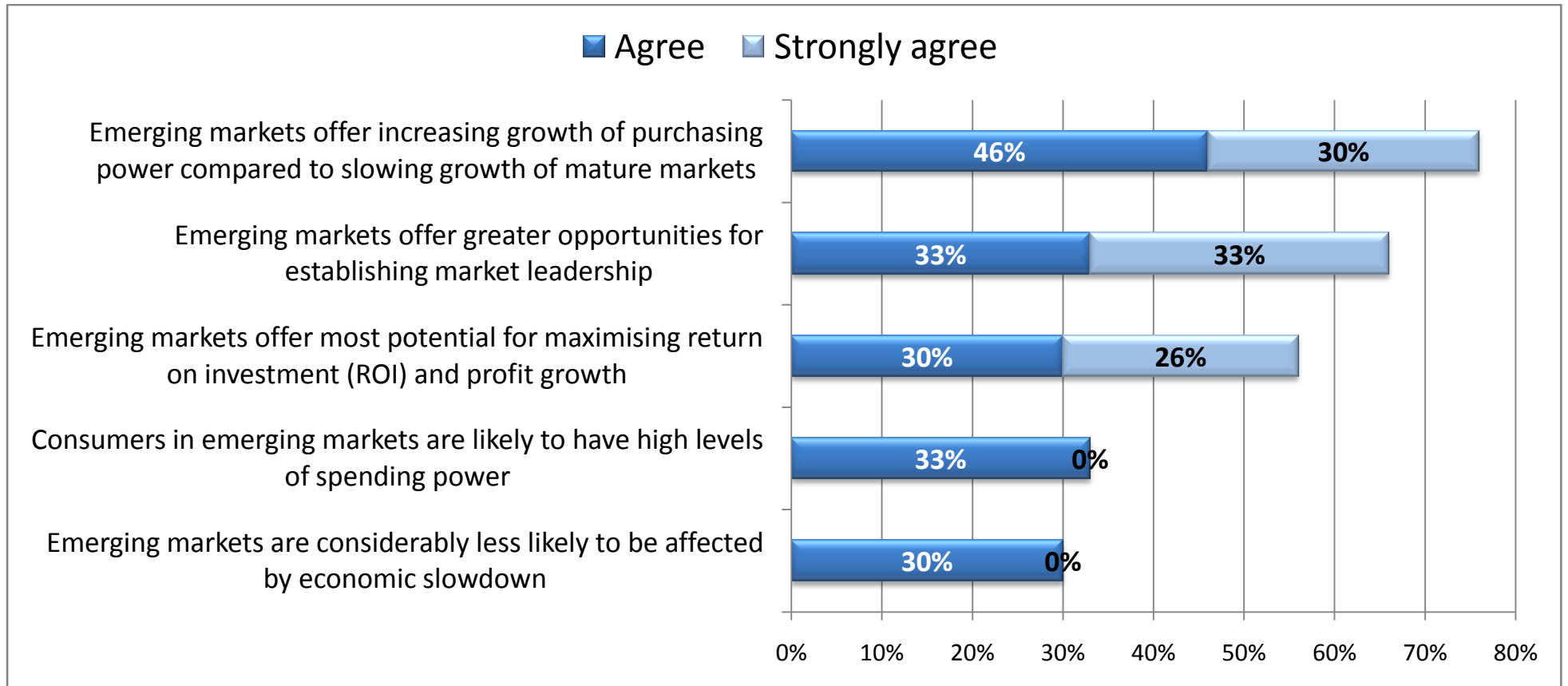
- Three quarters (76%) of respondents agreed that emerging markets offer increasing growth of purchasing power compared to the slowing growth of more mature markets with 66% agreeing that they offer greater opportunities for market leadership
- But not all respondents (only 30%) thought emerging markets would be less affected by an economic slowdown than more established markets
- In terms of elements essential to success in emerging markets, an overwhelming majority of business leaders questioned (93%) agreed that hiring local management expertise and developing operational plans to overcome challenges such as poor transportation and infrastructure and dealing with red tape were vital
- Respondents also agreed that it was key to invest in emerging markets where there is economic and political stability as well as a highly educated workforce
- Of those questioned eight in ten said they had invested in emerging markets in the last 12 months and 87% intended to do so in the next year. Perhaps unsurprisingly, the BRIC (Brazil, Russia, India, China) markets top the list of investment destinations and it is these that are seen to have the most stable economic and political environments, as well as strong infrastructures and workforce
- While India was the most popular choice amongst respondents, with 47% of those questioned planning to invest there in the next 12 months, followed by China (43%) then Russia and Brazil (37% each), Africa came in just behind, with 33% of respondents seeing the continent as an investment opportunity
- This is despite the fact that Africa is perceived to be weaker than the BRIC regions in terms of political and economic stability and the short comings of its transport and communications infrastructure
- Notably, the very things Africa was seen to need to build on, were those that respondents cited as the most important elements that an emerging market needs to attract inbound investment

3. Key findings

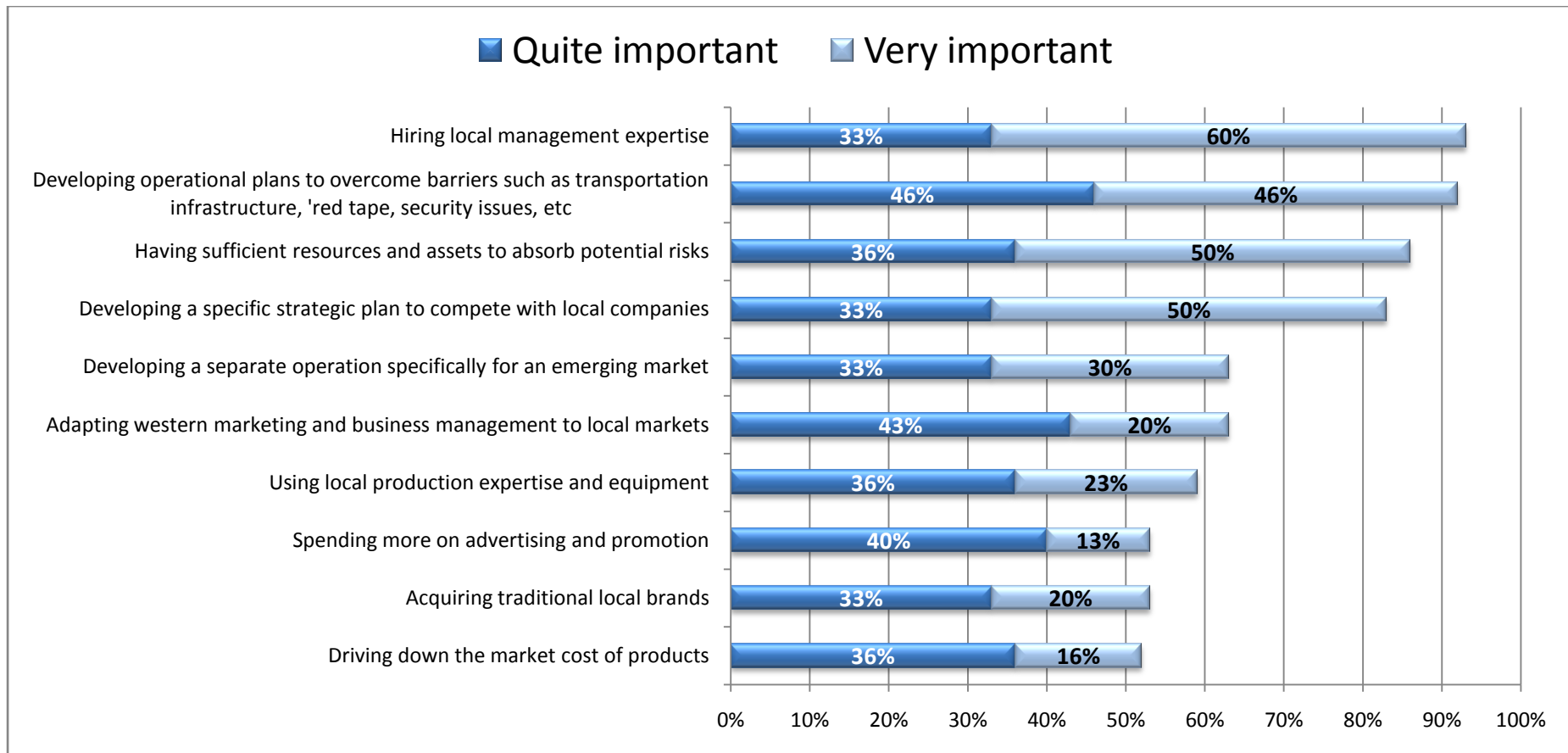
3.1 Relative importance of key factors in making a country a key player in the global economy



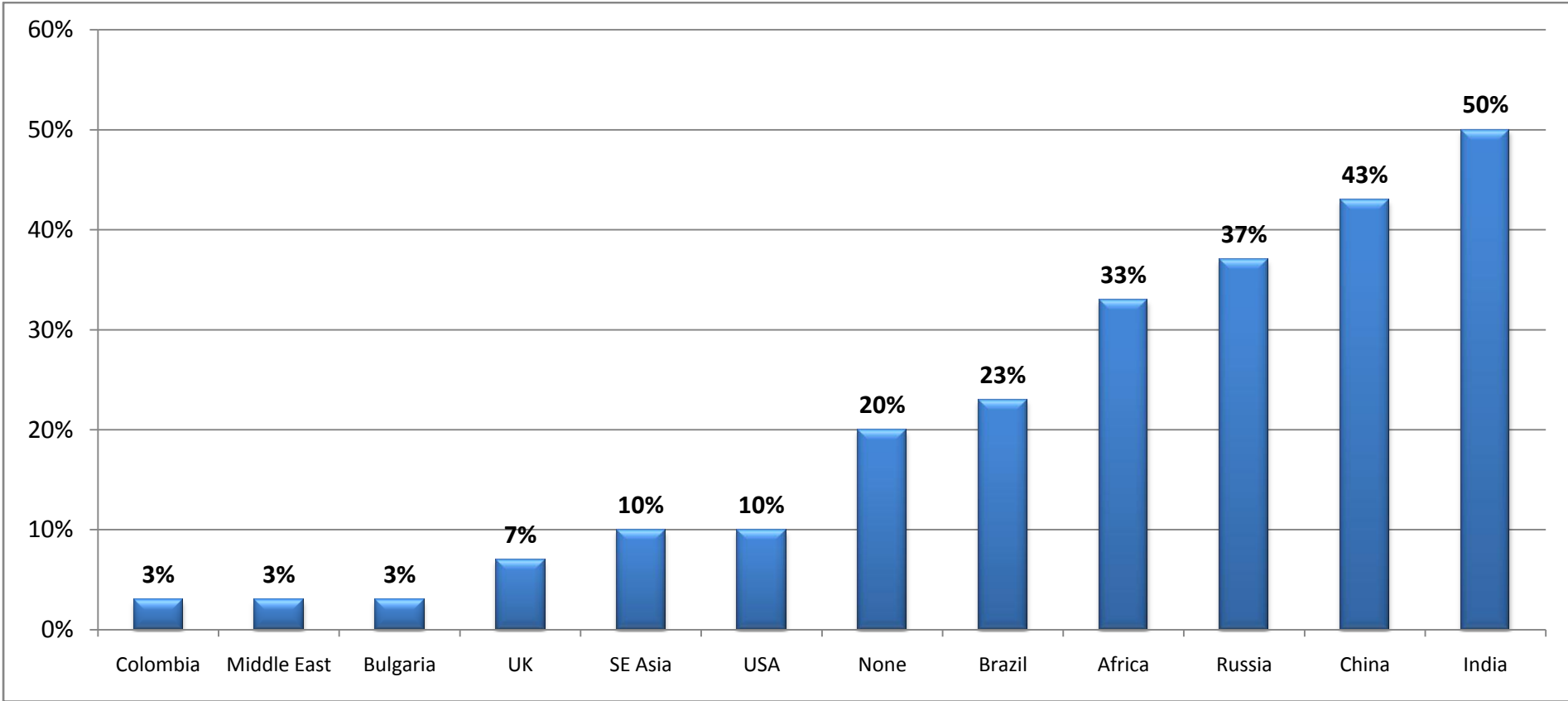
3.2 Percentage of respondents who agree/strongly agree with the below



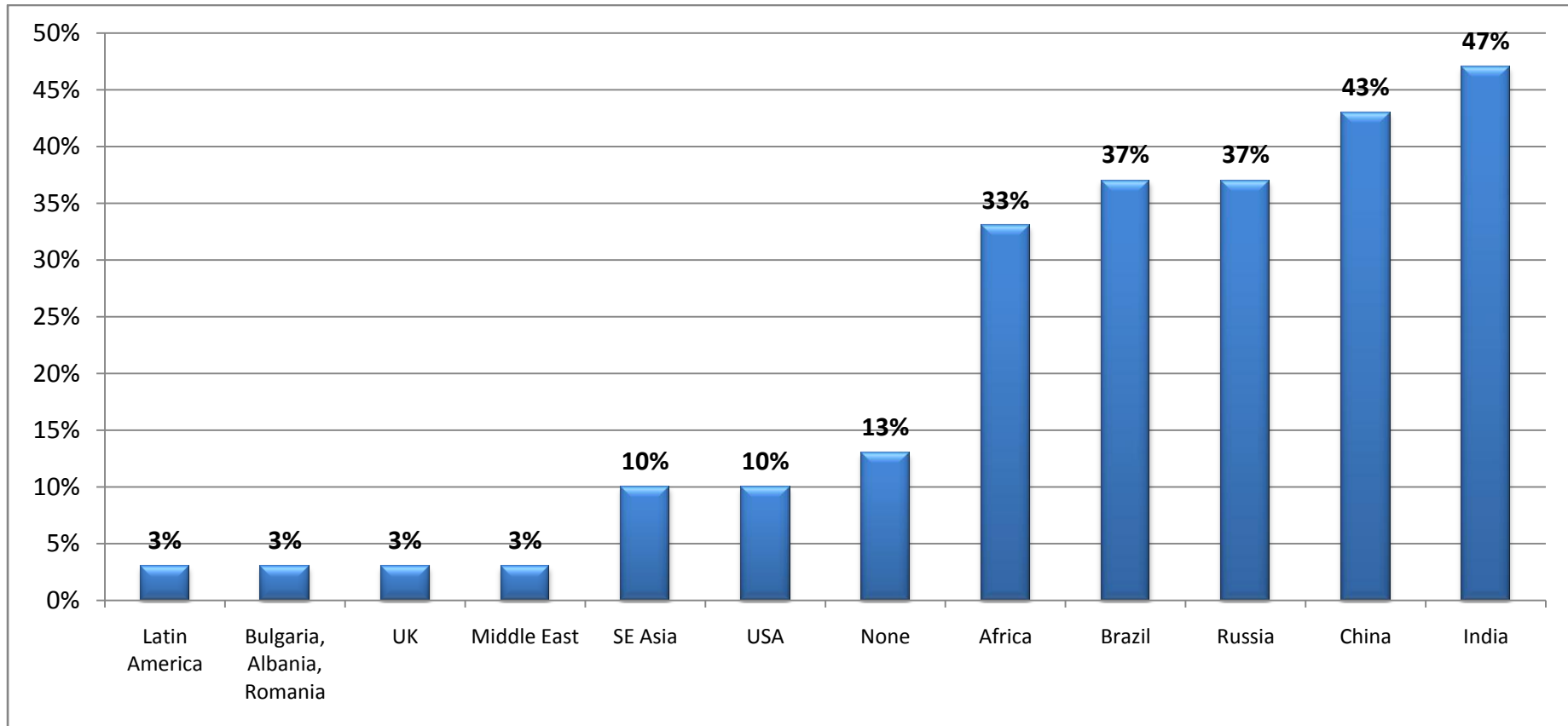
3.3 Importance to being competitive and successful in emerging markets



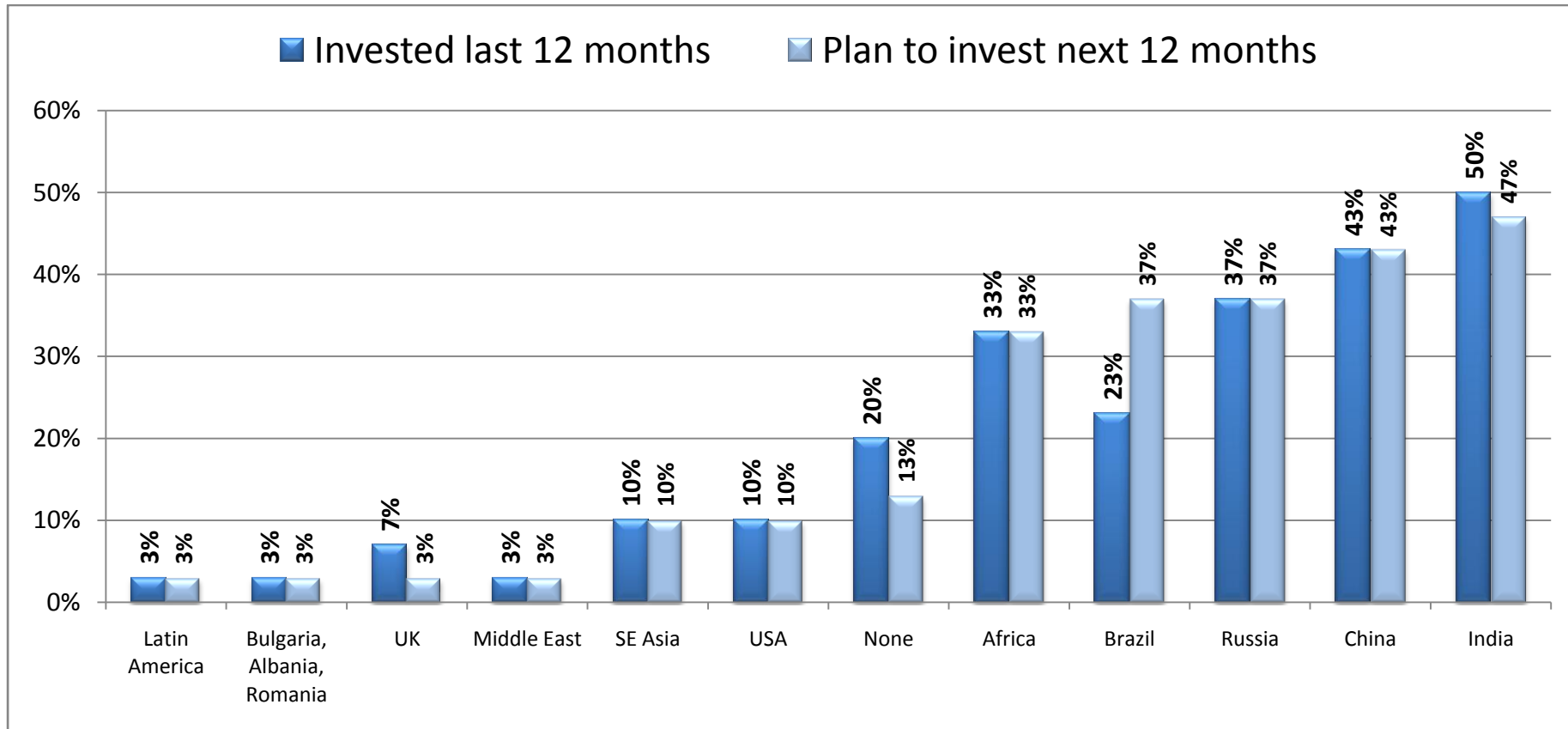
3.4 Regions where organisations have invested over the past 12 months



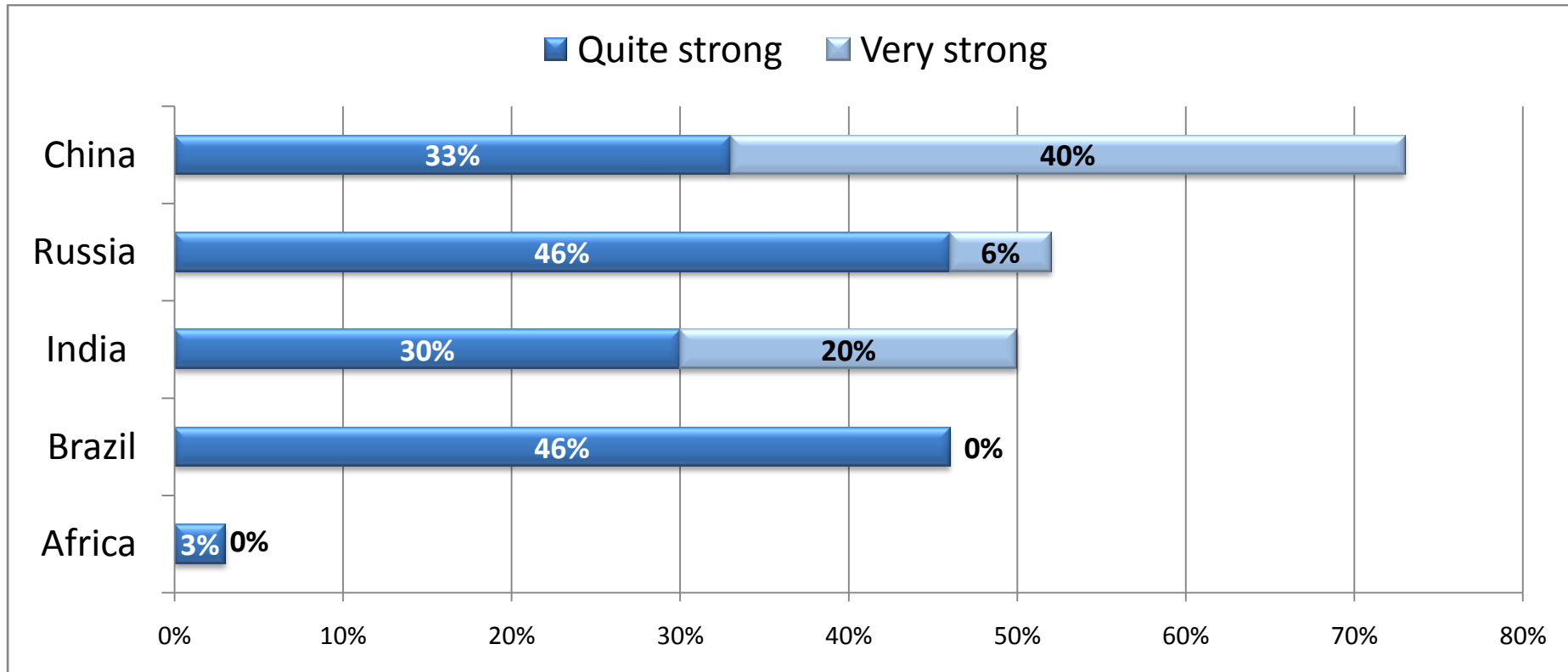
3.5 Regions where organisations plan to invest over the next 12 months



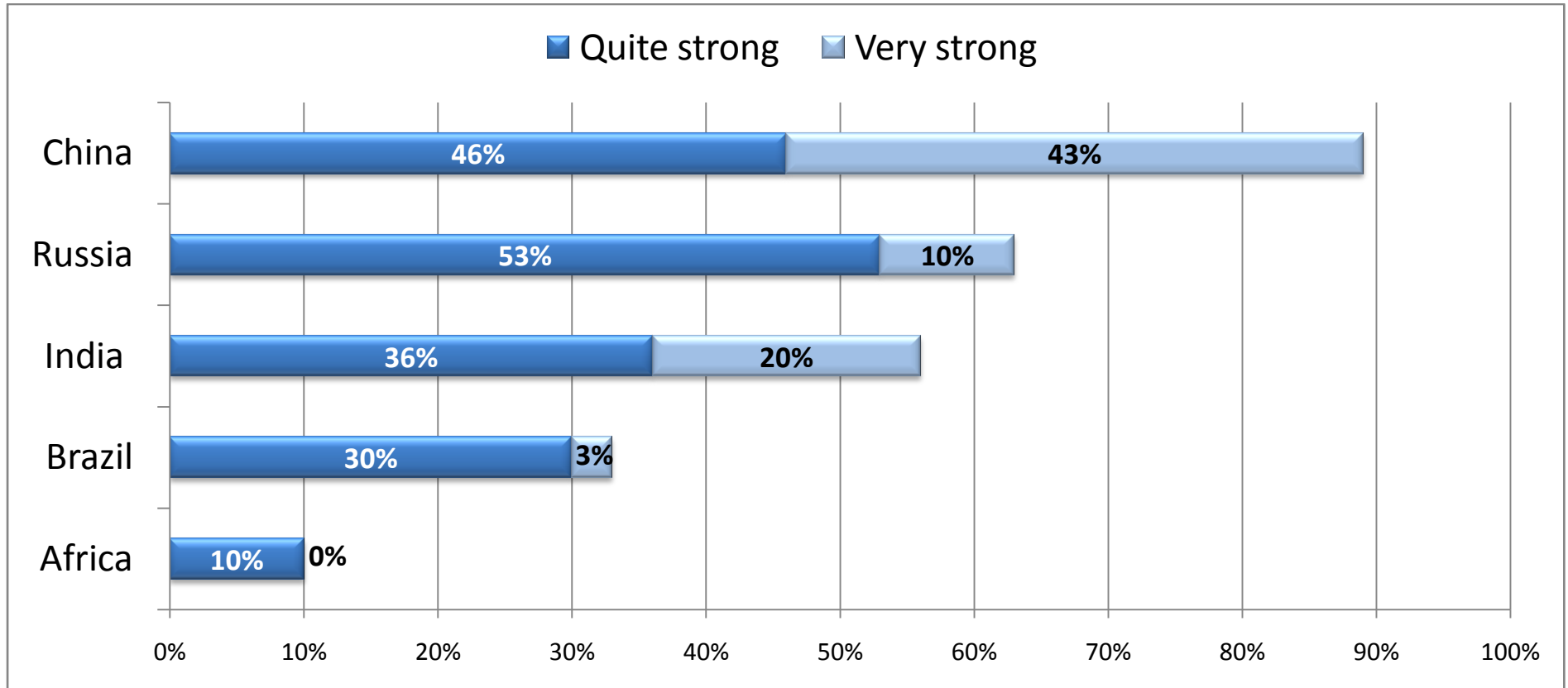
3.6 Comparison of recent past versus future investment by region



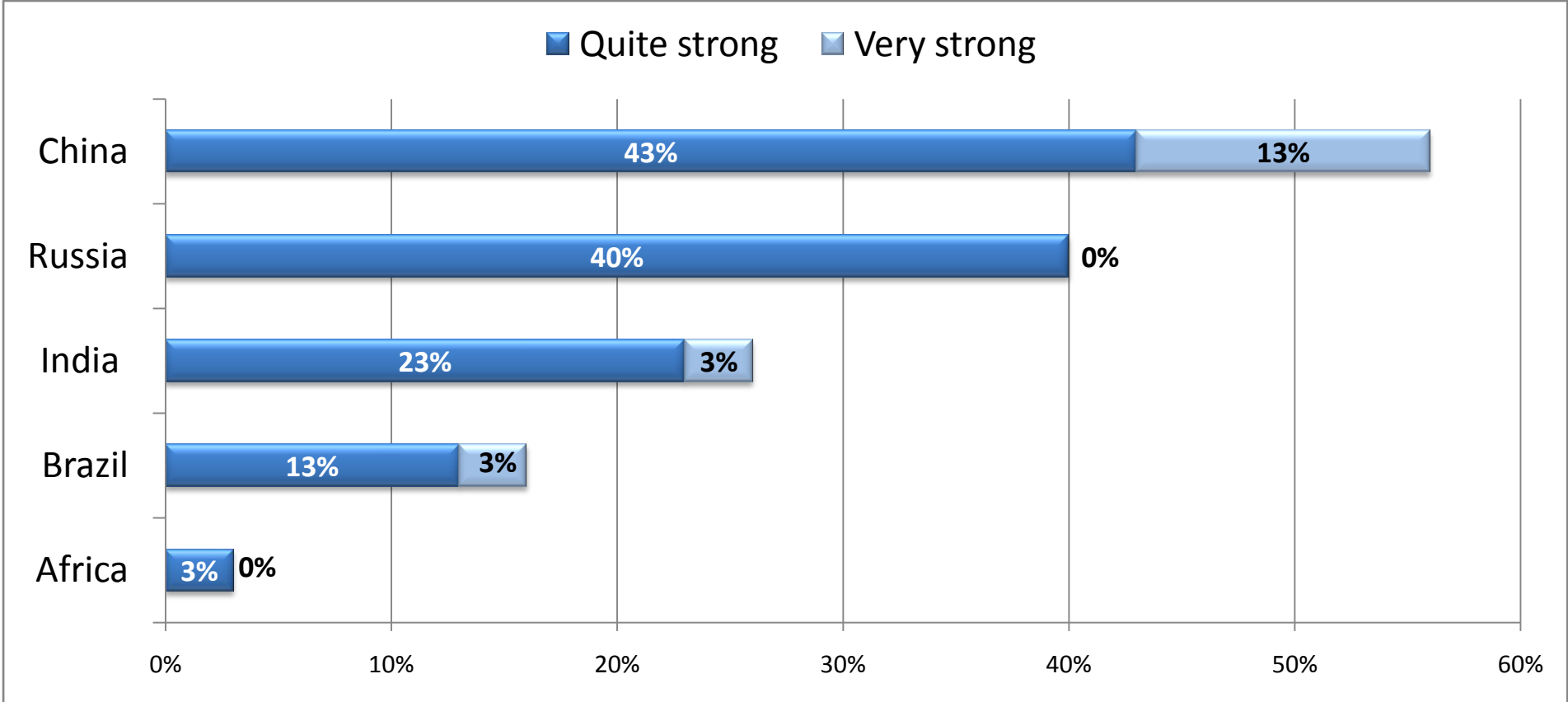
3.7 Strength of regions' political stability



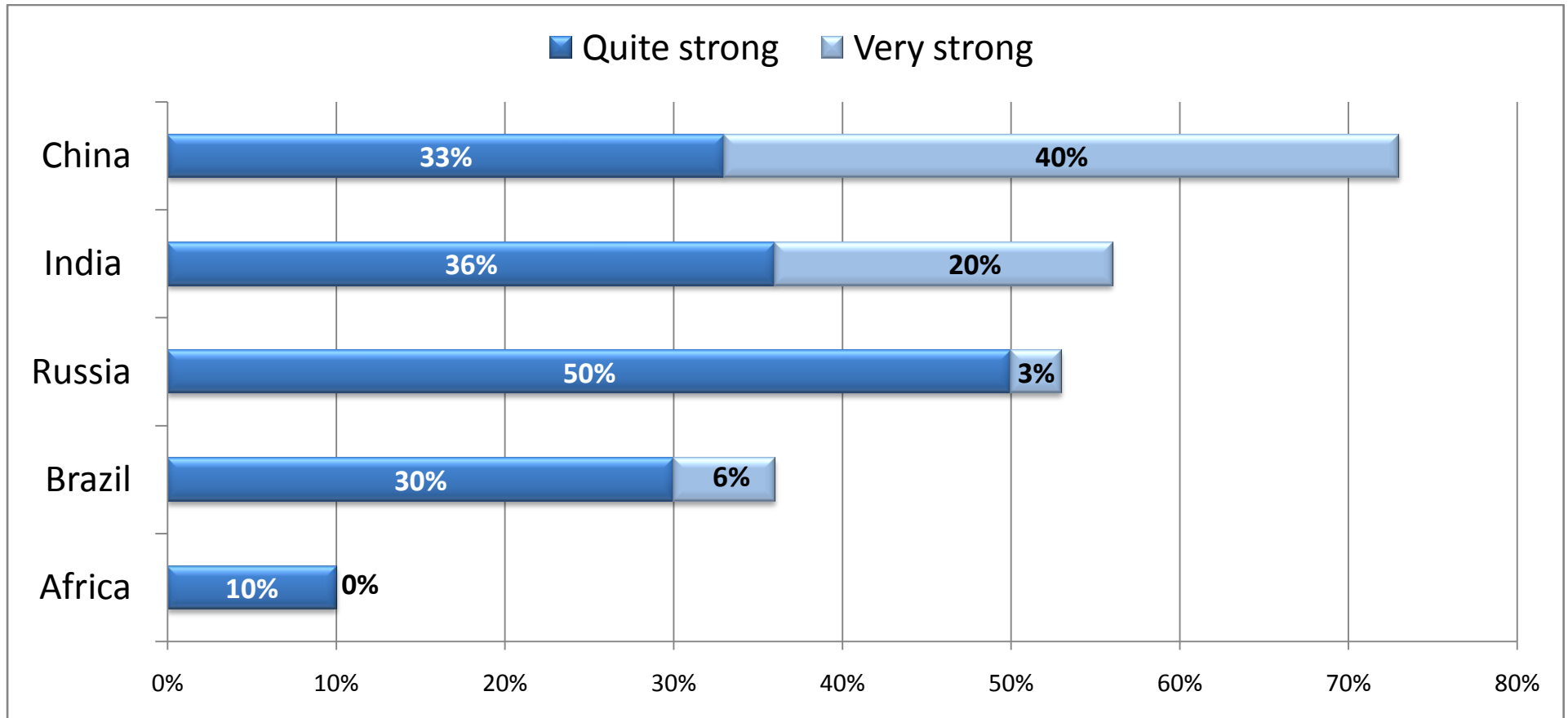
3.8 Strength of regions' economic stability



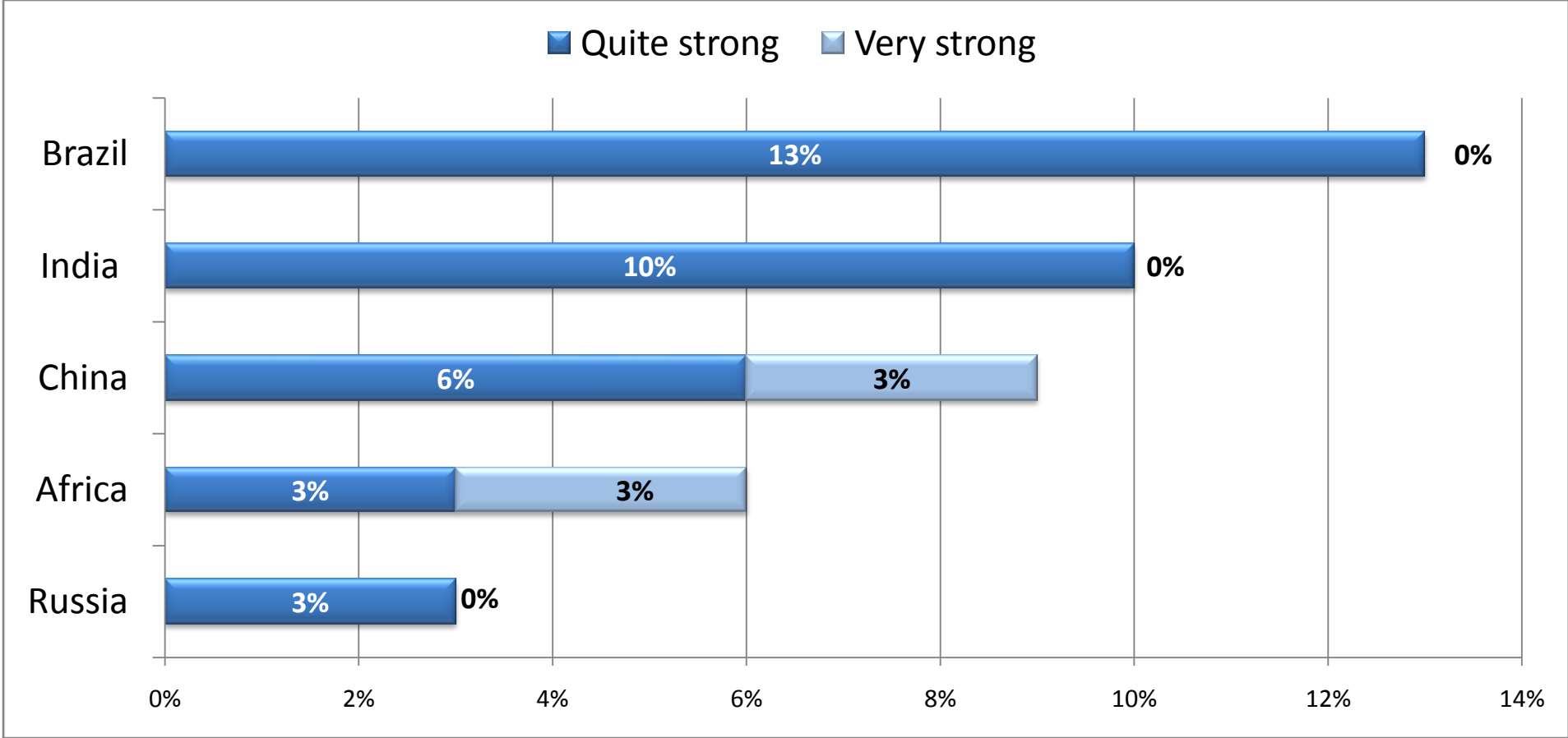
3.9 Strength of regions' transport infrastructure



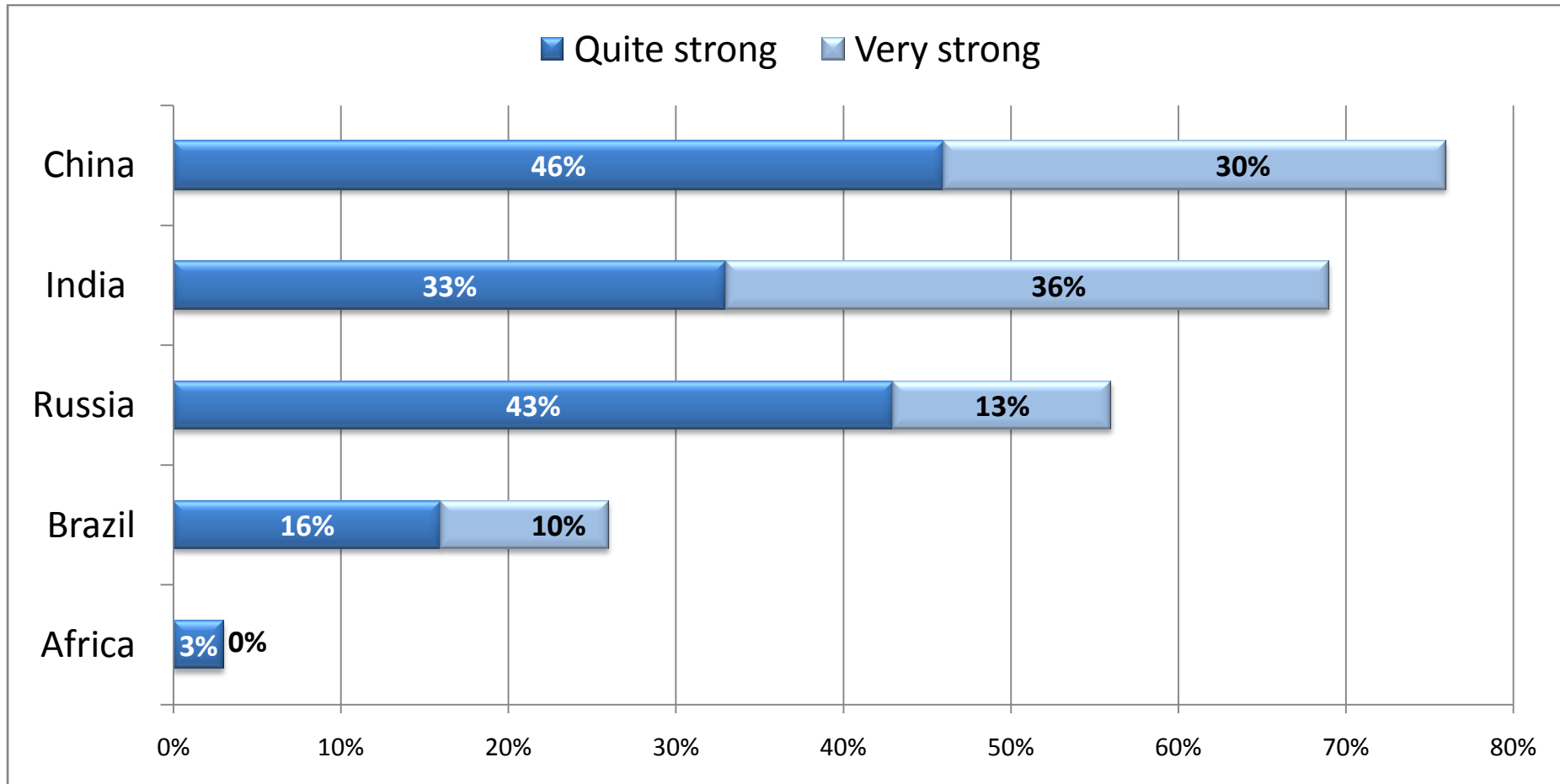
3.10 Strength of regions' communications infrastructure



3.11 Favourability of regions' taxation



3.12 Educational strength of regions' workforce



4. Qualitative research

4.1 One of the points that has come out of the research is that the majority of respondents agreed that Emerging Markets offer increasing growth of purchasing power, compared to slowing growth in mature markets. What are your views on this?

Executive Director of a University, Melbourne, Australia - 'Most emerging markets that we focus on are experiencing rapid growth in their economies. The citizens also have increasing purchasing power so can afford to purchase those items that are taken for granted in mature markets. Another advantage in emerging markets is the opportunity build business and sales more quickly, increase diversity of the customer base and expand the network of resource available.'

Vice President Design and Development at a transaction technology solutions provider, Gurgaon, India – 'The purchasing power of people in emerging markets is most certainly growing, but still, the market is very volatile and not easy to penetrate. Because individual buying is graduating from one economy level to another, it is more sophisticated; the days of IOUs are gone - you now pay before you buy - so it's also a challenge to compete for this share of increased purchasing power.'

4.2 Hiring local management expertise came in as the most important strategy to being successful in emerging markets. How do you feel about this?

Executive Director of a University, Melbourne, Australia - 'I totally agree that hiring local management expertise is an important for success in emerging markets. This is because in business it is critical to have an understanding of the local conditions, market intelligence and operating environment. This understanding helps to ensure that a foreign company can navigate the regulatory system more effectively as well as make more informed decisions about effective approaches to operations, marketing, distribution strategies etc.'

Vice President Design and Development at a transaction technology solutions provider, Gurgaon, India – ‘It is extremely important to localise certain parts of the business, which can’t be done effectively from a global sector perspective. Local management expertise is one such area vital in the success of an emerging market investment. Different factors appeal to different markets; what works in the US may not work well in India. Local management expertise facilitates a thorough grasp on the local culture, work ethic, trends and market opportunities and how to work effectively with the local workforce.’

4.3 From the research we see that China came out on top with regards to economic stability, workforce, transport and communications infrastructure, but despite this, India stands as the top region where organisations have invested or plan to invest in the next year. Why do you think India is such a popular choice?

Executive Director of a University in Melbourne, Australia - ‘India is a popular choice because of the market potential and because of the widespread use of English.’

Vice President Design and Development at a transaction technology solutions provider, Gurgaon, India – ‘Today, India is a more democratic society than China, but six or seven years ago, the opposite was true. China still has a very limited outlook on foreign investment, whereas India has a very open attitude backed up by suitable policies. I think, looking ahead, more and more global companies will take advantage of India’s popularity as an emerging market.’

4.4 The results indicate that Africa is a popular emerging market destination despite being rated low in terms of political and economic stability and transport and communications infrastructure. Why do you think this is?

Executive Director of a University, Melbourne, Australia - ‘Perhaps it is because of Africa’s resources base (mining) and because some companies are strategically interested in diversity.’

Vice President Design and Development at a transaction technology solutions provider, Gurgaon, India – ‘As a continent that is rich in natural resources and has a highly cost-effective labour base, prospective investors look at what is missing in the African market and then identify how their offering can meet that gap, also considering the negative factors. Things like language and custom barriers, poor infrastructure or lack of skills, can all be addressed by prospective investors. It may be more profitable in the long run to address these issues than trying to continue sales in existing, saturated markets.’

4.5 What do you see as the most important factors when investing in an emerging market?

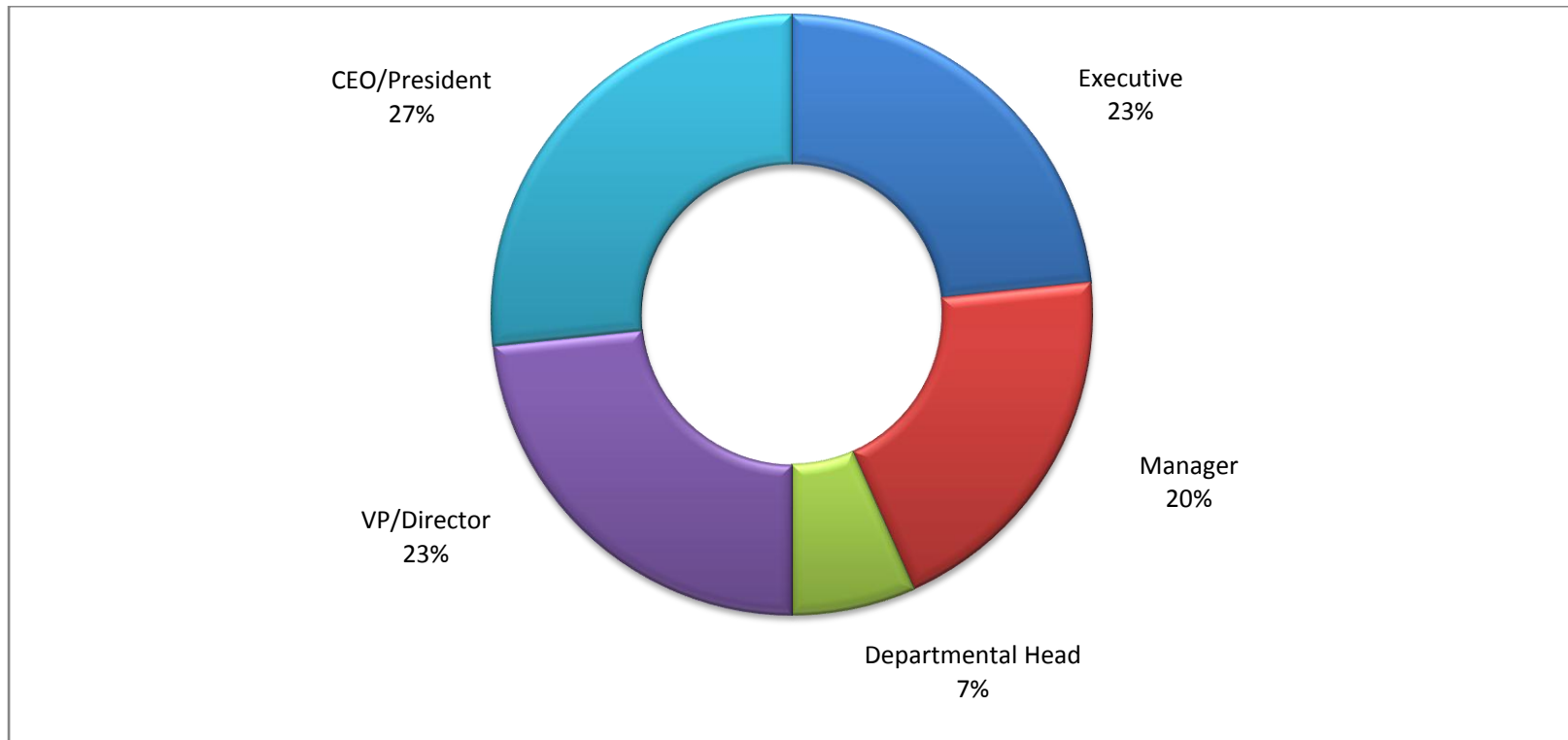
Executive Director of a University, Melbourne, Australia - 'The most important factors are:

- i) the **company's internal capacity/capability** for developing a coherent international strategy and ability to set up business operations in-country
- ii) **market potential** for the product or service
- iii) being able to develop **relationships** with influencers in the emerging market'

Vice President Design and Development at a transaction technology solutions provider, Gurgaon, India – 'The key factor, I would say, would be the marketing strategy. It all comes down to thorough research and preparation, immersing yourself in the local market place to determine strengths, weaknesses, opportunities and threats, the culture, the people, the governmental policies and logistics, the infrastructure and much more.'

5. How the research was conducted

The research was conducted online by Spectrum Consulting with senior executives in the USA, Europe, Africa and Asia Pacific. Participants included presidents, CEOs, directors, VPs, departmental heads, executives and managers. In all, 31 respondents contributed to the findings of the survey.



6. About McKinney Rogers

McKinney Rogers is a global business consultancy, with operations in Europe, Africa, Asia and the US.

In partnering with its clients, McKinney Rogers strives to continually add value, by focusing on driving business performance and delivering sustainable growth year on year. Its Business Performance Solution takes business from strategy to execution through the rigor of robust processes and behaviors.

The Mission Planning process formalizes a thorough assessment of the landscape to develop strategy, whether this is competitor, political or environmental. Innovation and creativity is the key to broadening this approach through the use of breakthrough thinking.

Initially, the focus is on delivering the business strategy through coaching and the embedding of High Performance Team behaviors. The issues that the High Performing Team programs address include lack of alignment, accountability, timely performance evaluation and adaptive decision-making.

Mission Leadership® was introduced to drive accountability through an organization. The result is rapid alignment to the vision, goal and strategies, together with increased prioritization and focus.

The Mission Analysis® process provides a simple tool to ensure that the 'Mission Leader', accountable for the delivery of each initiative, is able to achieve 100% clarity over the mission and test alignment with the organization as well as interdependencies. The Operational Rehearsal gives companies the opportunity to test their strategy against the competition in 'real time' to refine and hone their plans and ensure they will deliver to target

The final performance driver is the Mission Leadership Dashboard®, which can be used as a 'performance promise' to drive the business, set the agenda and form the basis of performance discussions.

<http://www.mckinneyrogers.com>

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