

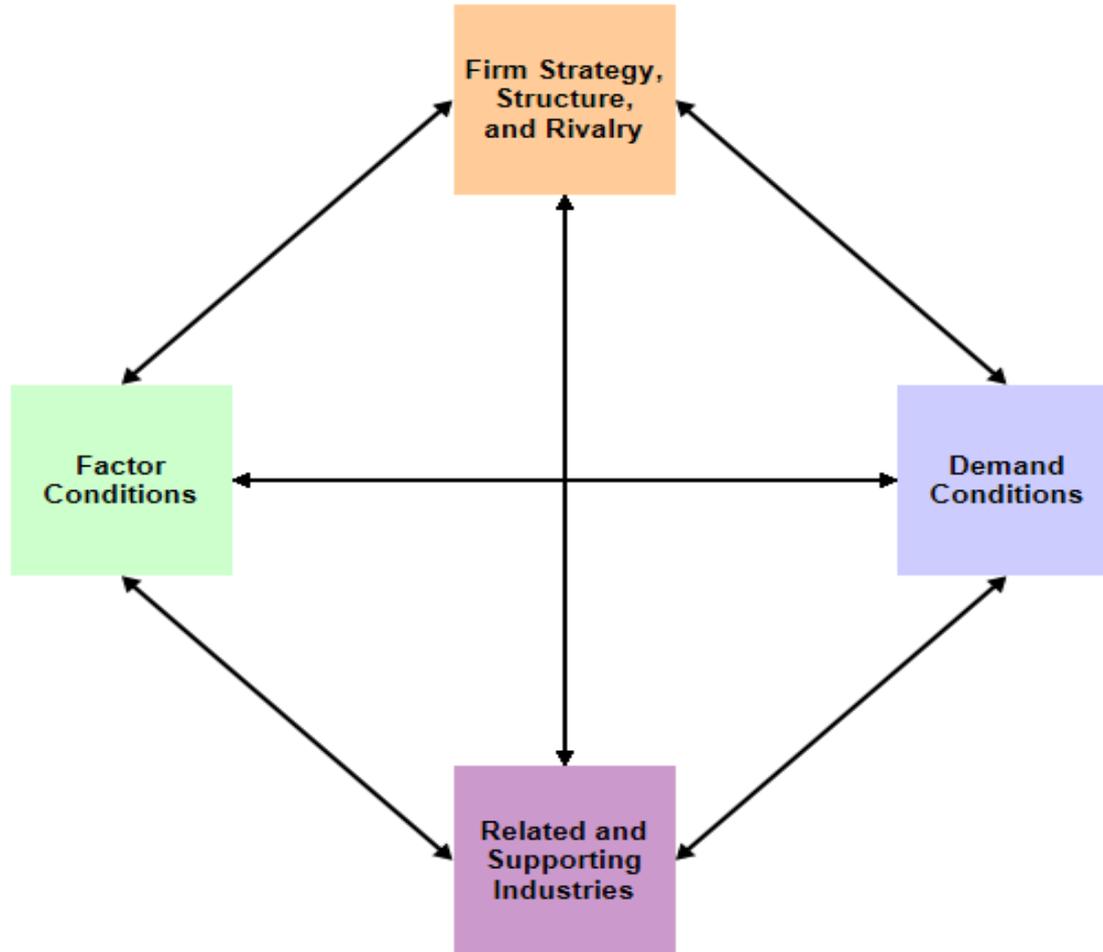
Leadership in Emerging Countries

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BE HEARD.
BE RECOGNISED.



Porter's Diamond of National Advantage



1.FACTOR CONDITIONS

- A country creates its own important factors such as skilled resources and technological base
- The stock of factors at a given time is less important than the extent that they are upgraded or deployed
- Local disadvantages in factors of production force innovation. Adverse conditions such as labour shortages of scarce raw materials force firms to develop new methods, and this innovation often leads to a national comparative advantage

WHAT DOES THIS MEAN FOR LEADERSHIP?

“Leaders often complain of shortages, mismatched skillsets or the constant demands of a restless workforce seeking greater pay and greater say.” (Professor Rao, INSEAD)

- Business leaders in emerging markets must have the interests of the local economy at heart.
- Training, development and upskilling talent is the responsibility of **everyone** including the individual – government, education, professional bodies and organisations
- As investment-led growth now dries up, leaders in the emerging world are looking to grow and lead organisations based on productivity, innovation and best practices (Professor Rao, INSEAD)

“It is increasingly apparent that talent will be one of the scarcest resources, with the developed world competing for this finite supply of human capital.” (PwC)

According to the American Chamber of Commerce in Shanghai’s 2010 survey, foreign enterprises list “developing a leadership pipeline” as the number one strategic business challenge in the next three to five years. This was followed by challenges such as increasing market share and product and service innovations.

2. DEMAND CONDITIONS

- When the market for a particular product is larger locally than in foreign markets, the local firms devote more attention to that product than do foreign firms, leading to a competitive advantage when the local firms begin exporting the product
- A more demanding local market leads to a national advantage
- A strong, trend-setting local market helps local firms anticipate global trends

WHAT DOES THIS MEAN FOR LEADERSHIP?

- Leaders need to not only be innovative but develop an innovative culture
- What is unique to PNG?
- What is PNG's competitive advantage?
- As leaders, we have to keep thinking about how we 'ignite' the PNG edge – we can create new ideas and sell them to the world.

3. RELATED AND SUPPORTED INDUSTRIES

- When local supporting industries are competitive, firms enjoy more cost effective and innovative inputs
- This effect is strengthened when the suppliers themselves are strong global competitors

WHAT DOES THIS MEAN FOR LEADERSHIP?

- Creating the right conditions for supporting industries to thrive
- Goes back to what is your competitive advantage and how do you leverage that?

4. FIRST STRATEGY, STRUCTURE AND RIVALRY

- Local conditions affect firm strategy. For example, German companies tend to be hierarchical. Italian companies tend to be smaller and are run more like extended families. Such strategy and structure helps to determine in which types of industries a nation's firms will excel.
- Low rivalry makes an industry attractive. While at a single point in time a firm prefers less rivalry, over the long run more local rivalry is better since it puts pressure on firms to innovate and improve. In fact, high local rivalry results in less global rivalry
- Local rivalry forces firms to move beyond basic advantages that the home country may enjoy, such as low factor costs

WHAT DOES THIS MEAN FOR LEADERSHIP?

- “Culture eats strategy for breakfast” (Drucker, P)
- Increasing productivity
- Driving a competitive business environment

GOVERNMENT'S ROLE

- Encourage companies to raise their performance, for example by enforcing strict product standards
- Stimulate early demand for advanced products
- Focus on specialized factor creation
- Stimulate local rivalry by limiting direct cooperation and enforcing antitrust regulations

APPLICATION TO THE JAPANESE FAX MACHINE INDUSTRY

- Japanese factor conditions: Japan has a relatively high number of electrical engineers per capita
- Japanese demand conditions: The Japanese market was very demanding because of the written language
- Large number of related and supporting industries with good technology, for example, good miniaturized components since there is less space in Japan
- Domestic rivalry in the Japanese fax machine industry pushed innovation and resulted in rapid cost reductions
- Government support – NTT (the state-owned telecom company) changed its cumbersome approval requirements for each installation to a more general type approval

CONCLUSIONS

Only companies themselves can achieve and sustain competitive advantage.

- In particular, they must recognize the central role of innovation—and the uncomfortable truth that innovation grows out of pressure and challenge.
- It takes leadership to create a dynamic, challenging environment.
- It takes leadership to recognize the all-too-easy escape routes that appear to offer a path to competitive advantage, but are actually short-cuts to failure.

“Competitive advantage arises from leadership that harnesses and amplifies the forces in the diamond to promote innovation and upgrading.” (HBR, 2015)

- Today’s competitive realities demand leadership
- Leaders believe in change
- they energize their organizations to innovate continuously
- they recognize the importance of their home country as integral to their competitive success and work to upgrade it
- Most important, leaders recognize the need for pressure and challenge. Because they are willing to encourage appropriate—and painful—government policies and regulations, they often earn the title “statesmen,” although few see themselves that way.
- They are prepared to sacrifice the easy life for difficulty and, ultimately, sustained competitive advantage. That must be the goal, for both nations and companies: not just surviving, but achieving international competitiveness.

Questions?

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