

A new era

Global production of motor vehicles, passenger and commercial, touched 69.21 million units in 2006 -- an increase of 4.1 per cent over the previous year. The largest producer is the Asia-Pacific (including Japan, Korea and Australia), which accounted for almost 41 per cent of the production, followed by Europe, including CIS (31 per cent), North America (20 per cent) and Latin America (7.6 per cent).

Asia is rapidly emerging as a global auto production centre. The bulk of global production growth in recent times has come from Asia, especially China, while the share of North America and the European Union has gradually fallen.

In China, production has accelerated after exceeding 2 million units in 2000, reaching a record 7.2 million units in 2006. China now ranks third among vehicle producing countries. At the projected production of 10 million in 2010, it will be comparable with Japan. Leaving out Japan and Korea, India has emerged the second biggest contributor to Asian production growth after China. India's vehicle production has accelerated since 2003, approaching 2 million in 2006, and is estimated to touch 3 million by 2015. Thailand comes third. After recovering from the 1997 currency crisis, it has increased its production almost eight-fold from 159,000 in 1998 to 1.3 million in 2006 and is striving for 2.25 million, including 920,000 in annual exports, by 2015. Compared with China and India, Thailand has a tiny domestic market but its exports are expanding. As such, it is the biggest beneficiary of the increasing free-trade agreements in the region. China and India, on the other hand, are overwhelmingly focused on the domestic market while their exports are still small.

Technology

page 28

Managing in the new communication era

Information and Communication Technology (ICT) is like the "fire in the cave" which is an enabler to give light, provide warmth and cook the food. Use it well and it can harness great powers for management and use it wrongly, it can create havoc and damage. So what is management in this context? Simply put, it is about making things happen and achieving planned outcomes. Thus, every one of us is a 'manager' as we have to manage time, resources, tasks, relationships and ourselves to achieve outcomes. Hence we are constantly performing the managerial functions of planning, organising, leading, co-ordinating and controlling in our daily activities and work tasks. Now, marry those managerial functions with the technological advances we have at our fingertips and we have accelerated management capability to get results quicker. Think of the possibilities that have been explored with the deluge of computers and handheld PDAs as well as phones that have become a norm in our lives. Those who does not have a hand phone, please put up your hand? Most people would have one or even two. How do you feel if you realise that you have left your hand phone or PDA voice phone at home? Uneasy isn't it? Technology has certainly affected us. All these technological advancements and innovations have certainly affected the way we live, work and play.

research & development

page 34

Building knowledge networks

The corporate world is now on the cusp of a new era: the globalisation of innovation. This can release huge value for a firm's R&D output in terms of its cost, speed and relevance to the market. But many companies over-depend on well-established sites in their home countries to

develop new products and concepts that are then rolled out to regional centres to be adapted to local markets.

Others rely on semi-autonomous entities across the world, which focus on innovations for their own markets with little communication and collaboration across the whole network. Too many companies fail to draw value from their R&D network in terms of efficiency, opportunity and competitive advantage. The extent of the globalisation of innovation was revealed by INSEAD's 2006 survey, *Innovation: is global the way forward?*, which looked at 186 global companies with a combined R&D spend in 2004 of \$76.4 billion.

It showed that in 1972 less than half of all R&D sites were located outside companies' home countries. Almost 30 years later, this figure had jumped to more than two thirds. More importantly, over time, the reasons why companies establish innovation sites have changed. It used to be important for R&D to be located close to manufacturing sites, but as production has become more codified and digitalised, the need for proximity has declined. Now a much more important driver of location is the need to access large, fast growing and demanding consumer markets, such as Brazil or China.

Spotlight
page 50

The thinkers of the world

The 50 most influential management gurus in an increasingly globalising business community. How have they influenced managerial decision-making across the world?

Who is the world's most influential living management thinker? That was the simple question that inspired the original Thinkers 50 in 2001. The result was the first ever global ranking of business gurus. So what do the 2007 rankings show? Who are the most influential management thinkers in an increasingly global business world? And who, among them, is the number one? In 2005, Harvard heavyweight Michael Porter inherited the crown from the late great Peter Drucker. But would he keep his place at the top in this year's Thinkers 50? Now we know.

The second part of the story has an interview with Richard D Aveni, named as one of the world's top 50 business gurus in the Thinkers 50. He is the Professor of Strategic Management at the Tuck School of Business at Dartmouth College. Winner of the prestigious A T Kearney Award for his research, he is credited with creating a new paradigm in the field of strategic management based on temporary advantages — using rapid manoeuvring rather than defensive barriers.

Special Report
page 62

Globalising the brand: Looking beyond lower costs

While many multinational firms are choosing to outsource services and production to Asia, one company says it's looking beyond lowering costs and is aiming to 'globalise its corporate brand,' by developing a major research and development (R&D) base in India.

Look closely at the top 100 Global Brands, according to Interbrand and BusinessWeek, and you'll see many European and North American favorites that have given great products or services over many years. What you won't see on that list are many Asian firms, apart from some notable companies in Japan and South Korea.

Why, in a burgeoning region that's brand-crazy, have very few homegrown favorites earned world-class recognition? What will it take for Asian companies to rise to the level of global superstar?

An exclusive two-part package on building brands out of Asia with a case study on how the US-based Cisco built its brand across the globe.

Managing
page 72

Money changes everything

To the shareholder he is a saviour, to the business press a warlord. To most economists, however, the CEO of the large business is Homo economicus, the economic man envisioned by classical economics theory, a ruthlessly rational calculating machine geared to perceive what is in the interests of the firm and how to achieve it at least cost.

So much for theory. In few places is the myth of the rational economic man more mythic than the executive suite. We've made decision-making into a science, yet CEOs seem scarcely rational when making the tough calls involving economics.

Consider some of the familiar conundrums from the world of big business. According to the tenets of classical economics, top managers of large companies with multiple divisions should be acting as investors, evaluating business opportunities within the company and shifting capital among business units in order to fund the best opportunities.

Why do executives presumed to be professional optimisers goof so often, and so expensively, in making decisions of economic import?

retailing
page 80

Men buy, women shop

Women are happy to meander through sprawling clothing and accessory collections or detour through the shoe department. They like to glide up glass escalators past a grand piano, or spray a perfume sample on themselves on their way to, maybe, making a purchase. For men, shopping is a mission. They are out to buy a targeted item and flee the store as quickly as possible, according to new Wharton research. Men are more likely to respond to more utilitarian aspects of the experience — such as the availability of parking, whether the item they came for is in stock, and the length of the checkout line.

“Women tend to be more invested in the shopping experience on many dimensions,” says Robert Price, chief marketing officer at CVS Caremark and a member of the Baker advisory board. When it comes to shopping, women, the sexes have different priorities when walking down the aisles.