

# Challenges and opportunities in our borderless world marketing essay



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A radically new world is taking shape from the ashes of yesterday's nation-based economic world. To succeed, one must act on the global stage, leveraging radically new drivers of economic power and growth. In his book "The Next Global Stage – Challenges and Opportunities in our Borderless World", legendary business strategist Kenichi Ohmae synthesizes today's emerging trends into the first coherent view of tomorrow's global economy – and its implications for politics, business and personal success.

For many, Ireland summons up visions of green, mist-covered fields and valleys. But outside the tourism industry, pleasant scenery does not produce wealth. When Ireland became independent as a nation in 1922, it was overwhelmingly rural. From the 1960s onward, attempts were made to attract manufacturing industry from abroad. The Industrial Development Authority, a government agency, constructed industrial infrastructure and facilities, while the government offered generous tax breaks for foreign direct investments. These moves were only partly successful.

In the 1970s and early 1980s, physical geography still played a big role in the international economy, and Ireland's location on the far western periphery of Europe meant that it was just too far away from potential markets. In the late 1980s, emigration from Ireland increased, but those highly educated emigrants often returned after gaining experience and contacts outside the country.

A new self-confidence began to take hold. The fact that the country had missed out on industrialization was increasingly seen as a blessing. It meant that the country's economy could take advantage of new trends beyond its

borders in the global economy. Ireland could begin from scratch. In the late 1980s, developments in cyber-technology made it clear that jobs and prosperity could come at the end of a telephone line.

In 1992, the vision of Ireland as the “ e-hub of Europe” emerged. Ireland is lucky: It is a nation-state that is the same size as a region-state. It is therefore capable of tapping into the dynamism of such a region-state. One of the keys to the success of a region-state is being able to brand itself successfully (such as an “ e-hub”) and to offer something different that sets it apart from the competition.

## **Innate Characteristics of the Global Economy**

The global economy has four innate characteristics:

**Borderless.** National borders are far less constrictive than they once were. In terms of the four key factors of business life – communications, capital, corporations and consumers – the world has attained the position of being effectively without borders.

**Invisible.** The potency and prevalence of the global economy is not totally visible to the naked eye. The actions that it performs often take place not on the streets or in the debating chambers of national parliaments, but on computer terminals. Plus, cash transfers occur with a credit card.

**Cyber-Connected.** The global economy would not be possible without cyber-technology allowing large amounts of data to be transferred incredibly quickly. The Internet is only the most public part of this. Everything and everyone connects.

Measured in Multiples. Money is no longer seen only as a unit of value in the short term. Multiples are signs given to management by shareholders to shoot at the business opportunities on the horizon. Multiples are fictitious, in that they often do not reflect corporate value, but they express an expectation.

## **Opening Night**

The pivotal year in the evolution of the global economy was 1985: Mikhail Gorbachev became general secretary of the Communist Party, and the finance ministers of the major economic powers created the Plaza Accord, which would allow the dollar to fall in value and thus reduce the overall U. S. debt. Also, Congress passed the Gramm-Rudman Act and made the U. S. budget deficit-less of a bogeyman (even though it didn't go away, as the Act intended).

Also in 1985, Microsoft launched its new operating system: Windows. A user-friendly operating system was a very significant innovation. It allowed different types of applications to be run on the same machine, and it enabled many nontechnical people to use computers.

## **Changes in China**

Meanwhile, China was seeking to compress 200 years of post-Industrial Revolution development into a couple of decades. At the root of the changes was a series of reforms that created stand-alone companies out of state-owned enterprises. The changes were monumental.

Capitalism has come to China – but in the most brutal, inhumane and unsentimental form imaginable. Workers are exploited beyond anything imaginable in the West, and capitalists do anything they want. The technological background for all of this is the cyber-continent – greater than any country on Earth. For the first time in human history, the world changes its habits in a matter of days rather than years. By the end of 2003, 800 million people were connected to the Internet. They're ready to read, listen to or watch anything available in cyberspace.

## **The End of Economics**

Traditionally, economics was concerned with relationships between demand and supply – and supply and employment. But the world has changed dramatically. An “economy” is not confined by national boundaries, nor is the world an assembly of autonomous nation-states, as economists assume. The significant players are independent units, both nations and regions. Some regions have a population of millions; others, such as the European Union (EU), have hundreds of millions.

The global economy powerfully affects national economies: In a borderless world, excess money supply from the central bank can slip out of the country if there are no attractive opportunities within. Thus, governments are constantly disciplined by their own citizens and by the investors in the rest of the world.

There is no model that describes the way the cyber-economy grows as goods, services and financial instruments are exchanged across borders in ways that are not understood by economists, let alone governments. The

whole system is suffused with funny money: bonds, Treasury bills and other instruments that don't represent cash or assets – but liabilities. The effectiveness of any government's fiscal policy is thus at the mercy of not only domestic businesses and consumers, but also of governments, companies and consumers in the rest of the world. In the last few years, derivatives and multiples (assessed values) have added to the amount and kinds of funny money in circulation.

Derivatives and multiples defy traditional business thinking and seem to rely on non-statistical elements, which are often non-rational or even irrational, such as euphoria. Yet economic education still revolves around the old paradigms.

## **A New Economic Paradigm**

The characteristics of the New Economic Paradigm are:

Prosperity doesn't depend exclusively on material wealth, such as natural resources. You don't have to be rich to get richer. Countries such as Ireland and Finland can be poor in traditional resources, yet still prosper.

The world has an excess of capital. Many areas are cash-rich and are searching constantly for investment opportunities. But regions must show themselves to be worthy of consideration. Money isn't necessary for prosperity – but investment is.

Size no longer matters. Companies are no longer required to develop a substantial domestic market. Nokia is highly successful but has only a tiny

domestic market in Finland. In fact, a large domestic market is no longer a competitive advantage.

## **Discussion**

### **Part II – Stage Directions**

#### **Playmakers**

The geographical and economic unit of the global economy is the region. In a world of near-instant communications and a completely interconnected economy, the nation-state is increasingly irrelevant. Some regions are parts of the old nation-states; others spill over existing borders. A region-state is not a political unit, but an economic one. Some, such as Singapore, are also political units. Or they can be smaller – the greater Tokyo area has a GNP that is in the world's top three.

A region-state is a unit for creating a positive wealth cycle. The more new immigrants – and the more varied their backgrounds and skills – the more varied the region becomes over time. Manufacturing is followed by services, financial institutions and other businesses.

#### **Finding Your Bearings on the Global Stage**

A positive cycle thus occurs, and the region becomes a totality with a deeper, wider economic and business base. Industries and service providers – from car dealerships to hospitals – are quickly attracted to a prosperous region, and move there to support some of the industries already spearheading industrial acceleration. Region-states have been most successfully established in China, where in the 1980s, the government opened up a number of special economic zones to attract foreign direct

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investment. In GDP per capita, some of these region-states are among the top 15 economic units in the world.

Within the region-states, there can be smaller industrial clusters, as in northern Italy, where the town of Modena has a cluster of producers of fast sports cars, Parma has famous cheese producers, and nearby Carpi has knitwear manufacturers. Table 1 (on the right) provides examples of globally active and prosperous region-states.

## **Flexibility**

The aspiring region or micro-region must be flexible – willing not to be imprisoned by the paradigms of the past and, if necessary, to reinvent itself to meet the requirements of the global economy. Thus, Italy is a tapestry of small townships, each of which has been able to thrive by producing pricey items for which there is an inelastic demand.

Also, if regions are to attain their potential, they must devolve decision-making, especially in economic and trade policy. National leaders are not intellectually equipped or politically motivated to embrace the global economy. There is bound to be tension when an area becomes successful while remaining part of a nation-state built on the 19th-century model, just as the traditional, physical stock exchange is becoming less relevant in today's borderless world. Thus, emerging regions must often renegotiate their relationship with the centre of power.

Even well-advantaged regions are not guaranteed success. Interference by the central government can undermine a region's prospects. A region can



undermine its own success by not being flexible – or by trying to do too many things but specializing in nothing.

## **Good Marketing**

Regions also need good marketing. They must learn from other successful regions but never slavishly copy them. They must be aware of local differences and of what makes their region uniquely attractive. Most important is the will to succeed. Unless this becomes part of the fabric of the region's identity, participation in the global economy will remain mere rhetoric.

The world must start thinking not only smaller (in terms of regions) – but also bigger in terms of the global totality and amalgams of effective and progressive regions. Large economic groupings such as the EU and the countries of ASEAN can play a vital role on the new global stage.

Some complain that globalization is an attempt to impose a particular form of commercial activity on the whole world at the expense of the varied tapestry of cultural differences. Others say that it is equivalent to Americanization.

Both groups are wrong. Globalization realizes and affirms our interdependence as human beings and societies. It exposes the fallacy of self-sufficiency, whether economic or cultural. It is a process of global optimization and the best mechanism to help less-developed nations to grow without artificial subsidies from the rich – but with the legitimate filter of markets.

Globalization is nothing but the liberalization of the individual, consumers, corporations and regions from the legacy of the nation-state in which they belong.

## **Platforms for Progress**

Though we like to think of human development as gradual, made up of small and manageable incremental improvements, the reality is that sudden bursts of energy, often unleashed by or in tandem with technological breakthroughs, have moved us forward. They are ground-breaking when they happen, but then they are added to the aggregate of human progress and become part of our everyday life.

“ Platforms” are ways to enable organizations or individuals to communicate with each other to get things done more quickly or more efficiently.

Platforms are:

open and communal – the technology that powers them is accessible to a wide range of users, and anyone with the appropriate license can participate;

two-way and interactive; and

adaptable and easy to use. Information technology has been the platform for the global economy in two ways: first, its impact on the world’s money markets; second, the extent to which, through the Internet, it redefines the very concept of the market and the types of relationships that businesses must be prepared to develop.

## **Recent Breakthroughs**

The recent breakthroughs in data-transfer – in the materials through which data must pass, and in the formats in which large amounts of data can be efficiently stored – have totally transformed our world. They have made many products cheaper and given millions of people access to information that was once beyond their reach.

A language can also be a platform, just as English has become the language of the global economy and the standard in cyberspace for the storage of information and two-way communication. The prominence of English in Ireland and India is a major factor in the success of these two countries as electronic hubs for the rest of the world. Nevertheless, native English speakers should realize that if they do not learn a second language, they might be disadvantaged in their long-term ability to participate in the global marketplace. Here are other crucial platforms on the global stage:

The U. S. dollar. It is the natural medium of payment for the substantial part of world trade that centres on the United States, as well as a considerable number of other trading partners.

Brands. A borderless world has opened up vast new possibilities for branding. The same brands are almost everywhere. They gain loyalty with the promise of consistently offering certain features. Most major brands are American.

A global business culture and language. Business executives throughout the world communicate in English. They use the same terminology and have the same motivations and professional interests. They read the same magazines  
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and very likely attended the same business schools – or ones that offer a very similar range of teaching materials, lecturing styles and placement opportunities. The new jargon of business – CRM, EBITA, BPO – is understood internationally.

The ATM. The dispensation of money is now almost completely detached from the physical bank.

Credit cards and smart cards. Programmable cards can now be used for a wide range of purposes – acquiring services, accumulating shopping points and much more.

The global positioning satellite. This technology now has a rapidly expanding array of uses, such as providing information to travellers on foot, tracking stolen cars and analysing traffic patterns from the sky.

## **Breaking the Chains**

We live in a small and intimate global community where all sorts of information, even rumours, can disseminate in a matter of seconds. It is a global village with a population of 800 million people who could be treated as a single race or tribe. They include the enlightened and curious in the developing and underdeveloped countries. These “ cyberites ” follow three rules of behaviour:

Cyberites who have used the Internet for five years or more tend to think and act similarly. The longer their online experience, the more they take advantage of the Internet’s various resources, engage in international trade,

become more global in outlook, and gain the confidence that they can live well under the liberated regime of a truly global environment.

The number of years it takes to become a true cyberite is (age minus 10) divided by 10. It takes longer to unlearn 20th-century assumptions, depending on how long you were exposed to them.

Cyberites are proactive consumers. That is why TV and print advertising is so ineffective. Eight hundred million people now actively seek what they want through their favourite search engines. Marketers must make sure that their advertising is search engine-triggered, so that it tracks with the growing Internet sophistication of their customers.

## **The Logistics Revolution**

The final part of the revolution is taking place in logistics. Even though there is still a physical supply chain – and warehouses and inventory are still important – distribution centres are decisive. Once again, technology has triggered the revolution. The relationship between the product provider (who might also be the producer) and the end consumer has been simplified, even collapsed, by e-commerce.

Dell and Gateway exemplify an entirely new business entity – the virtual company – that assembles products not in a single factory, but in a large number of places, and ships them from distribution centres, warehouses and FedEx facilities.

And companies such as FedEx are getting into the strategic logistics business and using their databases to become a vital link in other companies' supply chains.

A micro tag (only 0.5 mm square) can be buried in books, clothes and anything that is not going to be eaten. Soon, most items will have these tags built into them, representing the products' ID card, with a radio frequency capability that can be detected remotely. The result will be a revolution in physical distribution and merchandising. We will no longer have to check out each individual item, so shopping will become quicker and less stressful. Inventory control will also benefit: Companies will know exactly how much of each product they are selling, as soon as it is sold. And because the micro tag contains details about the person to whom the item is being sold, it could have a major impact on theft and shoplifting.

## **Homogenous Chains**

On the global stage, much of the logistics process has been containerized and standardized into homogenous chains, as foods of all types are transmitted worldwide through special equipment (to maintain a consistent environment) and seamless, electronically guided logistics platforms. The result has been a fundamental change to lifestyles.

In time, postal services, which, until recently, haven't given much thought to logistics, will realize that they are fundamentally in the logistics business, and, despite the challenge from e-mail, need to avail themselves of the latest developments. The question is: Are we brave enough to apply the new technology? Strenuous opposition to worldwide, supranational markets

comes from many places, including local farmers. Perhaps over time, people will adopt the attitude that a particular product need not come from a particular nation (as, for example, with the Japanese attitude about rice) because there are such enormous economic benefits to be realized from the logistics revolution.

## **Part III – The Script**

### **Reinventing Government**

Governments don't create wealth, except through taxation. Thus, a key priority for politicians is to look into the economic development of their countries and regions. Is bureaucracy preventing local governments and regions from taking initiatives? Is the central government hindering them? Is there a clear chain of command and consistent messages? Are special interest groups or political lobbies blocking the regions' initiatives? Too many governments still see themselves as distributors of wealth. They see their role as protecting domestic companies, their own population and certain regions considered vulnerable or disadvantaged. Local industries, protected by taxpayers' money, don't think globally. And governments have not been successful in tempting cyberites, who have the power to send their money anywhere.

Governments of the future, if they want to remain vibrant and relevant, must figure out how to facilitate economic development, introduce more discipline in their public services, and simplify their tax code to increase compliance. The best government is small government. And the best it can do for its people is to invite capital by welcoming corporations, that will bring in jobs

and take over weak companies, so that the government won't have to use taxpayers' money to subsidize them. The smaller the government is, and the more open it is to wealth and investment from outside, the greater the payback will be for the region-state.

Today, the most important success factor is not a well-established domestic industry or home markets, but an educated and motivated work force – on the factory floor, in the computer room and in the agencies that provide national services. Also, a region must have good infrastructure, in both technology and logistics.

## **Challenges and Vision**

As governments change their focus, they face several challenges: In a borderless world, they must not overemphasize the national interest. They must also realize that wealth creation is increasingly leveraged.

Governments must come up with and deliver an economic vision that attracts many global investors, resulting in high multiples. A viable vision must adhere to the already-known fundamentals of the global stage. The vision must:

Empower individuals. The wealth of a nation, region or company is more dependent than ever on the number of talented individuals it can produce.

## **Invite capital from the rest of the world, and minimize obstacles to investment.**

Maintain an even keel. Government must ensure that individuals can grow and prosper, and that regions can interact with the rest of the world.



Welcome new technology, as Ireland did in the early 1990s by providing all primary schools with personal computers.

**Diminish hindrances to the inflow and outflow of capital.**

**Eliminate obstacles to companies that want to attract the best people to work for them, at any level and from any geographical area.**

Specialize. The government must decide what industry or range of industries it wants to attract.

## **The Futures Market**

On the global stage, change is necessary and inevitable at three fundamental levels: technological, personal and organizational.

Technological. Technological progress can speedily reshape, even destroy, entire industries. Technology means that industrial death is increasingly a fact of business life. It has never been uncommon to see whole sections of industry wiped out by technological progress. We need only think of the impact that the automobile had not only on the carriage industry, but also on saddle makers and the providers of feed and stables for horses. Each new technological wave usually has its victims: those who were unable to change in time. Time has now been compressed. In the past, there was usually some time lag between the discovery of a new process or processes, and their complete victory over their predecessors. In the world of the interconnected global economy, such time lags are very rare.

## **Capitalizing on New Opportunities**

Personal. No matter where they are, individuals will have to adapt to the new reality in which one seldom has a job for life and cannot look forward to the certainty of an incrementally improving lifestyle and a post-retirement soft landing, in which all or most of his or her needs are provided for. Instead, people will have to take more responsibility for themselves and take advantage of the vast quantity of new information that is now available – and the opportunities for personal development. Success in the global economy will also depend on good leadership – of a region-state, a microstate or a company. The best leaders in the new economy, such as Singapore’s Lee Kuan-Yew, have the courage to look into the future and to act according to time intervals longer than the present accounting period or the next elections.

Organizational. The answer to uncertainty is more information. Leaders in the global economy must be well informed about the world around them. They must fully understand and have an instinctive sympathy for and familiarity with the global economy. The changing structure of organizations requires leaders to be flexible and intuitive, without preconceived attitudes about their role.

## **E-Everything at GE**

An old-line company really can morph itself into a global competitor. General Electric has done an amazing job. It has never become complacent. It has been a leader in outsourcing its support base. GE was fortunate to have Jack Welch, a true visionary, who once told the company to put the letter “ e” in front of all internally used verbs, such as “ e-design,” “ e-sell” and “ e-  
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distribute.” The idea was to get the entire company to think electronically. And it worked.

Players in the new economy must learn to doubt and even discard the business models of the past. That is why business schools should question the case-study method: Companies rise and fall more quickly than ever before, and students need to learn the dynamics of steering a company – as opposed to balancing static power.

The successful company must be something quite new, owing little to the precedents of the past. Whatever business structure you adopt, customers must know that they are in control. As far as possible, their involvement must be sought and their whims catered to. And instead of the usual sources of information, such as market surveys and statistics, leaders need to develop a feel for what is happening with the 800 million cyberites who are the key drivers of the global economy.

Companies must also divorce themselves from a physical focus on the home office or the country. They must totally embrace the borderlessness of the new economy. And companies should abandon the old divisions of the business world into industrial sectors, because the global economy can bring a company into areas where it does not expect to be.

## **Four Areas for Innovation**

Companies must also commit themselves to innovation as never before in these four areas:

Business systems. Companies must ally themselves with the best and cheapest providers of products and services across the entire spectrum of corporate functions. Companies must also learn to make their organizations scalable, so that there's less stress in growing fast.

Products and services. The need for innovation is obvious, but the challenge is formidable: What we once thought were technological islands, such as mobile phones and PCs, are all converging to form huge "continents." The marketing and technological "territory" in which a company operates is constantly changing.

Customer interface. Innovation in customer interface is a prerequisite for most companies, because the traditional advertising media are not only cost-ineffective but also inadequate for keeping customers interested.

Employees, managers and staff. Power is shifting from those who make rules to those who break or rewrite them. Thus, corporations need to find ways to recruit dropouts, retirees, very young people and even petty criminals (as in the case of hackers who have been turned into computer security experts). Companies must also find untraditional ways to reward innovation. Also, companies must learn not to take their traditional identity too seriously. The fact that something has never been tried should not be an obstacle to its future adoption.

Finally, the traditional hierarchy – the pyramid structure of almost all organizations – has to be discarded. The traditional top-down method of leadership is wasteful and ineffective because a company's need to innovate

continues to conflict with shared assumptions about loyalty and unquestioning obedience. This situation must change.

## **Conclusion**

### **Part IV – The Next Stage**

Some economic units have the potential to adapt successfully to the new realities. Here are the regions that currently have some of the ingredients to attain the level of a prosperous region-state:

Hainan Island, China. The People's Republic of China has shown the world how region-states can prosper. The province of Hainan Island, with 8 million people, is far away from the capital's interference and has an outward-looking government. It has established air routes to Southeast Asia and to Europe. Still, it has not taken off as quickly as other burgeoning Chinese regions.

Petropavlosk-Kamchatsily, Russia. The climate of this remote region is really no more severe than that of Kalamazoo, Mich. It would be a wonderful location for e-professionals of all kinds who don't mind the isolation, given that technology enables many more people to work from anywhere in the world.

Vancouver and British Columbia. British Columbia is geographically the closest Canadian province to Asia, so the Vancouver area is increasingly attractive to Asian tourism and business. It is also a geographical and commercial extension of Northwest Washington State. On its doorstep are the homes of Microsoft, Starbucks and Amazon. Despite high taxes and

onerous regulations, there is a new desire on the part of the provincial government to open up to the rest of the world.

## **Regions With Potential**

Other regions with similar potential include Estonia, the Baltic Corner, Ho Chi Minh City in Vietnam, Khabarovsk, Maritime (Primorye) Province and Sakhalin Island in Russia, São Paulo in Brazil, and Kyushu in Japan. From the investor's point of view, the list of attractive regions is getting longer.

According to Ohmae, this is the new global economy, the coming shape of the geopolitical maps of the future, the key levers corporations can pull, and the dynamic business domains we can tap. Now it is our turn to climb up onto the global stage and perform.