

COMPETING IN THE NEW ECONOMY

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As the industrial society morphs into the new information economy, there is urgent need for business to acquire new perspectives and learn to operate new rules. Technology that once progressed at the periphery of culture now engulfs our minds and our lives. Every aspect of our being is being infiltrated and altered by technology inverting the established order of things. The recent report on India's new billionaires has shown how the mighty have tumbled. Of the top ten all but two are first generation newcomers. We now live in a new economy created by shrinking computers and expanding communication.

They are three ingredients of the new economy:

Connectivity: Everything is getting connected to everything else. Customers, suppliers, share holders, countries, products, services.

Intangibility: Each business transaction has both tangible and intangible economic values. The intangible such as ideas, information, relationships is overtaking the tangible.

Speed: Every aspect of business is moving and changing at a speed unthinkable before.

The new CIS economy has blurred the traditional lines of distinction between buyers and sellers, between customers and suppliers, between products and services, between employees and entrepreneurs. We are living in a world of networks which is vastly different from the watertight compartments created by the early management scientists and theorists such as Frederick Taylor and Max Weber. In 1950s and 60s, it was the General Motors which was the paragon of industrial success. It is now quoted as a counter example. Today if your company behaves like GM it is in deep trouble. The role model of today is Microsoft. It is the highest valued company on mother Earth. What does it produce - Intangibles. The world of intangibles, of media, of software and of services is vastly different from the world of reality, of atoms, objects, steel, oil and manual work and therefore does not obey the old rules of hierarchy, chain of command, division of labour, big is beautiful and so on.

For the past decade or so companies have been excessively focussing on tools and techniques to manage the supply side i.e from manufacturing to distribution. They have practised Quality circles, Quality management, TQM, BPR, Japanese Management and the lot. All this has resulted in significant increases in productivity but now the law of diminishing returns has set in. As the nineties draw to a close, one thing is becoming certain that their competitive strength will not come from perfecting the known because whatever made you successful in the past won't in future. But there is a funny thing. You go to book stores any where. They have shelves after shelves laden with books dealing with virtually every management subject but none on innovation as such. This is why we designed this course. This course is about Innovation. The wealth of the 21 st century will flow directly from innovation not optimisation. In the words of Kevin Kelly, Editor of "Wired" it will not be gained by "imperfectly seizing the unknown."

Quality is no longer conformance to requirement. With information so widespread and customers' expectations rising relentlessly, the competitive advantage cannot be gained simply through conformance. We are facing every day an explosion of new competitors supplying high quality new products. This has made customers fiercely demanding. Distributors are flexing their growing muscles, margins are sinking and products and services becoming obsolete. Quality is no longer providing the competitive edge it used to. Customers want best in world products. They want service that enlivens the senses, in stills well being and fulfill even the unexpected and unanticipated wishes. According to James Brian Quinn, a Professor

of the power of vision. Innovative managements - whether technical or not-project clear long-term visions for their organisations that go beyond simple economic measures. As Intel's chairman, Gordon Moore, says: "We intend to be outstandingly successful innovative company in this industry. We intend to continue to be a leader in this revolutionary (semiconductor) technology that is changing the way the world is run."

Such vision, vigorously supported, is not "management fluff" It attracts quality people to the company and gives focus to their creative and entrepreneurial drives. Not surprisingly Intel has a stock market value of \$62 billion on sales of merely 16 billion, Compare it with General Motors whose sales are \$169 billion but stock market value merely \$ 42 billion.

Gary Hamel and C K Prahalad, in their discussion of strategic intent in "Competing for the Future" provide numerous examples of this process in action. When Canon was a minor Japanese photographic equipment manufacturer, it set apparently an absurd goal of shattering the monopoly of Xerox in the photocopier field. Not only did Canon succeed in that seemingly quixotic enterprise, it went on to repeat its success by patenting and licensing breakthroughs in related areas such as laser printer technology. A similar challenge was given by Komatsu to Caterpillar. Komatsu was a fledgling plant manufacturer when it took upon itself the mighty Caterpillar, world's largest integrated manufacturer of construction plant and equipment. Established in UK in 1985, it became 4 years later the largest producer of plant and equipment in UK.

A vision of the future that is compelling and inclusive enough to absorb the best efforts of committed men and women can literally carry us to the moon. Leader becomes a forecaster and articulates a future full of excitement and possibilities that no one is able to rest until it is achieved. Leaders are bridges that connect people to future. They carry others' vision in theirs and build alliances and partnerships based on shared aspirations.

Competing in the new economy requires leaders to move away from unidimensional thinking to paradoxical thinking and learn to balance the competing demands. They have to become chaotic, able to exploit the chaos and yet maintain order at the same time. They need to cut costs and grow businesses, satisfy customers and employees alike, innovate new products and increase the share of existing ones, to serve local markets and respond to global needs, to take on the present and the future at the same time, to shape vision and demand action. The leader of the future shall have to be both a teacher and student, technologist and entrepreneur, a team player and self-starter. He will be fully wired up using the latest technology yet have the ability to manage by walking around, will work in high tech and believe in high touch. For despite its formidable power, the information technology augments but cannot replace the human dimension and its possibilities of achieving the unachievable. The most indispensable of all leadership skills in innovating leading edge companies is to become a relentless architect of the infinite possibilities of the human form and develop within every one of his/her employees an intrinsic belief in his/her own worth and coach them to become all that they can be and much more than what they can imagine.

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