

How all the world became a stage

Ciaran Parker



In *The Next Global Stage*, the formidable Japanese thinker Kenichi Ohmae uses the analogy of a stage to describe the emergent reality of business in the age of globalisation, and most especially, the global economy.

Ohmae wastes no time in asserting that the global economy is not theory (or make belief) but a visible reality; we have no option but to accept it. It is a rather mercurial beast which shows its influence in many areas of the world, but which seldom gives up its secrets to the casual observer. Ohmae trained as a nuclear physicist, and so it is not surprising that he draws parallels between the global economy and the worlds of particle physics and chaos theory. The global economy does not operate

according to the old rules of the game, so many observers fail to grasp important realities because they are applying old parameters. Much of the response to the global economy's development is informed by defensive ignorance. It is easy to dismiss those things we do not fully understand as unimportant and trivial, but in the long run the march of human knowledge suffers. It is surely insufficient to denounce dissenting economic voices as cranks.

Among the obscurantist vanguard are those economists who insist on applying out-dated economic paradigms to a reality that refuses to conform to them. Ohmae demonstrates how the global economy has pulled the rug from underneath traditional Keynesian concepts of the role of money in the corpus economicus. Many of the prescriptions from the Keynesian medicine chest no longer work, or if they do, they have the opposite effect to that intended. They might have worked in a world dominated by discrete national economies. While attacking Keynes' theories may appear like flogging the proverbial dead horse, the persistence of Keynes' thinking on

macro-economic decisions cannot be underestimated. His discussion of the shifts in exchange rate theories and practices demonstrates how central banks have gone from being lenders of last resort to buyers of last resort.

"The economy is no longer enclosed in a single country. Nor is the world an assembly of autonomous and independent nation states. Rather, we now have inter-dependent units of nations and regions. Some regions have populations of millions; others (such as the EU) have hundreds of millions," Ohmae writes. "The trouble is that economists continue to interpret the economy through the lenses of the old masters. They modify antiquated equations and develop mathematical models which explain only a part of the global economy."

Flagging flags

One of the most crippling of the intellectual inheritances from the past is the nation state. This is not the first book in which Ohmae decries this political suture that has been sewn into the fabric of international business and

economics. Within each nation state there has emerged emotionally comforting, though often divisive baubles like “national” flags, anthems and currencies, often managed by a central bank. We can still see examples in the survival of “national flag carriers” in the airline

The nation state has been effectively replaced as the active economic agent both by multi-national economic groupings such as the European Union, and by “region states” of growth and prosperity like Lombardy in Italy and the Dalian region of China. Both are

pliant and pragmatic approach to economics and business with the ultra-centralised structures of countries like Japan where local initiatives and responses are stifled and penalised.

The global economy owes much to technology, but it is far more than

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industry, even though many are heavy loss-makers. The nation state is no longer necessary: it belongs to a world of check-points and barriers.

Today’s world is driven by the breakthroughs in information technology using fibre optic cables and satellite transmission which defy barriers.

“In the analogue society, discrete pieces of information had to be humanly spliced together to draw out meaning. Now, mindless robots running through millions of interconnected computers are able to put together the synthesised information and implications in a matter of milli-seconds. In the past, it took a wise man or an experienced journalist to relate one piece of information with another, but now any layperson can find relationships among many seemingly unrelated events and incidents by throwing in multiple words in a search engine,” Ohmae writes. “In the past, chemists used to search relevant articles in *Chemical Abstract*, an authoritative and massive collection of all the work by chemists around the world. Stock buyers and traders would search key information using Bloomberg, Reuters, Telerate, Nikkei, or whatever the influential source in their particular country. Now, Google, or other such search engines, are the common portal. The chances are that most of the information, or at least the clue to the information, you are looking for exists in digital form. So, mankind has migrated into the borderless and digital world without an official opening ceremony at the new global theatre.”

viewed as competitors and usurpers by nation state governments, although some nation states, such as Ireland and Finland enjoy the scale advantages of region states and their consequent prosperity.

Soft landings

Taking the example of the People’s Republic of China, Ohmae shows that its rapid economic expansion in the past decade has not taken place at the national level, but has been managed by a handful of region states (such as Dalian) which have been granted *de facto* economic autonomy by the central authorities. Indeed Ohmae goes so far as to call China the United States of Chunghwa. This perspective is capable of explaining much about China’s economy. Many western observers have prophesied, Cassandra-like, the slowing-down or even collapse of the Chinese economy. They are divided into those who foresee a hard landing versus the soft-landing proponents, somewhat like the “hard seat” and “soft seat” passengers on Chinese trains. But China shows no sign of experiencing any type of landing. Moves by the central government to dampen growth have been largely cosmetic.

There are few positive policies that a central government can pursue in a truly global economy. The elegance of an economy that bases its strength on its regional components is that it is infinitely flexible: when harsh economic winds blow from outside, the regional segments can adapt to the external shocks: some may go under only to be replaced by new ones. Ohmae contrasts this

the “new economy” theory which fuelled the expansion of the dot-com bubble of the late 1990s. Globalisation has been enabled by the deregulation of the financial and telecoms worlds in the 1980s.

But the global economy does more than simply rest complacently on its technological foundations: it nurtures and gives birth to delivery systems for these technological breakthroughs, allowing their benefits to be evenly spread and efficiently applied.

One is the development of technical and technological platforms – means of communicating and using technology seamlessly and painlessly. Ohmae demonstrates the principle of a platform by using the example of the English language: it has become a universal second language and in the process has enhanced communicability for all. The US dollar has meanwhile become a financial platform. There are an ever increasing plethora of platforms, such as specific criteria for software development or for mobile telecommunications. The end result of the growth of platforms is to make technology genuinely user-friendly, enabling people to do things in a newer and easier way. Platforms are essentially customer-driven and allow technology to escape from the world of the theoretical.

Another delivery method that Ohmae highlights is the growth of quicker and more sophisticated physical delivery systems through improved logistics, which often collapse the tyranny of distance. →

→ Global building blocks

The building blocks of prosperity in the global economy are technology and human beings. Technology has changed the nature of work so when talking about human capital we are no longer thinking in terms of undifferentiated hordes toiling in abysmal conditions, but rather in terms of intellectual labour.

Technological advances have made Business Process Outsourcing a real alternative for western businesses which are able to benefit from lower labour costs in regions such as South Asia. But the cost advantage is never the only element in outsourcing. The employees are not semi-literate crammed into sweat-shops but frequently university and technical school graduates working in bright and air-conditioned offices, capable of offering the same levels of know-how as are available in the west. Outsourcing is viewed as a troublesome guest at the feast of the global economy, condemned as exploitative, while at the same time threatening well-paid white-collar jobs in the west.

Through an examination of BPO in India, Ohmae demonstrates convincingly that this is a myth, coloured by out-dated perceptions and prejudices. Outsourcing has brought real prosperity to parts of India. Admittedly those who have

benefited are probably less than 0.1 per cent of the country's population, but for at least a million people to be lifted out of endemic poverty and allowed to enjoy western standards of prosperity is surely a significant achievement.

"Cross-border BPO can and does spread the benefits of prosperity into areas of the world that until now have been mired in destitution and poverty," observes Ohmae. "Cross-border outsourcing is an extension of a phenomenon that has been going on for decades. Within the US there has long been a migration of business processes to less expensive areas for computing, document processing and customer contacts. BPO has been taking place across city limits and state lines. With the help of the global platform of the Internet, it is now crisscrossing national borders." For Ohmae BPO is a matter of optimisation.

At the end of *The Next Global Stage* Ohmae lists a number of regions which may be tomorrow's areas of growth (see the Winter 2004 issue of *Business Strategy Review*). Of course he knows that he cannot predict with absolute certainty which economic seeds will grow and which will fail. The global economy is still unpredictable and is capable of pulling surprises. One of its symptoms is to knock on the head much of traditional economic theory

about factor endowment. A region does not have to be factor-rich to become wealthy. This is a message of great hope for the many regions of the world that have traditionally been seen as imprisoned in the endless night of poverty and which have often acquired a learned helplessness as a result.

The global economy is about far more than structures and technology. It demands an alteration of mindset by all the economic actors on the stage, be they management or workers; producers or consumers; rulers or ruled. In essence the world can be divided in two: there is you and there is the Rest of the World. Your success is dependant upon how you deal with this situation and how successfully you internalise the global model and think in global terms. This will be difficult for some; a challenge for all, but it can also be liberating. Ohmae stresses that there is no alternative.

Well written and convincingly argued, the scope of Ohmae's knowledge and the seemingly immense reservoir of examples that he draws upon to back up his arguments are breath-taking. The reality of the global economy may well contain threats for the ambivalent, but for those ready to eagerly embrace change it carries many more opportunities. ■

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