

# Corporations in the World Economy: Dynamic Innovation

*Theodore Roosevelt Malloch*

As long as people have searched for adventure, knowledge, and treasure, there has been *the guide*: a trusted companion, a fearless pursuer, a leader into uncharted territories. Scouts led the settlers through the American West; Sherpas scaled the Himalayas; and navigators undertook dangerous missions to discover new trade routes where few dared to go.

In a world now completely transformed, the new integrated digital economy of global corporate actors is free from the confines and shackles of the past. That world is becoming boundaryless, and its emerging shape will dictate the course of the 21st century. Global business organizations themselves are now the agents of massive international economic change. To paraphrase a political actor from an earlier era, “the credit belongs to those who are actually in the arena, whose faces are marred by dust and sweat and blood, who know the great enthusiasms, the great devotions, and spend them in a worthy cause.”

Global businesses are such actors, and they succeed only to the degree that they comprehend the demands of this new and highly competitive environment. Other organizations, individuals, and even governmental and military entities would benefit greatly from following in the footsteps or the wake of these awesome, yet nimble global corporations. Arguably, globalization faces these giant players first, and their reaction to the processes of acting in a globally integrated fashion, in turn, affects everyone else. Their reactions to the processes of globalization over the previous decade, and into the future, are critical to understanding which forces, ideas, and worldviews are most likely to shape our shared future.

While there is great debate about the exact *shape* of the organization of the future—be it flat, horizontal, shamrock, circular, or virtual—the one thing that is clear is that its operating system is being completely transformed.<sup>1</sup> The space in which the future global organization moves and has its being is changing dramatically. What do these changes mean for global markets, for corporate and national strategies, for competitiveness, and even for military forces in a globalized economy where open sea-lanes are arguably as important to economic development as security in cyberspace?<sup>2</sup>

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*Theodore Roosevelt Malloch is chairman and CEO of The Roosevelt Group. He has been a senior fellow of the Aspen Institute, president of the World Economic Development Congress, member of the executive board of the World Economic Forum, and on the staff of both the Senate Committee on Foreign Relations and the Department of State.*

Today's global pioneers, the global corporate executives and organizational leaders who thrive in multiple markets, have recently, on the threshold of a new century, begun asking serious questions about the global organizations of the future. They realize that they both inhabit and create entities and, therefore, share some responsibility for their structure and purpose. There are today no shortages of "global Sherpas" who claim to be able to climb to the peaks ahead of the competition so that a given firm or nation can win in the radically changed global economic landscape. Some of these experts simply extrapolate the lines of the past, while others push their particular view of the new age ahead.<sup>3</sup> It is essential to discern the observable trends, to prepare for contingencies, and to remain responsive enough to adapt to change on an unprecedented and rapid scale.

It is critically important to look at the the forest to appreciate the trees; this is something that every commentator believes that he or she can do. Those who do not know the times will fail not only to perform up to expectations, but also, even worse, their organizations could be caught off guard by the unexpected. The future is not always linear; indeed, the next decades appear to hold much that is likely to prove both chaotic and revolutionary.<sup>4</sup>

The old industrialized world and its attendant national organizations have come to a screeching halt.<sup>5</sup> Now the world is entering an altogether different era in human and commercial history.<sup>6</sup> Global leaders who have a reliable map of the emerging world and stay close to their plans understand the dynamic, integrated global economy and the risks of doing business simultaneously across developing economies. Since populations and markets are gearing around the world to advanced products from the developed world, international trade is likely to continue its phenomenal growth in the coming decades. Companies and organizations that wander off on their own will lose their way. Those that fail to discover the trends of globalization are candidates for complete failure or demise.

What does the future hold for the world of business and for the other organizations, private and public, that make up the emerging social order? How must concepts of national security shift to adjust to a new era of global interaction and connectivity? The military, most definitely, will have to meet the new reality head-on by preparing for a different kind and level of engagement on a new basis, with different resources, and on multiple fronts around the world—everywhere and all the time. These demands are likely to stretch resources to their limits and commit U.S. forces in ways seldom needed in the past. Whether anyone likes it or not—given the degree to which the economy is increasingly linked and interdependent<sup>7</sup>—all nations are starting this trek to the pinnacle of an uncertain future, full of both new opportunities and high risks.

Five revolutionary processes or challenges are shaping the future of the global organization over the next decade, already under way, and they will alter both the human condition and enterprises everywhere and forever. These dynamics include:

- The globalization and digitalization of industry
- A radically new geopolitical world situation or *disorder*
- The struggle for ecological balance
- The death and rebirth of ideologies and ethnicity

- The brewing conflict over indigenous culture

If global organizations understand these challenges, particularly how they affect each organization, they will be more likely to prosper from the coming integrated digital global economy. If they fail to act on their own or simply react too late, they will suffer the consequences and wither into meaninglessness or chronic decline. The five challenges that frame the contours of the global future are shaping “The State of the World,” the world’s operating system. No organization, large or small, Asian or American, European or African, national or multinational, commercial or military, can escape the organizational operating system that will shape the common destiny.

The phenomenon of globalization details a large and growing contribution of foreign firms to national economies. Foreign firms now account for a growing share of production and employment in almost every country of the Organization for Economic Cooperation and Development. In 1996, foreign firms produced nearly 16 percent of the manufacturing output in the United States, up from 13 percent in 1989 and 8 percent in 1985. They accounted for 11 percent of jobs in manufacturing, up from 10 percent in 1989. Britain, Canada, and Sweden are experiencing a similar trend. In Ireland, it is an astonishing 66 percent of output and 47 percent of employment. These firms are not as dominant everywhere; they are not dominant in Germany and France, for example. In Japan, foreign firms scarcely figure: they employ a mere 0.8 percent of workers.

Globalization and interdependence are growing in importance for four reasons. First, foreign firms pay their workers more than the national average, and the gap is widening; in the United States, foreign firms paid 4 percent more in 1989 and 6.5 percent more by 1996. Second, foreign firms create jobs faster than domestic counterparts; in the United States, the workforce of foreign firms rose by 1.4 percent each year from 1989 to 1996, compared with an annual rise of 0.8 percent at domestic firms. Third, foreign firms spend more heavily on research and development (R&D) in the countries where they invest. In 1996, they were responsible for 12 percent of R&D in the United States, 19 percent in France, and a remarkable 40 percent in Britain. Fourth, foreign firms tend to export more than domestic firms do. In 1996 in Ireland, for instance, they exported 89 percent of their output; domestic firms exported only 34 percent. The gap was 64 percent to 37 percent in the Netherlands; an exception here is the United States.

The benefits of trade and investment are clear, and the trend is moving in one direction. Globalization is apparently here to stay, like modernization or secularization. It is a general phenomenon progressing at a rapid pace, and it is going to gain energy, not lose it.

### **Challenge One: Becoming Part of the Information Economy**

Over the past decade the financial world became part of what has often been dubbed “the global village.” Capital markets were tied and integrated in all the major financial centers—the United States, Europe, and Japan.<sup>8</sup> Manufacturing and service industries followed the very same pattern of development in the 1990s. Now, modern

production technologies allow companies to manufacture their products as close as possible to their markets in any part of the world. This global localization features such breakthroughs as just-in-time manufacturing, computer-integrated manufacturing, real-time global capital flows, mass customization, and workplace automation and robotization.<sup>9</sup> The dynamics of the integrated digital global economy are forever changing the way that business is conducted and the way that work and societies are organized. Technology is the key. Being digital is central to this connected economy. The number of Internet users today nears 150 million and is expected to grow to more than 1 billion by 2001.<sup>10</sup> To be Internetless is to be cut off from the information that fuels the global economy. Becoming part of the globalized economy is an opportunity, but also a challenge.

### ***Reduced Paperwork and Fewer Delays***

With the advent of telematics—the combination of electronic data processing and telecommunications—transmission of information related to the delivery of goods and services has reached optimum efficiency. Electronic data interchange (EDI) has ushered in an age of paperless trading. Not only does EDI produce significant savings when applied to global trade facilitation, administration, transport, and inventory control, but also it minimizes paperwork and delays in the international movement of goods and customs. Telematics and network technology integration are saving billions of dollars for the smartest and most technologically advanced corporations. Every organization in the future will be part of interconnected networks on which they conduct business and form electronic communities. The impact of the Internet and company Intranets on logistics should not be underestimated across the entire supply chain.

### ***Improved Decisionmaking through Decentralization***

The development of global time information is also driving the digital global economy. Global data flows have transformed markets and rendered controls on the dissemination of information meaningless. This has resulted in decentralization and a shortened scope for decisionmaking. Government leaders watch uprisings on television screens as they occur, which makes elaborate intelligence gathering, analysis, and planning more and more irrelevant. While events of an uprising are simultaneously aired in living rooms around the world, details of the revolt are being faxed to revolutionaries in real time half a world away.

Globalization unifies markets, requiring rapid responses and radically innovative thinking. In such a dynamic environment, information technology leverages time and human resources. This is the reality of the world being created today. The Internet is increasingly at the core of this connectedness. This future scenario, as Kevin Kelly vividly describes in *Out of Control*,<sup>11</sup> is rapidly coming to fruition, even if some persons, places, and organizations are lagging far behind.

### *Achievement of Interconnectivity*

The historic emergence of Europe's Single Market in the last decade was in large part due to the interconnectivity of information. Moreover, information was the key element in the transition from command economies to free market economies in Eastern Europe, in the former Soviet republics, and increasingly throughout the developing or emerging world. This dynamic is irreversible since a chip-driven, information-dominated economy is not built on concepts of central control. The globalization of industry has a number of interchangeable components that together make a new beehive out of complexity. Using the bee as the metaphor of web-building for a constructive purpose, James Botkin suggests that the global net of alliances woven by multinational corporations through knowledge leads to the creation of smart products and services.<sup>12</sup> This is the most likely corporate future—literally the knowledge business on a global basis.

### *Access to the Global Network*

The world today is akin to a series of local area networks that form a cybernetic wide area network, accessible through the World Wide Web. Being alone outside the loop is to be cut off from access to information. Such isolation will inhibit the ability to think and to make informed decisions. If organizational plans are based on the reality of this integrated network, they will prosper. Looking at the world as such a system renders more and more irrelevant the difference between industrialized and industrializing countries. Already, there are software businesses in India, shared services locating in Ireland, and computer manufacturing in Taiwan or along the Mexican border with the United States. The issues of information have-nots are as likely to cause social unrest in the future as political famines or dictatorship. And nonalignment has no meaning in a now undivided world. To be part of the global network requires maximum adaptability. Such flexibility requires more deregulation, decentralization, and privatization. Those left outside the system will find themselves in the backwaters, never fully able to catch up.

### *Excellence at Systems Competition*

In the emerging new and increasingly globalized digital world, industries will not experience as much product competition as systems competition. Industrial Age competition was based on well-known price and quality competitiveness factors. Systems competition is much more complicated. Its decisive elements involve customer utility, methods of production, and the ability to quickly distribute bundled or unbundled packaged or even electronic goods and services. To excel at systems competition will demand logistics optimization. In short, it will require hardware already loaded with software—with as many options as desired by the end user.<sup>13</sup>

### *Design of Knowledge Infrastructure*

As this global economic transition continues, a new Schumpeterian cycle of “creative destruction” and intense entrepreneurial competition and repositioning will

sweep through like a tornado. Already, this has begun with the arrival of electronic business (e-business). Nonmaterial investments such as R&D, education, and training are becoming far more important than material investments. Likewise, the knowledge infrastructure has become more urgent than the physical infrastructure. The secret to the profit-maximizing behavior of global entrepreneurs reveals that R&D drives long-run productivity.<sup>14</sup>

The integrated global digital economy opens up a world of opportunity rather than one of designed constraints. The global impact of the Web and e-business has been compared to the invention of printing, the voyages of discovery, or even the Renaissance. Web-based technology allows companies to emulate or substitute almost the entire physical world experience between buyer and seller with computer systems. Retailers use the technology to engage customers and facilitate transactions. Corporations embrace the Web as a platform to automate their business-to-business procurement processes. Aggregators use the Web to bring together multiple sellers and buyers in electronic marketplaces.<sup>15</sup> Indeed, there are endless opportunities for those who have the foresight to build the best knowledge infrastructures and knowledge communities.

Increasingly, global organizations are cognizant that their most valuable asset—intellectual property—is rooted in their intellectual capital. So a battle for the human talent, wherever it is located, is very much a part of an integrated global future. This has implications for human resources and the operations of global organizations. Business leaders are designing this infrastructure to draw them closer to their markets, to avoid political risks, and to sidestep regulatory hurdles.

### ***Emergence of the e.Org***

Executives the world over are coming to terms with the fact that what they first perceived as “hype” was, in fact, foresight where the Internet is concerned. Indeed, the Internet has become mainstream and has seeped into every crack along the value chain, breaking up, eliminating, or optimizing each link. To succeed in this new environment, many industry leaders are rethinking every aspect of their business model from customer service to supply chain management to how their enterprise is organized and motivated. How organizations structure their operations, share knowledge, and inspire employees in this new Internet-enabled competitive marketplace has become paramount to success.

Just as the value chain has been disintermediated, so too has the traditional organizational model. The tightly structured command-and-control hierarchy characteristic of most of the 20th century is giving way to the fast-moving, entrepreneurial, adaptive e-business model of the 21st century. The digital age organization is no longer a single corporate entity, but rather an extended network consisting of a streamlined global core, market-focused business units, and shared support services. This organizational model lends itself to the flexible teaming, select alliances, and increased outsourcing characteristic of competition in the electronic world. It is a networked, nonlinear, coherent organization that is neither centralized nor decentralized. Its dynamism, flexibility, and openness form the foundation of what some have dubbed the e.Org.

The transformation of an organization to an e.Org takes place along numerous dimensions, ranging from structure to culture, from knowledge management to governance. The following 12 observable trends will definitely have a large impact on the future on every organization, public and private.

1. Outsourcing will become more standard, and employees will increasingly view themselves as self-employed contractors. Organizations will develop paradigms to maintain the integrity of their values and quality standards, even when processes are performed in cooperation with external entities.
2. Organizations will cooperate with their process/line managers in the evaluation of potential partners and during restructurings to ensure that values and quality standards are maintained even when work is done externally.
3. Organizations will emphasize action learning, e-learning, and employee self-development, especially for high-potential employees, in career development, leadership development, and succession planning. Continuous learning increasingly will replace stop-and-start training programs as enterprises and employees develop appropriate attitudes and paradigms to deal with constant change.
4. As fostering innovation and increasing intellectual capital become key value creation competencies, top executives are becoming “chief learning officers” who develop knowledge management architectures to harvest valuable insights from employees, and who find, recruit, and retain the human capital needed by the organization to create value.
5. The new role of human resource departments as developers and champions of organizational culture and human capital requires improved communications with the leadership, managers, employees, and prospective employees.
6. Organizations are creating shared services centers and centralizing some functions (for example, corporate personnel policy development, knowledge management), decentralizing others (such as the hiring process), and outsourcing still others (benefits administration, payroll) that do not enhance the core competencies of their businesses.
7. Organizations increasingly will be drawn into attempts to measure the effectiveness of departments, programs, and individuals. They will respond by focusing on what groups and individuals produce for the internal economy of the enterprise, whether such production relates to the core competencies, and whether outside suppliers can be used as a benchmark to gauge productivity. Management will implement performance evaluation metrics, such as the Balanced Scorecard, and 360-Degree Feedback.
8. Enterprise resource program implementations will be used to ensure that valuable human capital information is captured. Organizations will develop knowledge management architectures so that the knowledge that makes the organization uniquely valuable is identified, retained, and made available to others. Intranets and the Internet are the pervasive information technology infrastructure that will enable effective organizational performances.

9. With knowledge workers now viewing the world as their employment marketplace, and global entities siting projects wherever talent is available at the right price, top executives will advise the executive leadership about mobility trends and local conditions that define working environments. Globalization in sourcing and distribution, coupled with the rising pace of international activity, will force organizations to partner more.
10. Shareholder value will become symbiotic with increasing workplace diversity. The effect will be to stress the value of individual efforts and pursue flexible work/life initiatives while effectively communicating shared values and objectives. The retreat of authoritarian management styles will enhance the value of leaders who can build teams.
11. Enterprises will expand the use of equity and options to link the performance of the organization and its employees, and variable pay will become increasingly popular in a low inflationary environment as an additional or alternative means of attracting top talent and aligning employee performance with overall goals.
12. The shift toward self-reliance and the treatment of employees as valued business partners favors increasing use of flexible benefits packages and free agency.

## Challenge Two: Getting Positioned in the World *Disorder*

Much has been made of the end of the bipolar world—the historic close of the Cold War and the dissipation of the Soviet Union. The pictures of the Berlin Wall coming down and Lenin’s headless statue are ingrained into our psyches forever. With the lifting of the Iron Curtain, the crumbling of the Berlin Wall, and the disintegration of the Soviet Union into an entity that is neither a *soviet* nor a *union*, the world has taken a form that few ever predicted even a few short years ago. What is the new geopolitical economy of the next decades?

### *Thinking in Terms of Subnetworks*

Civilization and the processes of socialization and identification are being rethought.<sup>16</sup> Can changes so dramatic help but change organizations? Cold War organizations are gone or passé. As one pundit put it, “in a world without clear-cut enemies, is there any reason to exist, to continue?”

Industrializing nations are now integrating into the global postindustrial system, trying to plug quickly into the so-called Information Age. Together with global privatization, a new global system of political relations is emerging. This, too, is a comprehensive network with many connected subnetworks. The interdependent global network cannot afford the breakdown or temporary cutoff of any one of its subsystems. The challenge of the next decades will be to make sure that local conflicts (including those of inner cities and the former communist bloc) are contained before they spill over into the global network.

Order on a permanent, lasting basis is *not* likely to occur in the near future, given the complexity of the global system and the antecedents of its revived diversity—in

both old and new, and very ugly, forms. New global organizations, less permanent perhaps, are likely to spring up to care for the problems that inevitably will arise. Corporations form strategic alliances and joint ventures regularly in the global economy as a means of doing business. These often temporary structures can become long term, but one side usually ends up winning the majority of the spoils. As global mergers continue unabated and consolidation of entire industries takes place, governments and military entities, including international organizations, watch as passive bystanders while corporate empires emerge as the new source of global domination, in some cases with near-monopoly power.<sup>17</sup>

### ***Identifying the Organization's Place in the Triad***

Global companies increasingly find themselves involved in one of the subsystems of the triad that make up the New World: Europe, North America, and Japan-Greater Asia.<sup>18</sup> To succeed, they will need to establish a grounding or strategic alliance in each. In the Industrial Age, power was determined by military strength and global economic competitiveness. Today, the capability of a global company to position itself optimally inside the triad of the integrated global digital economy has become an essential element of national strength.

Such groupings should not be confused with the notion of fortress-like regional blocs, whose tendency is to isolate, rather than integrate, themselves. Global organizations must pick their partners well. At a minimum, they will have to operate in all parts of the triad to truly succeed and prosper. While they will make forays into the emerging markets, global companies will compete intensely in the triad where consumer wealth is the greatest. Risks are most likely to appear on the fringes of this triad. As southern regions attempt to gain their foothold in the globalizing economy, the flashpoints will increasingly appear where the northern regions encounter southern regions.

### ***Focusing Efforts on Interregional Trade***

The growth rate of intraregional trade is now faster than that of interregional trade. For example, manufacturing among Western European countries has strengthened considerably due to an increased specialization of industrial activities, which generates trade intermediaries. Western European industry has become interdependent at nearly all stages of processing. Even now, intraregional exchange dominates Western European trade manufacturing. More than 60 percent of Western Europe's exports go to Western Europe, and more than 80 percent of imports originate in the region.<sup>19</sup> As more world trade comes under the general rules governing tariffs and trade, a further strengthening of the trend toward regionalization and globalization will occur.

The World Trade Organization (WTO) has become more important politically and economically than any other international body. Firms will either get on board or be cut out of the game altogether. The North American Free Trade Agreement and other such arrangements work to integrate the United States, Canada, and Mexico to a larger extent, and hemispheric notions of free trade will move the process toward an

even greater zone of influence. The importance of free trade zones in the next decades will cause more countries to hitch their wagons to the global interdependent economy. Eventually, all of these zones will be united in a global free trade planet.

### ***Redefining Corporate Power***

In the integrated global digital economy, national prowess will be calculated in terms of four distinct factors: global economic competitiveness, media power, position inside global networks, and military strength. Power has a special definition in the emerging New World *order* and *disorder*. The new structure that has emerged in the United Nations (UN) Security Council and at the WTO is profoundly multipolar and multinational. As a hegemonic power, the United States will likely lead such alliances; as the nation with the world's strongest and largest economy, it will likely be the main thrust of economic development. But globalization by definition and through its main agents, transnational corporations, will not be bound by any one nation, even the United States. Corporations will operate so as to maximize profit (and minimize loss) by moving around the globe in their own distinct ways through such practices as transfer pricing, outsourcing, and tax alleviation.

At the core of global commerce, it simply will not matter where a company is based.<sup>20</sup> By definition, a multinational corporation will truly be transnational and will utilize tax or political havens for business purposes. Consensus and cooperation will be hallmarks of this integrated global digital economy. Corporate power will be defined along the lines of the best strategic alliances established and the power of brands to transcend single audiences and markets. The raw media power and reach of communications, entertainment, and Internet companies will define the range of cultural power. English, however, has become the *de facto* official language of the new integrated digital global economy, and its unifying significance in global business should not be discounted or forgotten as an Anglo-American advantage.

### **Challenge Three: Maintaining an Ecological Balance**

The integrated global digital economy will increasingly find itself in a fight for ecological balance. New environmental priorities will move to the forefront of political and economic decisionmaking in the decades ahead. This ecological evolution is distinguished by three phases: growing awareness, intense scientific study, and a potential rebalancing of humankind and the planet. This growing predominance of ecological issues includes ozone depletion, global warming, ground water contamination, transboundary pollution, biodiversity, acid rain, and polar melting.<sup>21</sup> These issues are changing traditional patterns of thought and action, particularly in the West and among the younger segments of the population.

Ecological balance affects consumers, companies, countries, and both the national and what will emerge as the global interest. No one will escape the imprint of these so-called greening processes. Even if the ecological tide ebbs and flows back and forth based on economic prosperity, its effect is undoubtedly growing worldwide. Southern Hemisphere nations are unwilling to compromise their economic development based

on reduction of their consumption. Northern Hemisphere countries are increasingly vociferous about imposing newfound environmentalism. The next decades will involve increasing disputes over ecological economics or sustainable development.

### ***Revising Accounting Systems***

Entire national and corporate accounting systems will be radically revised to take account of actual environmental well-being. A completely felled forest that cannot sustain its own development will no longer be called economic growth, even if the timber is sold to the highest bidder. This new ecological focus is forcing a different relationship between governments and businesses. As deregulation lowers the impact of government on the wealth creation process, governments and businesses are finding new ways to ensure that the process is ecologically compatible. Since such an undertaking can be satisfactorily accomplished only in an international context, new forms of government-business cooperation will in time emerge. Eco-industry initiatives and organizations will be part and parcel of the corporate pioneering spirit of the future. It is conceivable that even military force will be used to maintain or sustain development or to fight environmental degradation. From the moral implications of large-scale pollution to the eradication of environmental disasters, new definitions of national and global security will inevitably involve an environmental component on the land, in the air, and on the sea.<sup>22</sup>

### ***Counting Costs of Pollution***

While the preeminent cast of emerging regulations is capable of ensuring less pollution and a better environment, many problems result from the failure to consider the costs that pollution imposes on society. This externality could even threaten economic development. This is further complicated in transboundary pollution by the well-known problem known as the tragedy of the commons. While end-of-the-pipe solutions will long be in force, new economic instruments, such as fees levied on emissions and environmentally damaging activities, marketable permits, deposit-refund systems, and noncompliance charges linked to emission standards or fiscal incentives, will provide means to ensure that both producers and consumers take environmental costs more seriously. Organizations will need to know how this ecological reality affects their opportunities and how they can position themselves to gain from these radical attitudinal and economic shifts.

### ***Adjusting Corporate Values***

Countries are forming multilateral agreements for stricter air pollutant ceilings. These targets, while often requiring large expenditures, are met by the use of clean technologies and various packages of economic incentives. The materialistic, consumption-oriented ways of life common in the past are slowly giving way to the full range of ecological alternatives that are still submerged like an iceberg. Many global corporations are beginning to comprehend and plan for this future through environmental, health, and safety programs or environmental branding. In a world more fo-

cused on environmental variables, companies and other organizations will increasingly co-opt the media to be perceived as environmentally benign or proactive.

### **Challenge Four: Developing Ideologies and Reviving Ethnicity**

Much has been said about the death of ideology resulting from the demise of Marxism-Leninism. The Soviet gross national product, as it turns out, was less than two-thirds of that estimated by the Central Intelligence Agency (CIA) and the best experts. Military spending exceeded 17 percent of the real gross domestic product—an untenable situation that led to inevitable economic collapse. Since the veneer of Marxist ideological belief held no great sway in the popular Russian mind anyway, it no longer incited belief or social cohesion.

The ideological and moral aspects of the disappearance of communism on the global stage have been much overlooked. The reconstruction now taking place in the formerly centrally planned economies presupposes a radical shift of attitudes and core beliefs. It is necessary to be aware of new, emerging ideologies—something always fills a vacuum. New core ideas are still surfacing, as fundamentalism of a religious variety is resurfacing on nearly every continent. This time around, using communications networks, the ideologies will also be global in nature. They will often have ugly faces rooted in age-old forms of bigotry, racism, and ethnic and religious rivalry. The United Nations has recently issued a warning of a different sort—that glaring, growing inequalities in the distribution of wealth based on information assets may lead to dangerous polarization between richer and poorer countries.

#### ***Opening Markets through Respect for Freedom***

Communism or socialism were incapable of generating economic wealth. Apart from a total lack of respect for freedom and democracy, they contained moral attractions by promoting the so-called classless society, equality, and nonalienating work. In truth, none of these were ever features of life under communism. The intellectual fascination with communism around the world was defied when Boris Yeltsin stood on the tanks of the old order.

Respect for freedom has replaced the void left by the death of ideology. With economic freedom, most of the world's markets are now more open to business—open to those ready to seize the opportunity presented by democratic capitalism. The continuing globalization of economic integration is due in part to the lure of liberal participatory democracy, a Western definition of human rights, and in part to the power of consumer demand. People everywhere want goods and services to be available, even customized to meet their particular needs and desires. All of this reinforces the power of a multinational corporation's marketing and distribution power to meet the global market of one.<sup>23</sup>

#### ***Sharing the New Vision***

Capitalism and socialism are ideologies deeply rooted in the past. Both are, in fact, sorely dated. The integrated digital global economy is demanding an entrepre-

neurial system, albeit with a human face—one that respects personhood, cultures, and community. The record shows that the free enterprise system itself creates economic and, therefore, social progress. What drives free markets is entrepreneurs' cognizance of their social, global, ecological, and corporate responsibilities. As stewards of such a system, today's corporations are agents who foster this "general good."

As the statues of Marx and Lenin were dismantled all over the world, the people of the world in every color, language, and shape demanded shared vision, the articulation of human rights as core values, and a commitment on a global basis to demonstrable leadership. It makes a vast difference which vision, whose values, and what means are used in forging such a consensus of commitment. Wisdom has taught that "those who have *no* vision perish." But for the vision of the integrated digital global economy to prevail, trade among nations around the world will have to grow exponentially. The goal is to ensure that everyone can, for the first time in history, truly prosper.

The role of the United States, particularly in its defense of such a system, is the lynchpin of this emerging system. As the only superpower and policeman of regional conflict, the United States finds itself in a unique position—both the engine of global economic growth and the arbitrator of nearly every serious dispute or armed conflict. The ways and means for exercising this enormous power through information warfare and through dispute resolution are only beginning to surface as the next millennium opens.<sup>24</sup>

## **Challenge Five: Fostering Cultural Coexistence**

The cultural revolution of the 21st century is too big to miss. Big corporate organizations of every stripe, from Coca-Cola to Sony, were cashing in on it even before the millennium arrived. The demography boggles the mind. Progress now depends on our capability to live together in a multicultural world. The United States itself is increasingly more diverse. Its melting pot and immigration history supports the widest collection of cultures. The greatest challenge, as the 21st century begins, is to improve our understanding of, and sensitivity to, traditions, cultures, religions, and generations different from our own.

The primitive nature of rampant nationalism is being purged from the integrated digital global economy—but not without a fight. The world is a tapestry of peoples, languages, religions, and histories, woven together to make one whole. Each part is distinct and yet rich in and of itself. Individuals, groups, nations, races, and regions will have to coexist in the coming years. Business is the common thread, and its transnational actors are the very embodiment of the kinds of organization required to form another civilization, anchored more in tolerance than in exclusivity.<sup>25</sup> Defending this economic reality falls to the United States and its alliance partners, now more than ever.

### ***Customizing Marketing Programs***

With the risk of major confrontation substantially reduced, but not completely exterminated, people are attempting to work together to prevent cultural tensions from becoming new sources of conflict in America and across continental bounda-

ries. The new global reality requires protection of cultures, much as if they were endangered species, by avoiding situations where one dominant, homogenized world culture can snuff out the diverse richness that has been built up over the centuries. As people come together in an integrated digital global economy, a countertrend will arise—to maintain distinctiveness. Companies and organizations would be wise to establish distinct marketing programs for distinct populations on each continent or in each subregion. The best thing about cyberspace is that it is infinite, so territory can be made available to any and all groups and individuals, free from the constraints of physical reality or past territoriality.

### ***Understanding the Emerging Global Systems***

We live together in a world that is akin to what anthropologists would call an extended family, held together by complex global financial, industrial, and information systems. Despite the fact that we are global neighbors, we are still characterized by real cultural and language differences, rooted in thousands of years of human undertaking. If we recognize each culture as a subsystem of a larger evolving global culture, it will be easier to survive and prosper.

The integrated digital global economy can tie many networks together with a maximum of adaptability. It is a world of fewer regulations, greater decentralization, extensive privatization, and of course, economic integration. The state itself will maintain power to ensure justice, but it will not, as in the past, be the center of all attention or the only power with the force to administer solutions. Nation-states themselves may in time be replaced or evolve into both smaller localized entities and larger regional communities. This phenomenon is well under way in Western Europe, Asia, and North America. The business, let alone military, implications of these processes are indeed far-reaching.

### ***Embracing the New Philosophy***

The primary question of empowerment will focus on the interaction of the modern state or corporation with other social institutions, such as families, schools, churches, the arts, and voluntary organizations. Differentiated societies are producing a new philosophy that embraces a more pluralistic, secularized world and an integrated digital global economy. Businesses are partnering with not-for-profit organizations and with those who can help to create new markets as fully responsible societal leaders. Corporate statesmanship is rising, and in certain polities, business-based political parties or advocacy groups, including political candidates from business with no prior political experience, are emerging.

### ***Leading with Integrity***

The integrated digital global economy requires an atmosphere of predictability, trust, partnership, and shared values. The greatest part of wisdom is keeping the most valuable elements of the past. There is always a balance to be struck between change and continuity. Leadership is the key to the mastery of change,<sup>26</sup> and organizational

leadership implies continuity with both the highest standard of ethical norms and professional skill. Business ethics is therefore taking on an even greater role in a world of intricate and cross-cultural relationships. The future is seen as the responsibility of corporations. They have the power to analyze the facts and to establish the practical implications of ideals. They have the freedom to quickly adjust policies, to mobilize resources, and, most important, to create wealth. The unfinished agenda of the next century beckons the international business leaders of tomorrow. New definitions and horizons of leadership will arise in every kind of organization to meet these new challenges. This new leadership is likely to be more global, more diverse, less gender-dominant, and both extremely literate and numerate.

### ***Making the Most of Limited Time***

It took Christopher Columbus years to sail in his three small ships to what he then called the New World. He did not find a passage to India, but instead discovered what Europeans, at least, considered a new continent in 1492. In the integrated digital global economy of today and for the decades ahead, time itself has become the most important strategic factor—both the measure of things gained and the measure of opportunities lost. People can never be satisfied, even if they travel at a supersonic speed, because the world and its integrated digital economy can never be satisfied, even if people travel at an even faster rate.<sup>27</sup> The allocation and management of this precious commodity—time—will dominate the world.

Corporations spend much of their time and effort in improving cycle time, cutting inventories, and rationalizing or better managing their supply chains. The organizations formed to bring about some semblance of order are still time-bound. Real-time, time-sensitive, overnight, just-in-time, all of the time—the great challenge, to quote a well-known corporate titan, is to do what we do today in half the time tomorrow. In a faster and faster world of shortened cycle times, where Moore's Law continues to make the processing of information a cheaper and faster phenomenon every 18 months, where bandwidth is nearly unlimited, and where companies and organizations are ever faster, time to market can mean winner takes all.

## **Conclusion**

The organization of the future—corporate, social sector, governmental, military, and supranational—will affect, and be affected by, what Barbara Ward, the famous British economist and author, claimed were the “ideas that change the world.” The next world seemingly will be less organized, less state-dominated and less centralized than those before. It will, nonetheless, be formed as part of a whole, yet still integrating, digital global economy. The integration process itself is likely to start and stop, and it will therefore prove to be somewhat uneven. Some groups will integrate more quickly than others will. Still others will resist or even sabotage the developments and progress going on all around them. Establishing an organization's new business, customers, and trading relationships and exploring the market forces, competitive strategies, and investment opportunities in a world pregnant with uncertainty, yet op-

portunity, are the hallmarks of a world full of future possibilities. Realizing such global opportunity is a large undertaking, if not a daunting task. The future is not one of stability, but one of near constant change. At any given point between now and that future, the members, partners, and colleagues of every organization should stop and ask, “What do all these changes imply for this organization” and for the various interactive parts of the whole? 🌐

## Notes

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<sup>3</sup> Lester C. Thurow, *Head to Head* (New York: Morrow, 1992).

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<sup>7</sup> Timothy J. Yeager, *Institutions, Transition Economics and Economic Development* (Boulder, CO: Westview Press, 1999).

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<sup>10</sup> Michael Wolff, *BurnRate* (New York: Simon and Schuster, 1999).

<sup>11</sup> See *Wired* magazine.

<sup>12</sup> James W. Botkin, *Smart Business* (New York: The Free Press, 1999).

<sup>13</sup> *The Technopolis Phenomenon* (New York: Rowman and Littlefield, 1992).

<sup>14</sup> Council on Competitiveness, Washington, DC, various reports.

<sup>15</sup> PricewaterhouseCoopers, *E-Business Technology Forecast*, Menlo Park, CA.

<sup>16</sup> Francis Fukuyama, *The End of History and the Last Man* (New York: The Free Press, 1992).

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<sup>18</sup> Kenichi Ohmae, *A Borderless World* (New York, Harper Business, 1999).

<sup>19</sup> United Nations, *ECE Survey* (1998 and previous).

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<sup>25</sup> Francis Fukuyama, *Trust* (New York: The Free Press, 1996).

<sup>26</sup> James O’Toole, *Leading Change* (San Francisco: Jossey-Bass, 1997).

<sup>27</sup> Cyril Charney, *Time to Market* (New York: SME, 1991).