

A MILLENNIUM OF NEW OPPORTUNITIES

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"Every generation tends to think that it lives in an era of unique challenge and unprecedented change. Our future in 21st Century will be no different from the past except in one way. It is going to arrive much sooner than ever before and we will see a lot of it in our own life time" says Dr. Mehra, a renowned management thinker and visionary.

"As the century closed, the world became smaller. The public rapidly gained access to new and dramatically faster communication technologies. Entrepreneurs able to draw on unprecedented scale economies, built vast empires. Great fortunes were made. The government demanded that the powerful new monopolists be held accountable under antitrust laws. Everyday brought forth new technological advances to which the old business models seemed no longer to apply. Those who mastered the new rules survived. Those who did not perished."

This is not an epitaph on 20th century nor a prophecy for the next decade. What you have just read is a description of what happened at the close of 19th century. Using the power of electricity and the infrastructure of railway and telephone networks, US economy was transformed in the same way as Silicon Valley is transforming the world economy through the power of computers and communications. The Sherman AntiTrust Laws under which Microsoft has been recently tried were passed way back in 1890 to control monopolies. The problems that Netscape browser faced in battling with Microsoft's Operating System are no different from those of the local US telephone companies while battling with Bell System around 1900 to offer long distance service.

Every generation tends to think that it lives in an era of unique challenge and unprecedented change. Our future in 21st century will be no different from the past except in one way. It is going to arrive much sooner than ever before and we will see a lot of it in our own lifetime. 21st century will create a Cambrian explosion of opportunities which will profoundly change the competitive environment. Four factors are responsible for it: Connectivity, Intangibles, speed and surprise.

Connectivity is the most important ingredient of this CISS economy. The e-mail, the laptop, the mobile phone, pagers, barcode scanners, satellite phones, internet and other personal digital devices that connect us are the visible signs of this connectivity. Once these things connect with each other their action triggers a domino effect. It is that domino effect created by these four forces, which is transforming our world and challenging every aspect of our business. No longer the business can be sustained by the industrial age approaches of mass production and stable environment. Our new world, the e.World is characterised by constant change and instant accessibility. There are no clear lines between the business and the environment, customers and suppliers, between buyers and sellers, between products and services and employees and entrepreneurs.

Although human needs have changed little throughout human history, the manner in which these are being fulfilled is vastly different from the industrial age. We are not being influenced so much by the product itself but by the manner it is being delivered. The Intangibles are the second element of CISS economy. These comprise service, relationships, information and emotions about the producer or the service giver and are becoming increasingly important. Quite clearly, therefore, the rules of industrial age, which trained us to think in terms of perfection of products, division of labour, demarcations and compartmentalisation, have become irrelevant in the emerging world. Speed the third element, is the acceleration of 'business in every respect. Speed is driving products and services in such a way that blurs any distinction between the various stages of product life cycles or between product and service. Product

life cycles are a fraction of what they used to be. Speed is typified by the world wide electronic network transferring money at a rate exceeding 31 billion dollars a minute. Bill Gates writing in "Business at the speed of thought " says "If the 1980s were about quality and if the 1990s were about re-engineering then 2000s will be about velocity."

The fourth element of the "CISS" economy is Surprise. Business so far has built itself on the principle of consistency. Disney's underpark, the clockwork mechanism of the Magical Moments, the consistently clean toilets of McDonalds are no doubt the peerless examples of consistent service excellence. But 21 st Century customer will take all that for granted. They will have a craving for something new. They no longer want the same thing even if it is the best. They want something different, something that is novel or makes its ownership exciting or gives an experience that is unforgettable. Excellence in 21st century would mean surprise through a passionate pursuit of inconsistency.

CISS economy would create rapid obsolescence. It would call for constant upgradation and replacement of products and services. You can no longer sell a product and then forget about it. The beginning, middle and end of the product life would dissolve into each other. This phenomenon is already evident in IT industry. While the current models of various products are being sold at floating street prices, advance copies of these models are being reviewed in newspapers, and the older model are sold at discount prices. Continuous upgrades downloaded electronically are replacing model years that required plants to close down. Built to last is becoming built to change. The need for speed is turning the products into services.

The creation of wealth in the CISS economy is not going to be through optimisation but innovation. We have reached the end of incrementalism. Nicholas Negroponte, the head and founder of MIT's Media Lab says "Incrementalism is innovation's worst enemy." Quality, cost, time to market, process improvement were highly valuable at one Stage. But, in this new economy, driven by knowledge and change, these have reached the point of diminishing returns. Ford may be able to cut a couple of hours in its vehicle assembly line but if new companies totally reinvented the markets, Ford's incremental improvements won't count very much. Jim Utterback who teaches in MIT and wrote a tome called "Mastering the Dynamics of Innovation" is regarded as an authority on innovation. He describes how time after time business's response to change is by polishing yesterday's apple. When electric entrepreneurs arrived on the scene in 1880s with the technology so much superior than gas, the gas lighting monopolies strove to make gas lighting more efficient. This resulted in the surge of productivity and for a while it took the old technology to unheard of eights. But in the end the inevitable happened. These improvements simply delayed the impending death of the old technology.

The above example, as many others in this book, is a lesson for us. Faced with unforgiving markets and dwindling bottomlines a number of companies in India are running like chickens with their heads cut off and looking for quick fixes. There is a sudden upsurge of process improvement programmes based on industrial age techniques such as Kaizen, Benchmarking, TPM and Six Sigma which have been the high ground of quality for the past 40 years. Toyoda and Ohno of Toyota Motor Co had been implementing TPM and flexible manufacturing well before their visit to the Rouge River plant of Ford in the fifties and with tremendously successful results. Statistical Quality Control, the bedrock of Six Sigma was started by Walter Shewhart in the forties and has been practised by the companies long before it was codified by Motorola in its new avatar and hyped by Allied Signal's Bossidy and General Electric's Jack Welsh. They are all wonderful techniques and would have been ideal for the 1980s. But they ought not be engaging senior management attention in the network economy of today where the challenge is not how to cut costs but how to create wealth. Studies of even industrial age high performing companies have shown that the potential to grow is much higher than the potential to cut cost. A study of 36 best performing companies out of FORTUNE 1000, covering the period between 1985 and 1995, showed that the maximum improvement in operating margins was 6.7% per annum whereas maximum value of shareholders returns grew to 25.3%. The connectivity of the new economy has increased the potential of opportunity to infinite

levels. In the warpspeed economy of today the value is added not by perfecting the same but by being different, profoundly different. Using your best people simply to cut costs through process improvements or trying to catch up with competitors through benchmarking is a gigantic waste of human capital.

In the network economy management focus has to be on building advantages by leading from the front and not just catching up. In a survey conducted towards the end of 1980s of US managers quoted by C K Prahalad and Gary Hammel in "Competing for the Future", 80% believed that quality would be a fundamental source of competitive advantage in the year 2000. But barely half of Japanese managers agreed. Their primary goal was to create new products and businesses. This does not mean they will turn their back on quality. We just raise the bar of quality by a few notches. Instead of satisfying customers' existing needs the focus of quality shifts to anticipating their future needs. The competitive differentiator in the 21st century will not be through benchmarking which will only help companies to read the markets and not lead them. It will come from discovering a cascade of new opportunities, however, inefficient the voyage of discovery may be.

The entire internet with its 400 million pages at the last count is an engine of opportunities. These opportunities are increasing day by day as more and more pieces of the world get connected into nodes on this gigantic network.

An important thing to understand about this CISS economy in the e.World that encompasses both the e.commerce and e.business is that the net or the e-corn or ebiz is not just about selling or buying things or an on-line extension of an off-line business. It is a revolution in the making. To deal with it you need to negotiate a 180 degrees turn. Businesses to be successful on the net need to go through total transformation. They need to junk conventional wisdom. Why should a company imitate Netscape or Hotmail or Virgin and give its products free to the customer? They need to destroy old advantages as indeed Microsoft did in 1995, when realising the awesome potential of internet it dropped everything it was doing and decided to reinvent itself from ground up. They need to violate established norms, reengineer business processes, shut down businesses and behave in counter intuitive and indeed unpredictable ways. Companies must realise that a Web site does not an ebusiness make. And the net economy is not just about information technology nor is it restricted to IT or e-com. It goes far beyond either of them. Electronic commerce involves buying and selling of products, information and services over the Net. In the words of Chuck Martin "E-business involves what I call the "Netting" of the entire value chain: from product conception and creation, all the way through manufacturing and production, distribution, and ultimately consumption. Companies that understand this and willing to undergo the close self-scrutiny in becoming "Netted" will be the winners in the Net Future"

While internet represents the ultimate triumph of consumerism, it does not necessarily make the consumers wiser. It makes information widely available but does not enhance its content. It must be remembered that the change that we see today is driven by advances in information technology and not in its content. The entire content of the internet at the last count was 1.5 million books whereas the library of the Berkeley Campus of the University of California alone houses 8 million books with both quality-and content much higher. The value of internet, therefore, lies only in the access that it provides. It is like discovering a wine bottle that gives you cheaper, quicker and easier access to wine. Because the internet connects individuals and things the opportunities that it generates are phenomenal. A benchmark for the companies, therefore, should be to measure the number of opportunities converted into innovations.

Peter Drucker foresaw the impact of internet when he said: "Don't solve problems. Pursue opportunities". Pursuit of opportunities creates wealth for everyone. Kevin Kelly, editor of "Wired" magazine, in his book "New Rules for the new Economy" strongly advocates why opportunities should be pursued before efficiencies. According to him any job which is routine enough to be measured should go to the robots and should be outlawed for the humans. The key decision today is not how to raise productivity by doing

the same better but how to negotiate among the explosion of opportunities and choose the right ones. Increasing productivity and doing it right first time were the central economic imperatives of the industrial age. To repeat them now would be suicidal. The central economic imperative of the network economy is to innovate.

90% of the products we see today will disappear in the first 10 years of the 21st Century. Our cars, our homes, our clothes, our TVs, phones and even food are going to be changed in ways we can not even imagine. How can you talk of quality as conformance to requirements when the customers themselves do not know what they would want. We are talking about products which are not there and markets which are yet to be invented and technologies which are yet to emerge. All this is grist to innovator's mill. It is left to him and her to imagine, innovate and invent the products and services that will be lapped up by customers in the years to come. The cyber revolution will make it possible for many more people and things to connect together. The value addition will come not from the product itself but the way it relates to the customer, caters to his/her emotions or appeals to his sense of well being. This would call for a relentless pursuit of the unknown and of the territory which is uncharted. There is no way you will get it right first time or even the second time or the twenty second time. Thomas Edison had to blow out tens of thousands of bulbs before he could get one light up. Failure rather than the success has to be the order of the day. Companies will have to learn to reward good tries and like the players in the Silicon Valley treat failure as a badge of honour.

The net is not just another marketing channel nor is it another advertising medium nor is it just a way to speed up transactions. It represents a totally new order of value exchange. Doing business successfully in the netted environment requires a new paradigm, new set of rules. The dynamics of net is very different from the physical environment. It was Marshall McLuhan who visualised the world as a village but it is the internet which has truly actualised it. E-commerce breaks every business free of its geographic umbilical cord. The company transcends its geographical paradigm. Amazon.com is only a click away whether you are in Calcutta or Cuba. The death of geography has made the internet a great equaliser. Never again producers will be able to manipulate customer simply because they lived away.

CISS economy has assured the net generation of quality time. Never again do you have the hassle of wasting hours or days to locate a product or service. A click. to Netmarket.com will help you locate whatever you want almost instantly. It will also ensure that it is delivered to "my place, my time". Word of mouse has become far more powerful than the words of mouth. The big question is that how this customer controlled economy can help your company to thrive?

The answer is innovation, innovation, innovation. Relentless innovation to provide unparalleled service that enlivens the senses, instils well being and fulfils even the unexpressed wishes. The Net is a noose for mediocrity. Companies that cannot innovate will simply evaporate.

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