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FUTURE STATES
FORUM

ECONOMIC POWER SHIFTS
LATIN AMERICA AND MEXICO

APRIL 24 2013

DINNER DISCUSSION HIGHLIGHTS

We discussed the **future challenges of Latin America and Mexico**, and how organizations can prepare today for the **uncertainty of tomorrow**.

At the turn of the 20th century, Latin America and Mexico (LATM) played a very important role as a chessboard for global politics and economics. The region presented opportunities – as a source for raw materials, commodities, and emerging markets for industrial goods; it also presented risks – emerging threats from governments and criminal networks and increasing economic productivity as nations emerged from colonialism

We explored topics such as **emerging trade agreements**, **key leadership transitions**, **nationalization of resources**, and the **fluid security situation** across the broader region, and how each translates to **risks and opportunities** for organizations.

On 24 April, Toffler Associates hosted a small group of senior executives, representing commercial, government, and academic institutions, to sit down and discuss the drivers of the future economy in Latin America and Mexico (LATM) and what specific challenges and opportunities these presented for their organizations. While our guests came from different backgrounds—such as the airline, hospitality, finance, and defense industries, and government, military, and non-profit sectors—they quickly discovered that, despite some differences in their overall objectives, many face the same challenges. This report summarizes the discussion, however it is not a transcript; rather it is a “rendering” that attempts to capture the salient points and illuminate themes across the various opinions expressed by participants. Any errors in the interpretation or nuances are ours.

The evening’s discussion explored the myriad of drivers that constitute risks and opportunities across Latin America and Mexico in the 21st century. Challenges such as industrialization of industries, corruption, a lack of cultural understanding, local and transnational crime as well as other security challenges have **made organizations reluctant to invest** and potentially curtailed expansion efforts. From an alternate vantage point, the **lack of perceived direct threat to U.S. hegemony** or national security from the region has created a sense of complacency drawing a clear contrast with the Middle East and North Africa (MENA) and Asia Pacific regions. While the group had a spirited discussion on a range of issues, one theme was clear: **The LATM region is a vastly underutilized and potentially untapped resource for public and private sector organizations alike.**

The economic region of LATM presents a study in contrasts. Some countries are advancing and diversifying their economies rapidly and making progress against crime and corruption while others lack these advantages and present challenges to the economic and political stability of the entire region. Even more importantly, **the history of the relationship between the region and the United States presents a unique challenge.** As many participants pointed out, every interaction with the region, whether economic, diplomatic, or military, comes with assumptions. Organizations are trying so hard to avoid the mistakes of the past that they often **do not have the ability to consider a strategy to take full advantage of opportunities.** This “baggage,” as participants referred to it, can often make the region appear less appealing when compared to emerging markets in the MENA or the Asia Pacific regions. Participants wondered how U.S. companies and even the U.S. Government could move past this history and focus energy on maximizing opportunities as opposed to mitigating risk.

This concern over the risks of investment in the region highlighted an important issue among participants: understanding and managing appropriate levels of risk tolerance.

Decentralized operations can present significant risk to multinational operations, but it is a risk that they must mitigate in order to ensure growth. Beyond the risks to brand and reputation that can come from cultural ambiguity while operating overseas, there are also significant security concerns in many areas across the region. **Local narcotics and criminal gangs have joined forces with international terrorist organizations,** adding to an already complex environment. The influx of foreign influence, from countries as far away as China and Iran, further complicates the dynamics, increasing the need for organizations to both ‘have their finger on the pulse’ of the local culture, but also understand drivers of change for regional and global markets. **Organizations seeking to succeed in the region must understand the diverse cultural and political history of each country, as well as the complex regional and global drivers.**

Some participants highlighted the challenge of operating as part of a multinational, U.S. corporation with a global presence—firms emphasize growth, but often try to make global operations fit a U.S. model. For organizations to build strong local brands, they often have to think very differently about their approach to marketing, contracts, and sales. **Organizations must understand that business is conducted in vastly different manners across the region; therefore, it is important for organizations to find ways to decentralize operations and empower local brands.** One participant stated that ‘organizations must understand, in order to be understood’ and unless they understand the cultural nuances of customer or stakeholder daily life, organizations will fail to succeed in regional efforts and ventures.

The LATM region is unique on the global market in many ways. Offering relative proximity to the US, significant pockets of highly-skilled labor, displaying some positive indicators of sustainable growth, and offering relatively better security forecasts, it seems a far more attractive investment than some across MENA, yet it still lags behind. For participants, the issue again came back to “historical baggage” and “risk”. Many of the leaders highlighted the **threat of nationalization, crime rates, and a recent history of political and economic instability.** Despite these risks, however, participants agreed that the region was making positive moves. It was investing in developing and deepening stable markets, addressing the issues of crime, and focusing on broad poverty reduction efforts. Indicative of future growth and stability, trends such as these provided participants with a sense of guarded optimism.

Building on the cultural understanding required to successfully execute in markets is the need to **recognize trends before they appear, and the willingness to strike at opportunities.** The ability to understand and measure critical drivers of change and their dependencies in near real-time presents organizations with unique opportunities to make ‘first moves’ and strike at new markets or customers. As with all opportunities, the

converse is the risk - whether incorrect or misinformation, external drivers, or internal organizational barriers - organizations must address and mitigate these risks in order to successfully operate in such fluid regional markets. The willingness to accept a degree of risk in order to gain a 'first move' advantage may prove fruitful once or twice, but will ultimately doom an organization in the long run. **Organizations must successfully balance a desire to expand with holistic risk management** programs, addressing the myriad of risks outlined above.

Participants shared a wide range of views on multiple aspects of Latin America and Mexico, **specifically on risk, opportunity, the importance of customer and stakeholder intimacy, and the potential ways for U.S. public and private entities to share** insights to improve their regional posture. As the group wrapped up the evening's discussion, we agreed that there are a myriad of challenges and opportunities across the region, and highlighted critical areas of focus:

- Organizations seeking to operate across the region must strike the balance between core corporate and regional values and business operations. They must **'think globally, but act locally.'**
- No matter how strong the strategy, how sure the business model, or clean the product, **organizations will continue to fail if they can't relate to and understand their customers.**
- **Flexible and decentralized operations are a must**, and companies must remain extraordinarily agile; the fluid political, cultural, and security situation across the region has made it almost impossible for large, deliberate, and centralized decision-making.

Highlighting the clear need for focused and coherent strategies, local and regional nuanced knowledge, and a robust risk management program, **Latin America & Mexico present a myriad of opportunities for those prepared to capitalize.** With many indicators trending in a very positive direction, and an increasing middle class and skilled labor force, organizations must be prepared to strike when opportunities present themselves. Coupled with a nuanced cultural understanding and an agile business organization, the opportunities across the region will continue to present themselves. **Understanding the local culture will not only enable organizations to better proactively manage and mitigate security concerns, but also to connect with consumers**, driving home the necessity of such understanding. As the group prepared to depart, we once again agreed that Latin America & Mexico is a vastly untapped market teeming with opportunity, and **fortune will favor the prepared.**



TOFFLER ASSOCIATES

Toffler Associates is a strategy consultancy, helping leaders build the extraordinary organizations of tomorrow. We serve as a catalyst for change for clients with tough problems to solve, creating impact through knowledge of the forces of change that will shape the future.

To accomplish this, we employ a collaborative approach to guide clients in the development of Knowledge Age business strategies. Our **Future ProofSM** business consulting service provides clarity by identifying the risks and opportunities that may lie ahead, enabling leaders to implement the changes necessary to create value, to sustain growth and to succeed in future operating environments.

We work with public-sector clients, such as federal agencies, the intelligence community, associations and educational institutions, to develop and implement ways to use resources more effectively and to build lasting public trust. We work with private-sector clients, like those in the transportation, aerospace, chemical, advanced materials, information technology and defense markets, to create and execute strategies that drive top-line growth.

We find daily inspiration in working with commercial enterprises and government agencies that are creating something that really matters to people, clients who are trying to make a difference in all of our lives. Our purpose is to help them achieve that. It is the passion that unites our firm as one community.



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