

Economic development in a Rubik's Cube world

How to turn global trends into local prosperity

The world is currently changing at a more rapid pace than ever before, driven by six "megatrends:" technological progress, globalization, the new consumer, population trends, political uncertainty and the corporate social responsibility imperative. These trends are forcing companies to innovate and refine their fundamental business models. Investment promotion agencies and economic development organizations must not only deal with all those changes, but also with more intense competition. To do so, they need to understand their clients, their environment and their competitors, and to respond effectively.

Investment promotion agencies (IPAs) and economic development organizations (EDOs) around the world are entering an important era for their strategic direction, with more and more locations competing for mobile investment projects. For IPAs and EDOs, the first key challenge is to understand how the world is changing and the powerful forces at work.

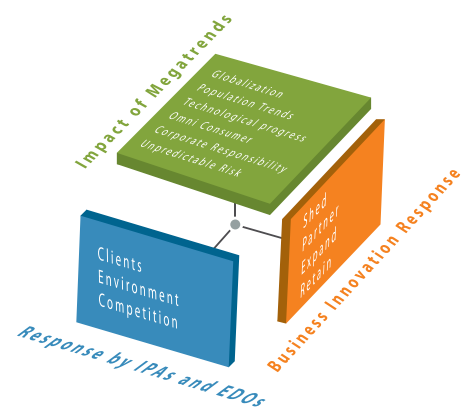
These forces or megatrends, the first dimension of the Rubik's Cube, are shaping the world of 2020. These include globalization and population changes, which are altering the geographic possibilities and priorities of the private sector. They include

technological progress and the rise of the new consumer, which are altering the rules of the market, creating new sectors and activities and resetting the weighing scales of market power. They also include unpredictable risks, such as political uncertainty and terrorism, and the corporate social responsibility imperative, no longer an optional extra, but a key component of corporate strategy.

These forces are driving the business innovation response, the second dimension of the Rubik's Cube world. Businesses are affected directly by the megatrends as they are being forced to innovate and refine their fundamental

business models by rearranging their activities, shedding and partnering where appropriate, expanding into new activities and reorganizing core activities. This business model innovation has led to a focus on core competencies that create value for the firm, outsourcing of non-core activities, and adding to core competencies either internally, for example, through innovation and R&D, or externally through mergers and acquisitions (M&As).

Megatrends, business innovation and the IPA/EDO response.



Source: IBM Institute for Business Value.



IPAs and EDOs must respond to the challenge

As the business world of the future is being shaped, so too are the winners among IPAs and EDOs, the third dimension of the Rubik's Cube. As they face into the world of 2020, the challenge for IPAs and EDOs is the challenge of the Rubik's Cube: understanding the relationship between the different sides and getting all the pieces to work together. Economic development in a Rubik's Cube world requires IPAs and EDOs to understand and respond effectively to three aspects of their business: their clients, their environment and their competition, in order to turn these global trends into local prosperity.

1. Understand your clients

- Consider widening your focus to include firms of all sizes
- Respond to the rise of outsourcing
- Take an active role in helping firms form partnerships
- Form partnerships of your own.

2. Understand your environment

- First and foremost, don't lose sight of the main markets
- Win your share of projects coming from new and emerging sources
- Adapt your strategy to capitalize on the changes in the sectoral distribution and the mix of activities that make up foreign direct investment.

3. Understand your competition

- Stay alert in a world where competition for projects is more intense
- Benchmark the criteria by which you are being measured
- Leverage the new priorities in location decisions
- Rise to the opportunity and challenge presented by technology.

The winners in the world of 2020 will not be the most knowledgeable IPAs and EDOs, rather they will be the best at execution.

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