Where the action is

The transformation of the world's emerging markets, one of the most dramatic economic stories in recent history, is happening astonishingly fast. Thirty years ago, many multinationals viewed emerging markets as little more than a hobby. Then they went through a phase where, slowly but surely, emerging markets started reaching critical scale with growth double and triple that of "home" growth. What is true now—and still not understood by several companies—is that emerging markets are as profitable, in some cases more profitable, than the traditional engines of the US and Europe. In fact, a select group of companies reap profits that are as much as 40 percent higher in emerging markets.

Given the potential, a big question for consumer products executives is this: Is your global company organized to take full advantage of this rapid change? Or are you still managing emerging markets based on the old "colonial" approach, grouping them based on geographic proximity? In a marketplace where understanding local differences defines success, it makes little sense to cluster Europe (with its three distinct regions), the Middle East and Asia (including mature Australia) together, as many companies do. Instead, winners should organize around common traits. For example, they may link Brazil, China and India. That approach makes it much easier to transfer knowledge and best practices learned in one market to another market where it would be relevant.

Also, given the importance of these markets to your company's future, do you have your most talented people running emerging markets? Getting it right can be the difference between winning—or ceding the world's largest consumer markets to competitors. –*Vijay Vishwanath*

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