

# The New Business Topography

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Once again we are embarked on a period of turbulent change, when it seems that the established order is dissolving, familiar guideposts disappearing, and our traditional frames of reference out of date. The very topography in which business is conducted is shifting beneath our feet. Change of this magnitude creates new opportunities, new challenges, and new imperatives for business managers.

## Topography, Technology, and Change

Before we discuss the new topography, we should say a word about the old. We are told that men made maps as long ago as 500 B.C., but these early maps showed only small local regions. Attempts to depict the wider world tended to be inaccurate: oceans were full of storms and sea monsters, continents were missing, and the cartographer's own country was always placed neatly at the center of the world.

Then, in the 15th century, everything changed. Technological advances in the design of sailing ships and in navigational instruments launched the great 15th and 16th century voyages of discovery. The development of printing allowed these discoveries to be shared with an ever-increasing number of people. Suddenly, the world became both bigger and smaller.

In 1990, 500 years later, we find ourselves at another of those pivotal moments in history when everything seems to be in flux. The charts of the familiar Cold War world will soon be as outdated as any 14th century map. In their place, a new topography will emerge whose features are only partly recognizable today.

It was technology, especially the information technology of the printing press, that led Europe out of the isolation of the Middle Ages and into the Renaissance. Similarly, modern technology is furthering the globalization of business and the growing interdependence of the world economy. The flows of capital, technology, people, information, and ideas do not respect national boundaries for long. This reality underlies many of the recent political changes that are remaking the world order.

Furthermore, these changes are accelerating. As recently as the mid-1980s, Western Europe was just emerging from a rather somnolent and pessimistic decade. The Treaty of Rome was nearly 30 years old, but still far from implemented. The Single European Act, setting 1992 for full integration, was still a year away. And even among those who signed the act, only the most prescient and optimistic would have predicted the rapid progress toward a unified Europe that we see today.

Even more remarkable is the sudden, sweeping political transformation of Eastern Europe, which has stolen much of the world's attention from the Europe '92 effort. In 1986, few would have predicted that within four years the Eastern Bloc would crumble and the Communist regimes in East Germany, Czechoslovakia, Hungary, Bulgaria, and Yugoslavia would collapse one after another.

But it has happened. And dramatic changes are also taking place elsewhere in the world. In Latin America, authoritarian rule has at long last given way to democratization in countries such as Argentina, Chile, Nicaragua, and Brazil, although the daunting economic problems of this region remain. Fernando Collor de Mello, Brazil's first directly elected president in 25 years, has launched an awesome and draconian economic reform program. All of us who share an interest in Brazil admire the vision and courage of this program, but hold our collective breath as its implementation proceeds amidst great economic discontinuity and considerable stress on the social fabric. Still, in much of Latin America there is a new sense of confidence, of optimism, of having turned an economic corner, that bodes well for the future.

On the other side of the globe, we have witnessed the astonishingly rapid economic growth of countries in Asia, such as Korea, Malaysia, Thailand, Singapore, and Taiwan. But we have also witnessed a great leap backward in China and with it the shattered euphoria of many American and European investors. This vast and heterogeneous region combines dazzling vitality and unpredictability in equal measure.

## The Shape of Things to Come

What do all these political and economic changes mean? For one thing, they mean that, perhaps for the first time in history, economic issues will match political issues in importance, although not in the sense that traditional Marxists expected. Economic might, much more than military power, will shape the new topography. Political allies will be economic competitors, and political rivals will be economic partners. More subtly, the contours of economic competition will not conform to the political boundaries of nation states.

In recent years, we have seen politicians scurrying to keep up with these winds of change, attempting to fashion political configurations to catch up with new economic realities. The story of Europe '92 illustrates this point. Politicians debated integration for decades, but it took the rising tide of industrialists, business people, and bankers, worried about the continent's overall competitiveness, its lagging economic performance, and the

inefficiencies of its fragmentation and protectionism, to provide the stimulus for the next step forward.

This period of transition will be neither smooth nor easy. While the danger of a superpower confrontation has diminished, threats to world peace and security may come from new directions as power is diffused and the number of small, unstable countries with chemical and nuclear weapons grows. Iraq's invasion of Kuwait is only one example of the lurking perils that may erupt into crises.

Nevertheless, the trend toward interdependence is clear. Countries such as China, Cambodia, North Korea, Cuba, and Iran are shoring up their walls before a tidal wave of social and economic change. These walls cannot stand indefinitely. Change, once it starts, can proceed rapidly, although not always in desirable directions. The events of this past year confirm the permeability of national boundaries – their porousness to economic realities and ideas that have been proven elsewhere.

If sweeping geopolitical change is shaping the new topography, the relentless pace of technological change is an equal driving force. As mentioned earlier, new technology in 15th century seafaring made possible much of the political and economic change that followed. This phenomenon continues unabated to this day. The conditions that sustained the political world order of the past few decades have eroded under the steady assault of accelerating technological change. Just as the printing press and the mariner's compass were the state of the art in their day, so the technologies we consider leading-edge today will be surpassed by a wave of new developments.

Predictions have been made of dramatic changes in transportation as high-performance, transatmospheric planes are developed that will fly from New York to Tokyo in a couple of hours. The practice of medicine also will be profoundly affected by new technologies whereby doctors increasingly will use lasers, ultrasound, and other noninvasive techniques to treat many conditions for which surgery is the only option today. Biotechnology continues to hold out the enormous promise of enlisting the patient's own systems in battling cancer and deadly viruses. Improved biomaterials and therapeutic techniques will give physicians an arsenal of spare parts to use in replacing organs that have worn out or succumbed to disease.

There will also be little respite from the cascade of changes in the way businesses communicate and manage information. In one of the most challenging of technological disciplines, researchers are working on techniques to make possible real-time translation of speech. For example, in the next 10 to 15 years, a Japanese and an American may be able to converse on the telephone, each using his or her mother tongue and understanding the other reasonably well, at least in situations that demand only a limited vocabulary. Optical discs, very-high-speed optical-fiber-based communication, and powerful computers with extensive search-and-retrieval capabilities will allow office workers to store and browse through banks of images – photographs, x-rays, blueprints, files – with tremendous speed and efficiency. Facsimile machines, curiosities a few years ago, will be as common as telephones in some regions by the year 2000 and will have a profound impact on traditional courier and postal services, as well as on information processing. Their functions of image compression and communication will facilitate the development of multimedia applications in which images are manipulated as easily as text and data today.

What do these political, economic, and technological driving forces mean to those of us attempting to direct enterprises through the turbulent years ahead? Three qualities of management seem to us to be indispensable in this new era: the willingness to reshape the corporation, the will to project a corporate vision, and the ability to forge a global perspective.

### **Reshaping the Corporation**

The reshaping of the corporation has been under way for some time. We see this in the return to basics and core businesses as the allure of conglomeration has faded; the move to flatter, leaner companies that are more flexible, agile, and responsive; the preoccupation with the „Total Quality“ philosophy of management; and the recognition of time-to-market and time-to-respond-to-customers as competitive forces. These trends are likely to continue and deepen their effect on reshaping the style and structure of the corporation.

Our perceptions of the traditional boundaries of competition also will continue to evolve. The new competitive imperative of a business is to enable its customers – by the shaping of the products and services it offers them – to compete for their customers. Similarly, the business must support its suppliers in their ability to procure more efficiently from their suppliers. For individuals as well as for institutions, one of the hardest things to do is to see ourselves as others see us, so that we can act in ways that give our customers and suppliers real value by meeting their needs rather than our own internally defined requirements. To see this new and broader competitive arena and the possibilities of new relationships in many directions – whether across industrial, technological, or geographic boundaries – demands an open and outward-looking corporate perspective that many large, traditionally self-centered corporations lack.

For many corporations – indeed, many venerable and respected institutions – the task of reshaping is enormous. But in the face of our changing world, the stake for many is survival.

### **Projecting a Corporate Vision**

The second quality that will be critical is the will to project a corporate vision. A clear, coherent vision of the aims, goals, and values of the enterprise is as vital in turbulent times as a compass and sextant in rough seas. It provides a consistent bearing and direction in the face of sudden shifts in the business environment. It provides a plumb line against which all manner of planning objectives, strategies, and operating decisions can be gauged.

A corporate vision is a statement of purpose, of aspiration, and of values. It is a view of what a company wants to become – stated in a way that has common meaning to its customers, its employees, its suppliers, its shareholders, and the many communities in which it lives. Shaping such a vision is a difficult, often painful, process. It means facing up to some realities of where the enterprise has come from, what it stands for, and what it really wants to become – beyond, but not neglecting, financial objectives and constraints. It takes a powerful act of will to shape a vision that can be shared by all who must realize it. It takes enormous persistence to communicate it to all concerned. But without a vision, in a period of change, any action or solution can appear to be as good as any other, and financial criteria, often short-term, may become the only basis upon which choices are made.

### **Forging a Global Perspective**

Finally, for the corporation to thrive in the new business topography, it must develop a global perspective. Very few companies have yet achieved much progress in this direction. Outstanding exceptions include IBM, Ciba-Geigy, Nestle, and Sony.

Many companies that think of themselves as global are really international or multinational. Most of these firms began as local companies that became national, then expanded by selling in some overseas markets and creating an international vice president. Some eventually moved a portion of their manufacturing overseas, tuned their products, marketing, and business practices to local conditions, and hired nationals to manage operations in key markets. But, enterprising as these companies have been to realize international potential, they are not really global in perspective. They are essentially a collection of national businesses.

The truly global company derives synergies from its worldwide operations. Rather than sub-optimizing operations for each national market, it optimizes its strategies, operations, and financial performance at least regionally and often globally. Yet the global perspective does not ignore national differences in culture, taste, and business practices. It embraces them and seeks to respond to them – but not at the expense of the global strategy, which must transcend national market imperatives.

The global perspective creates many challenges for which the solutions may vary considerably, depending on the nature of the business and the intentions of the company. For example, the decision as to whether or not a standard component can be manufactured globally varies by industry and by component. More subtly, the question as to whether – and when and how – a business approach can be transplanted from one region to another may have surprising answers (e.g., McDonald's successful export of its fast-food system from the United States to France).

Examples of global products and services range from Coca-Cola to upscale business hotel rooms. Nonetheless, there remain many counter-examples in which local or regional differences prevail. Soccer, the closest thing to a global sport, nevertheless fails persistently as a major professional and spectator sporting activity in the United States. Passenger rail transport plays a much different and more important role in Europe than in the United States. Similarly, the one-stop global advertising shop does not seem to be as powerful a competitive concept as was once thought. To determine whether or not a particular business opportunity appears to have global potential, it is necessary to have a mixture of global perspectives and local insights.

Despite all that has been said about the crumbling of national boundaries, most companies in the United States, Europe, and Japan, as well as elsewhere in the world, are remarkably national, or at best international, in their fundamental outlook. Creating a global perspective will not be easy for many companies, despite the manifest advantage it offers in dealing with the changing world around us.

The successful global company will need managers whose combined skills and experience are rarely found today. These managers will have to operate effectively in a global economic, political, legal, social, and information era, as well as in a number of different national environments and social structures. They will have to manage international flows of goods, people, technology, information, and financial resources, as well as the institutions that facilitate or regulate these flows. They will have to be able to learn across borders, to identify, understand, and adapt the world's best ideas and management practices wherever these may be found.

Along this dimension, Japanese companies face a particular challenge in becoming global corporations. Japanese homogeneity and common purpose – powerful assets in their own right – tend to work against the notion of allowing foreigners substantial responsibility or authority within Japanese corporations. Yet, a corporation's willingness to offer staff born or raised outside its headquarters country career paths to the highest positions will be essential for firms wishing to attain global status. American companies, for example, tend to be very open to foreign individuals, although many Americans remain (in the business, if not the cultural community) relatively unaware of the diverse approaches, values, and philosophies commonly held abroad that may hold valuable lessons for U.S. – headquartered businesses. Europeans are inherently used to operating in a multilingual, multicultural environment within their own region, but with few exceptions are still finding it difficult to develop strategy on a truly European – let alone global – basis. U.S. companies, in contrast, for many years have viewed Europe with fewer historically determined national biases.

It is not surprising that of the three management qualities that have been mentioned – a will and ability to reshape the corporation, to create and sustain a corporate vision, and to forge a global perspective – it is this third quality, the forging of a global perspective, that will likely be the most elusive, the most challenging, and potentially the most rewarding. Real change in the long term may require the fresh turn of mind of new generations of managers shaped by the new topography. But even their success and the directions they take will depend on how well today's managers, and their immediate successors, learn to adapt to and stimulate the progress of a world that is fundamentally different from that in which they grew up.

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