closely—more than 90%—with the previous year's. (Our experience is that the correlation between year-to-year decisions for other resources, such as talent, is even higher.) However, firms that were able to reallocate capital in response to changing conditions had substantially higher growth rates and returns to shareholders. To break the inertia, some companies have a "harvesting" rule that involves putting a percentage of assets up for sale every year unless a compelling case can be made to keep them. Others have established internal disruption teams and charge them with developing plans to attack the core.

Build new intellectual assets. Given the profitability of idea-intensive businesses, intellectual capital should be seen as a prime asset. Half the world's most valuable brands are in idea-intensive sectors—and their value is increasing. Assets such as data, algorithms, and software are also becoming more valuable, and within those broad categories, some assets are more valuable than others. For instance, data on consumer behavior and decision making could be more strategically important than customer transaction or location data. Some firms build their intellectual assets by creating communities of users, suppliers, and innovators. Apple's universe of app developers and Google's of Android developers are prime examples—and the more creativity and innovation arise from these crowds, the greater the developers' loyalty to the underlying brand or platform. Other ecosystems revolve around social media platforms, and they don't have to be limited to the tech world. AstraZeneca, for instance, created an open innovation platform to work with universities, nonprofits, and other partners across all stages of drug discovery.

Go to war for talent. Finding and nurturing ambitious, hard-driving, and international-minded managers and technical staff are major challenges for multinationals and will become ever more crucial. HR operations at many companies have traditionally been seen in terms of compliance, record keeping, and support. But as talent shortages grow more acute in idea-intensive industries, human capital management should become a much higher strategic priority. Companies need to rethink organizational structures, workplace flexibility, and job definitions for a new era. The increasing prevalence and sophistication of digital tools for talent management give companies an opportunity to improve recruiting, screening, onboarding, compensation, engagement, retention, and leadership development. Companies that move quickly to integrate those technologies and use them in a strategic way increase revenue and productivity by up to 9% and lower talent and HR costs by up to 7%, a recent McKinsey Global Institute report found. But online platforms are also giving employees new mobility—and handing competitors new tools for poaching top performers. To win in the war for talent, a company will need to create an engaging workplace environment and maintain a solid reputation as a good employer. This might include giving employees a greater ownership stake in the company to build commitment.

WESTERN MULTINATIONALS HAVE PLENTY OF REASONS TO REMAIN UPBEAT,
but the competition will be relentless.

NORTH AMERICAN AND EUROPEAN multinationals have enjoyed an exceptional three-decade ride, and they have plenty of reasons to remain upbeat as they look ahead. New market opportunities are still opening up around the world as emerging economies continue to urbanize and industrialize. The global consumer class will continue to expand its ranks and ramp up its spending. Companies will be able to harness new technologies to improve operational efficiency and develop new products and services. But to maintain or increase profits, they're going to have to shake things up. The competition will be relentless and less predictable, and the operating environment not nearly as supportive. Vigilance, agility, and optimism have always been prized characteristics of successful companies. Over the next decade they will be doubly so, as headwinds break up the perfect non-storm.

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