Rethinking the future marketing 18350

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Rethinking the World

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From Nation States to Networks

John Naisbitt is arguably the world's leading trend forecaster. In his essay: From Nation States to Networks, Dr. Naisbitt predicts that global economy will not be dominated by huge multinational companies but by big networks in the twenty-first century. He defines big networks as " a lot of individuals networked together" and who do not have any headquarters. It is very powerful because everyone feels he/she is in the center. Small companies are less bureaucratic, and react quicker to market and innovation. It is the small companies who are creating the global economy. Big companies can only survive when they reconstitute themselves as a collection of small companies. That is the reason why Fortune 500 now constitutes only 10 percent of the United States economy, down from 20 percent as recently as 1970. Using tourism as an example, the author shows that this biggest industry employs one out of nine people in the world. Tourism is made up of millions and millions of entrepreneurs, and it will get even bigger in the twenty-first century as the world become more and more affluent.

Tourism shows how beautiful small is, but what is really beautiful in this context is appropriate scale. With the aid of new technology, an individual's power has been extended. The author states that the revolution in telecommunications is " simultaneously creating the huge, global, single

market economy, while making the parts smaller and more powerful". Advance in technology allows individual to communicate ideas among friends and colleagues. They help to put together all of these ideas in thousands of combinations, and some of them are perhaps even unimaginable today. This is what Dr. Naisbitt's ideas of big networks.

In order to survive in the twenty-first century, big companies' need to restyling themselves as networks of entrepreneurs. Recently, a lot of big corporation broke up into confederation of small, autonomous companies. Their purpose is to achieve the goal of getting the small company's soul and speed inside a big company body. Examples of such break up are AT, Johnson & Johnson, and Coca-Cola.

As every economy is growing in the world, Dr. Naisbitt suggests that it is time to " think locally, act globally". However, people will not lose their own identity because the author believes that " the more universal we become, the more tribal we act." Language and cultural history are good examples. The market mechanisms that organizing our lives have given rise to liberalization and privatization. Free trade, free flow of capital, and relatively free markets are fueling the growth of world economies. This is the reason why the United States is better than the European countries. The author uses business registration to depict his point. Unlike in Europe, entrepreneurs in the United States can register their companies locally or in the state. This allows competitions among states, which offer all kinds of incentives to entrepreneurs to come and start a business in their state. The bureaucratic

governments of Europe, on the other hand, are not nourishing entrepreneurs.

Despite the Asian economic crisis, Dr. Naisbitt believes that the world's center of economic, political, and cultural gravity is shifting from the west to the east. Modernization of Asia is going to change everything. In his other book, Megatrends Asia, the author talks about eight major shifts in Asia. First, it is the shift from nation states to networks. He uses the overseas Chinese and the Internet as examples to illustrate the importance of networks. They do a lot with each other as part of the network but at the same time they function as individuals and as very efficient units. Second, it is the shift from export-led to consumer-driven. The standard of living in Asia raises because people in these export-led countries become consumer themselves, which led to the explosion of intra-Asian trade. Third, it is the move from western influence to the Asian way. Booming economic activities make Asian people become more conscious about the options they have. Fourth, it is from government-controlled to market-driven. Government control is yielding to market mechanism. Fifth, it is from villages to supercities. Manufacturing and service are replacing the labor-intensive agriculture. Sixth, it is from labor-intensive to high technology. There is no more cheap labor in Asia. Instead, countries are relying on high technology for manufacturing and service. Seventh, it is from male dominance to the emergence of women. Young female entrepreneurs start to emerge because of the new opportunities available to them. Lastly, it is from West to East. East becomes the center of the world, just like in the past. The author suggests that people should start to learn the language and culture of Asian

countries, especially Chinese because of the vast overseas Chinese network. In all, the new motto for the twenty-first century is " think local, act global" and remembers Asia is the word.

Changing the Nature of Capitalism

Think about what has happened to the state of the world in the past 30 years and how it has changed. In the past ten years we have witnessed the breakup of the Soviet Union, the fall of the Berlin wall, computer processor speeds go from 4. 77 to 1, 000 megahertz and breakdown of geographic borders as transportation brings countries closer together. According to Lester Thurow, what we have witnessed is the beginning of a new competitive game. In his essay, Changing the Nature of Capitalism, Lester Thurow explains how nations now no longer compete regionally or nationally but globally, and as a result the position for economic superpower is up for grabs. As he states " this new phase of competition - the new game between these three economic superpowers - will determine who is going to own the 21st century."

What are some of the forces driving these changes?

· End of Communism - within the past 20 years 33% of human life on this planet, 1. 9 billion people have joined the capitalist world - this many people can not enter capitalism without a significant change.

· Moving from natural resource-based industries to manmade brainpower industries - Countries with the focus on education for the masses and

research and development will lead the brainpower industries in design and those that can be the " low cost producers will inherit the earth."

· Aging of the world population - there will be a voting majority over the age of 65 in every industrialized country by 2025 - in the United States the elderly hold a majority of the economic wealth.

· Existence of genuinely global economy - companies can design in one country, have it manufactured in another country and then have it shipped directly to the distributors on the other side of the globe, as a result companies face new but distant competitors.

· No dominant economic, political or military power - the United States went from having 75 percent of the world's industrial population to 23 to 24 percent. Europe has 50 percent more people than the United States but has not created any new jobs in the past 22 years while the United States created 38 million net new jobs. The Soviet Union has dissolved leaving the United States and China as the major military powers.

Lester Thurow calls these forces " economic plates" in reference to the huge tectonic plates that float on earth's molten core as much like the real tectonic plates, we know the forces creating the change but are unable to predict the outcome.

As further evidence of the economic revolution, he adds that if you asked any industrialized country in the world to list seven industries that they would like to have some strong players in your country, everybody would give the same list: microelectronics, biotechnology, the new materials-

science industries, telecommunications, civil aviation, robotics and machine tools, and computer hardware and software. Where as 100 years ago countries would have had a comparative advantage due to their natural or geographic resources and would have selected those industries, today they are all trying to compete for the same " brainpower industries" and the comparative advantage is now largely manmade. A country that would like to produce copper could not compete 100 years ago with a country that had copper sources that could be more economically mined. Previously, a similar situation existed with skilled people, as those in third world countries could not effectively compete with a workforce that was geographically closer to the demand for skilled labor. Modern communications and transportation have enabled programmers in Bangalore, India to efficiently compete with software developers around the world. Not surprisingly, Bangalore is one of the computer software centers of the world.

Unfortunately, the old comparative advantage that allowed for some winners and some losers will, Mr. Thurow believes, be replaced by head to head competition that will limit the number of companies to master each industry and a zero sum game situation will exist. Much like Microsoft's domination of the computer software industry, those companies and countries that can freeze out others will rule the industry. When the playing field levels out and the other competitive advantages become inconsequential the dominant competitive weapon of the 21st century will be the education and skills of the workforce. Will a country have enough brainpower to create new products? Is the environment supporting the development of new technologies? Does a country have the ability to be the lowest cost producer

after the product is developed? Answer these questions as you decide on a second language to learn. As Thurow points out, both the video camera and recorder were invented by Americans but became Japanese products as they could produce them efficiently. Those companies, like Intel, who have the product and the process technologies and can continually stay ahead of the competition will be rewarded with large profit margins. Countries that have such companies will run the 21st century.

The New Biology of Business

Kevin Kelly is the executive editor of Wired Magazine and in the article: The New Biology of Business he presents the theory that a business should be considered and viewed as a biological organism. Mr. Kelly makes a convincing argument that businesses have moved from an industrial mindset to a biological mindset. He makes the case that until the last 10 years or so, business has operated with little regard to its impacts on the environment and the needs of people. Additionally, he argues that business was supply oriented and now is more interested in providing what an individual customer wants. Simply put, the individual has more impact on what a business produces and business strives to work in harmony with nature.

His theory of biological business has a number of components in the foundation. One is his theory that, technological complexity leads to simplicity. What he means by technological complexity is, many of the tools produced by business are highly complex, in so being it's easier to use or " user friendly" for the buyer. Take for instance a personal digital assistant or PDA. Not only is it small, portable and energy efficient; it's easy to use. In

someone's pocket is all the information needed to contact nearly everyone they know, keep track of the day's events, and perform complex financial calculations. Amazingly, a small business can be run with an inexpensive PDA. Think of the years of research, science, and the complexity of the components it is made up of. Thus a highly complex tool is small and simple to use.

The second component in the foundation of his theory is, " more begets more". For example, Netscape and Microsoft gave away a browser for the Internet. Millions of people installed it on their computers and PDAs so they could easily access the Internet. Netscape and Microsoft made money by selling the Operating Systems and/or the Internet Servers and other software needed by the browser so it could function. Thus, the more browser's people downloaded the more business that was generated!

Due to the complexity of technology it is easier for businesses to multiply. The example used is a business does not need to perform all the operations needed to produce a product or service. This means an idea is developed and a few people run the organization and contract out the marketing, production, and accounting work to non-related businesses. Now it's easier to understand what he means by " Virtual" or in other words a Biological business. He also uses the terms, " Hive Mind" and " Organizational Networks", to define this behavior. He compares this to the state of nature and the complexity of biology. The more complex an organization is, the more closely it resembles the actual state of nature we all live and survive in. That also includes the need to adapt to change. When an organization can

shed components as easily as a " Virtual" organization, its ability to survive rapidly change in a market is enhanced.

He sums up the article by noting the most successful " Biological" business is one that works in harmony with the ecology. In so doing the business will not pollute and provides products that are friendly to the people who use them and to nature itself. An example would be a power generating plant that recycles the pollutants that are generated into a resource used by another production process. Thus, a closed system is used to produce the tools needed by people to run other businesses and live their lives. In short, he states " the more biological we make the processes, the safer they are for humans and for the environment".

Bibliography

I am a graduate student at St. Edward's University in Austin, Texas, pursuing a MBA degree.

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