



How Nations Can Cultivate Beyond-Great Companies

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By attracting leading-edge organizations and helping them grow, governments can develop economies that thrive in an era of geopolitical, technological, and social change.

Just as geopolitical, technological, and social change is radically transforming the competitive landscape for business, it's also altering the economic competition among nations. As a result, governments must adapt their development strategies

and reinvent themselves to be agile and responsive to the ever-changing global environment.

The **new globalization era** is characterized by rising economic nationalism, the digital integration of the world's people and businesses, and changing societal demands. As a result, leading-edge companies are moving past 20th century definitions of “great” performance—with their focus on massive physical scale and consistently strong returns to shareholders—and are adopting a new playbook to build sustainable competitive advantage that is described in the Boston Consulting Group book *Beyond Great*.

One of the best ways for nations to drive this transformation, we believe, is to attract and nurture Beyond-Great companies. These **new global enterprises** have realized that to succeed over the long run, they must be more responsive to the needs of *all* stakeholders, including customers, employees, local communities, governments, and the natural environment. They are also securing competitive advantage by developing strategies and business models that are agile and asset-light and are offering customized solutions to borderless communities of digitally connected customers. And they're building organizations with a new understanding of what it means to be “global” and “local” and are forming flexible ecosystems of partners that can accelerate innovation and adapt to sudden change.

HOW BEYOND-GREAT COMPANIES CAN BOOST DEVELOPMENT

Beyond-Great companies can provide global platforms that can move developing economies past increasingly outdated models, such as a heavy reliance on low-skill manufacturing exports, to **new strategies for generating jobs** that can enable people to succeed in the evolving global landscape and can deliver more inclusive prosperity. Beyond-Great companies can help the **public sector** promote digitally enabled services, nurture local expertise, enable small and midsize enterprises to participate in global value chains, and digitally empower the self-employed.

BCG research has found that **Beyond-Great companies** grow significantly faster and create more shareholder value than others. In addition, they can generate

socioeconomic impacts by providing high-skill jobs, stimulating the growth of supplier networks, collaborating with research and academic institutions, and engaging deeply with local communities. And because Beyond-Great companies deliver outstanding benefits to all stakeholders—not just their investors—they can help nations in which they operate develop customized solutions that address the toughest challenges in those countries, such as expanding access to health care and education, facilitating mobility, and fostering financial inclusion.

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How to attract and build such companies? The book *Beyond Great* details nine strategies that leading-edge companies are deploying to thrive in an era of social tension, economic nationalism, and technological revolution. We have identified a set of policy approaches governments can implement that align with, and help enable, each of these strategies. (See “Nine Government Strategies for Nurturing Beyond-Great Companies.”)

NINE GOVERNMENT STRATEGIES FOR NURTURING BEYOND-GREAT COMPANIES

The book *Beyond Great: Nine Strategies for Thriving in an Era of Social Tension, Economic Nationalism, and Technological Revolution* describes strategies that leading-edge companies are pursuing to use the disruptive forces transforming the global business landscape to their advantage.

Nations can likewise thrive in this new global era by developing policies that help attract and build Beyond-Great companies. The accompanying exhibit offers ways in which governments can implement measures that

align with the nine Beyond-Great strategies, which fall into three categories we call “growing beyond,” “operating beyond,” and “organizing beyond.”

How Governments Can Help Companies Embrace the Nine Beyond-Great Strategies



Growing beyond

- 1. Do good, grow beyond**
 - Offer green incentives and levy eco taxes
 - Partner with the private sector to achieve common goals of sustainability

- 2. Stream it, don't ship it**
 - Regulate data protection and ensure last-mile connectivity for digital customers

- 3. Refine your global game**
 - Foster an open and attractive business environment
 - Increase competitive advantage regionally and internationally
 - Help local companies globalize



Operating beyond

- 4. Engineer an ecosystem**
 - Build on existing industries and attract companies across the supply chain
 - Develop an infrastructure that will enable digital ecosystems to thrive

- 5. Flex how you make it**
 - Implement programs to promote the adoption of Industry 4.0
 - Create centers of excellence to support emerging tech companies

- 6. Let the data run through it**
 - Promote domestic R&D in Internet of Things, artificial intelligence, etc.
 - Cultivate trust among users through strong privacy and IP protection



Organizing beyond

- 7. Get focused, fast, and flat**
 - Award grants to organizations, especially small and midsize enterprises, to promote digitization
 - Form a partnership system to help establish agile companies

- 8. Thrive with talent**
 - Recruit employees globally
 - Introduce upskilling and reskilling programs to prepare staff
 - Launch initiatives to develop the local workforce in the long term

- 9. Embrace “always on” transformation**
 - Attract agents of change, such as private equity, venture capital, and sovereign wealth funds

Sources: Adapted from Arindam Bhattacharya, Nikolaus Lang, and Jim Hemerling. *Beyond Great: Nine Strategies for Thriving in an Era of Social Tension, Economic Nationalism, and Technological Revolution*. New York: Public Affairs Books, 2020; BCG analysis.

In this article, we address two of the nine: “refine your global game” and “thrive with talent.”

HOW NATIONS CAN REFINE THEIR GLOBAL GAME

Companies are as eager as ever to capture growth opportunities around the world. But compared with the heyday of globalization in the late 20th century, they are becoming more selective about which markets to enter—and are more deeply engaged in those where they compete.

Just as Beyond-Great companies are refining their global game, so must governments. Nations should consider the following strategies to attract and build such enterprises.

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Build a competitive foundation. In a world where businesses must navigate mounting volatility, a sound and stable domestic economy is a valuable competitive advantage. Nations must not only take care of the basics—such as financial stability, predictable and transparent regulatory systems, and low taxes—but also develop a foundation conducive to companies that increasingly transact **international business** through digital platforms and fast-evolving ecosystems of partners and innovators. Flexible labor policies, and procedures that make it easy to set up, operate, and unwind businesses, will become more important. In addition to “hard” infrastructure, such as world-class data communications networks and transportation facilities, governments should invest in “soft” infrastructure, such as digitized customs procedures, to reduce friction and transaction costs.

Proactively compete for companies and their value chains. Pandemic-related supply disruptions and shifts in **international trade flows** are prompting companies to make their **global supply chains** more resilient by diversifying their manufacturing and sourcing footprints. Governments should more actively compete for investment from Beyond-Great companies, which can serve as anchors for developing complete, self-supporting industrial clusters, and integrate them into global value chains.

Adopt a more strategic approach to new trade agreements. Many Beyond-Great companies are developing regional supply chains. Therefore, they want to operate in nations that are well integrated with their neighbors. Although progress in grand new international trade agreements has stalled, governments could continue to seek freer trade and investment rules with key global markets and regional partners. The US-Mexico-Canada Agreement, the Regional Comprehensive

Economic Partnership in Asia, and the Africa Continental Free Trade Area agreement are recent examples. Governments should also work through regional trade groups to accelerate efforts to harmonize regulations.

Facilitate cross-border data flows. Accelerating connectivity is making digital trade as important as physical trade. Beyond-Great companies are increasingly deploying “**servitization**” business models—delivering digitally enabled solutions, rather than just physical goods, to borderless markets of consumers and businesses. Ensuring that data can easily, but securely, cross borders is becoming vital to economic competitiveness and nurturing Beyond-Great companies. Governments should implement clear digital frameworks that support data movement across borders as well as regulations that safeguard data, intellectual capital, and consumers’ privacy.

Provide smart financial support to promising companies. To sharpen the competitiveness of strategic industries, many governments are increasing direct support to businesses, including direct equity stakes and subsidies. BCG research, however, has found that companies receiving government support tend to underperform unless such intervention is well executed and part of a broader economic development approach. For these enterprises to succeed, it is particularly important that nations have an “**investor mindset**.” Governments can help organizations with Beyond-Great potential increase their scale and capabilities by encouraging mergers and acquisitions, providing export financing, and serving as liaisons to other governments in promising markets.

When helping particular companies, governments must take care not to create market distortions and inhibit competition, which could ultimately stifle innovation and the development of more dynamic new businesses. Countries can reduce moral hazard by specifying clear obligations and time limits for any company support and regularly monitoring the progress of recipients. The overarching objective must be to ensure that organizations become stronger competitors. Governments must be willing to exit investments that underperform. Support programs should also be agile enough to respond quickly to new opportunities and threats.

THRIVING WITH TALENT

Talent is crucial to the business models and competitive advantage of Beyond-Great companies. But these organizations' needs and skills profiles are different than they were under the "old globalization." The search is becoming less about finding pools of specialized technical capabilities that can deliver on a clear and predictable job, and more about finding people who have the motivation, grit, skills, and competencies to succeed in the future of work.

Beyond-Great companies are seeking employees who have a digital mindset and can collaborate well across silos and in dispersed teams to develop and deliver creative solutions for global customers. They need people who feel comfortable with agile processes—whether they work in offices, factories, R&D labs, medical clinics, or their own homes.

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As more work occurs remotely in the wake of COVID-19, Beyond-Great companies will also look for talent beyond national boundaries, the locations of their operations, and their own direct employ. Their digital ecosystems will increasingly include freelancers, experts, entrepreneurs, and ad hoc partnerships with suppliers and research laboratories. Organizations are reconsidering whether it is better to “own” talent through direct employment or “rent” it. Businesses are also recruiting employees in new ways, such as through platforms like Toptal and Tongal that provide highly skilled workers on demand.

The expectations of employees are changing as well. In the past, when workers had to be physically close to their employers and everyone worked full-time, companies didn't need to understand the specific requirements of their staff and could offer standard compensation packages. The new generation of global talent looks for continual learning opportunities, wants to develop multiple skills that go beyond industry-specific expertise, and desires purposeful work, such as jobs that help protect the environment and advance social equity. Today's younger workforce also cares about flexibility, well-being, and work-life balance.

HOW GOVERNMENTS CAN ADDRESS THE TALENT CHALLENGE

Most nations don't have a sufficient supply of the kind of talent that leading-edge companies want, and various studies point to far larger skills gaps in the years ahead. Given this lack of readiness for the future of work, governments must play a major role in tackling the strategic challenges of enabling companies to identify, source, develop, and retain talent.

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Governments should take the following actions:

- **Identify priority sectors, jobs, and skills.** The first step is for governments to conduct human capital planning at the national level, starting with determining the main economic sectors to prioritize and expand in line with the country's visions and ambitions. Government leaders should then work with the private sector and leading-edge companies to assess the availability and quality of local talent to meet future demand.

- **Develop talent at a national scale.** Given the staffing needs of companies, governments should support retraining, upskilling, and lifelong-learning programs that enable their citizens and residents to reap the benefits—rather than become casualties—of digital transformation and growing automation. Adults will need to continually acquire new skills throughout their careers to keep pace with rapid change. India, which within four years will have the world’s biggest population of working-age people (870 million), is tackling this challenge with its FutureSkills initiative. Its goal is to train 4 million people in emerging technologies by 2025. Singapore has a program called SkillsFuture that offers lifelong learning “for every Singaporean, every job, every stage of life.” It gives each adult a credit of around \$370 for education.
- **Attract the necessary global employees.** To help Beyond-Great companies recruit top talent from abroad, governments need to develop the right incentives and regulations to support the future of work. Immigration policies should make it easy for international talent to arrive and stay. For example, the H-1B visa program, under which three-year visas are granted to skilled foreign workers hired by domestic companies, has helped make the US a magnet for top-flight international students, innovators, and entrepreneurs. Governments should also consider easing visa restrictions for freelancers, as Germany and Spain are doing in such fields as engineering, architecture, and the arts.
- **Retain the best international talent.** Governments should encourage skilled foreign employees on work visas to stay longer. Providing greater job flexibility is one useful approach. Singapore, for example, offers a “personalized employment pass” that enables eligible high-earning international professionals to switch employers. Dubai is among the growing number of places that target employees who work remotely: its “golden visa” allows people employed by companies overseas to live in the United Arab Emirates.
- **Form a public-private ecosystem.** Close collaboration among government education and labor authorities—as well as with companies, business associations, and higher education—is critical for aligning national human capital plans and developing the right immigration policies and talent

incentives. Public-private partnerships can support talent identification, sourcing, development, and retention. Universities should work closely with the private sector to shape programs and research in light of future skills needs and support workforce development through internships and upskilling. Governments should connect students early with the labor market. South Korea, for example, is striving to create a competence-based society. It encourages a “first work, then go to university” system to increase opportunities for high school students to find work through a program called Semester for Career Education.

Over the long term, governments must reinvent their entire education systems, starting from early childhood through elementary and secondary schools as well as college, to meet the future needs of the labor market and its key players. This will require new ways of teaching and learning, as well as updated curricula.

Governments need to move away from the idea that they can educate and “prepare” the workforce for the labor market, which has led to the configuration of schools, universities, and vocational institutions that we know today. Winning nations will stimulate new forms of education that deliver learning at the right time and in the right context as part of every learner’s personalized journey. These education systems will also be closely intertwined with work and delivered as part of digital ecosystems.

Education systems should move toward a modern technological agenda as soon as possible. They should deploy artificial intelligence, robots, augmented and virtual reality, additive manufacturing, and other technologies that form the basis of Industry 4.0. In South Korea, for example, communication with robots is a mandatory component of school curricula.

Governments should enable and stimulate large reskilling programs and allow for more access to learning opportunities. They should actively fight the digital divide and promote flexible new forms of financing for learners, such as income-sharing agreements, which allow students to affordably pay off school fees with portions of

their future income. Governments could also collaborate internationally to secure and regulate talent exchanges within trans-border digital ecosystems, develop labor-market signaling systems, and establish mechanisms for providing international credentials.

Leading-edge companies are already seizing competitive advantage by adapting to a new global business landscape characterized by ubiquitous digital connectivity, agile and asset-light business models, flexible ecosystems, and greater responsiveness to all stakeholders in the societies in which they operate. Governments that refine their global game and nurture talent at all levels who can thrive in the future of work will be in the strongest position to prosper in the decades ahead—alongside Beyond-Great companies.

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