

Emerging Market Leadership

2015 could prove to be challenging year for General Managers in emerging markets

Worries about instability and global growth forecasts will likely test the mettle of business leaders in developing countries

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This coming year looks to be a tough one for many markets around the globe. Although GDP growth should be respectable this year for the US market, the IMF has revised its figures downward for Japan and EU countries. Emerging market economies like China and Russia tell a similar story, albeit based on different local conditions: market overreach now has China posting its lowest growth rates in a quarter-century and economic sanctions have crippled the Russian economy. At the other end of the globe, Argentina battles with inflation rates at 40%. Business managers in markets that were meant to drive global demand and economic expansion must come to terms with the reality of „follower economy“ status. They must work with their teams to find smart ways to generate new demand in developed markets and succeed in a global economy this is still partially overheated and still needs to deleverage.

Guidance during times of instability

A positive contribution that business leaders in emerging markets can make to their business is to keep calm and avoid causing economic panic. In recent months

the concerns of financial institutions in developed markets about their exposure in emerging markets has led to noticeable weakening of many global currencies. We see this in parts of Eastern Europe, in South America and elsewhere. Moreover, the [Institute of International Finance](#) reported this month that capital inflows into emerging markets will fall again this year for the second time in a row. This is apparently fuelled by investors' worries over when the US Fed will raise interest rates along with political conflicts in parts of the world and fluctuating oil prices. All this uncertainty puts a new set of pressures on GMs in emerging countries, who increasingly have to do business while working with a broader set of unknowns. Essentially, the key skill set that GMs in emerging markets have to continue to develop and refine, more than any time in the past, is contingency planning. For many of them 2015 will likely be the year of strategic hedging against exchange rate/currency losses, smart HR planning that includes doing more with smaller teams and new technologies and planning stable operations in politically volatile business environments. Watch out for shifts in tax structures, change in interest rate policies and further slowdown in BRIC country markets.

The digital factor

Technology is one factor that can help GMs smooth out some of the bumps in the ride for this year's global business cycle. Increasingly, mobile devices and broader internet connectivity have helped businesses meet the challenges of doing business in less-developed markets. Similarly, access to cloud-based computing solutions also provides more flexibility than classic office environments and cost less than investment in classic HW infrastructure. Focusing on digital/mobile schemes can benefit businesses in emerging markets in areas ranging from cost reduction (office space rental, SW licensing, paper supplies, etc.) to new market access (mobile sales apps, text message marketing and e-shop/online business models).

Focus on supply chain management

Commentary from business leaders working out of Africa suggests that supply chain planning will be even more critical to success in emerging markets during 2015. The global economy, emerging markets included, increasingly faces cycles of positive disruption. We see the technologies mentioned above rapidly changing models for how businesses engage with consumers, how GMs manage their employees and how management teams plan for growth and avoiding risk. Seasoned GMs also point out that companies can benefit greatly from year-end reviews. As many of us start to roll out our business projects for 2015, it is important to look back and map key events that can help the business plan for possible contingencies. In standard business activity this may include anything from fuel price cost mapping (to plan shipping models) to monitoring sales trends and spikes (so as to plan for better staffing and marketing campaigns). Also, in line with supply chain planning, it is also wise for businesses and their leaders to think forward and anticipate potential market shocks: both economic and/or regulatory in nature. For example, if you know the market in which you operate will see elections in the coming year, why not plan for all possible business regulatory scenarios your business might face. The best way to survive revamped tax structures, interest rate hikes, etc. is being prepared that they might become reality.

Succession planning in environments captive to global politics

As mentioned above, one thing this year will likely teach a lot of us, particularly business leaders in developing markets, is to plan for *all* possibilities. Most of us running businesses in these markets are well versed in planning for shifting regulatory environments for business, for inflationary shocks and shortages of goods. However, the increasingly tense atmosphere in global geopolitics has made a great number of business leaders concerned about what to expect in 2015.

Take the findings of [PwC's CEO survey](#) for this year, recently presented at the World Economic Forum in Davos: Russian CEOs, for example, went from being the most confident in their economic outlook for 2014 to being least positive this year. This demonstrates how the specifics of regional economic struggles and political conflicts can impact business. It also underscores why business leaders need to have clearly-defined succession strategies for cases when management teams might need to change quickly, i.e. for reasons of conflict, decisions to return to home offices, unexpected family problems, etc. If 2015 appears to be a year of the unknown, then businesses need to know: who steps up to lead in case a GM has to leave, what does the central office/advisory board do in such situations, which managers move to fill vacancies for colleagues that have been promoted. These are just a few aspects of succession planning that companies need to look at in constantly evolving regional economies.

2015 looks to be a challenging year for businesses around the globe. However, if you plan well and accept the new reality of having to work with sluggish growth and market volatility, good strategic planning should get you through relatively unscathed.

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