

1

The Global Business Environment in Today's Flat World

News Flows Faster than Water!

The problem with writing about global business is that everything changes overnight. Today's topics are not even tomorrow's history or news. The Internet, information technology (IT), and the rapid globalization of businesses over the past 30 years have made this possible. So you have to excuse me if I make some comments today that may seem utterly meaningless a few years from now. However, the good news is that in spite of this, the topic of execution excellence will remain evergreen. It will continue to exist as long as human beings exist, and corporations exist with the intent to succeed. So, from that standpoint, your investment in this book is safe.

Now back to global business environment. I started my career as a young consultant back in Chicago in 1985. It wasn't easy. I remember one of my first clients, an industrial-crane manufacturer on the outskirts of Chicago, telling me that he wasn't going to take advice from a 26-year-old Indian kid with a funny accent. He even looked like Ronald Reagan, which made it

more strange. What he didn't know was that my boss, sitting next to me, was actually of Iranian origin. Together, we fixed the company in four months, and in spite of the client's challenging demeanor, he publicly appreciated the work we had done. An Indian and an Iranian in the 1980s fixing a traditional midwestern manufacturing company. My first experience in a flat world!

It may seem a unique event, but our friend was clearly not paying attention to the world around him. In the late 1970s, the gutting of U.S. manufacturing started, and original equipment manufacturers (OEMs) seeking lower costs started moving plants to China. I remember those days clearly. On my way from one midwestern city to another, I drove through small-town America, and it was clear how plant closures were destroying local economies. Main Street shops were shuttered and pawn shops replaced them. I know this space well, because my colleagues and I facilitated this process. We helped a large number of Fortune 500 companies across industries set up operations across the world, mostly in China and India. I know that many people say that the globalization of business began centuries ago with ancient trading routes and has existed ever since. The shift also comes from modern Western companies globalizing over the years. But let's be honest, when we talk about globalization today, it's really a BRICS story, and particularly the China and India story

What started as an OEM movement soon overflowed to suppliers. If a large U.S. corporation set up a plant in China or India, you could hardly expect the suppliers to all be based in the Midwest. Soon the suppliers were being asked to set up operations in China, near the OEM plants. Many of the owners of these small and medium enterprises (SMEs), who had not even made frequent trips to New York, were now being asked to go set up shop in China. Some brave ones tried, and of those some succeeded but many did not. They hoped that their other customers would not do the same; however over a period of time, most did. A considerable proportion of the SME businesses died out and was soon replaced by local Chinese suppliers, who

probably stole their technology. The large-scale manufacturing movement to international markets helped the large corporations survive, but killed many small and medium-sized businesses who didn't have the resources to compete.

Of course, low-cost manufacturing grew in emerging markets and created exports to high-demand markets. India built an entire IT industry that allowed for on-shoring and off-shoring of technology and business processes. Through all this outflow and inflow, the world became flat. Maybe this is what the original discoverers of the continents meant; Facebook and Google made it a permanent reality.

So Where Do We Go from Here?

All businesses today, whether local, global, or *glocal*, operate in a flat world. A small pharmaceutical manufacturer in India competes with local SME's, large national players, small and large regional players, and medium and large global players. Most of these competitors operate like Tomahawk missiles fired from a ship off shore. The small local players don't see them till they hit and by then it's too late. The same is true for many businesses. I'm not saying that these small business can't compete. In fact, often it's the large international players who underestimate the smaller competitors. All I'm saying is that the world is flat and that's how it's going to remain. So if one is writing a book about strategy and execution, it is obvious that this strategy will have to succeed in an environment of a flat world.

What Does That Mean?

1. From a financial perspective, it means that your financial endgame needs larger aspirations.
2. It means your revenue drivers will have to include organic and inorganic cross-border growth.

3. It means your financial risk will involve cross-border currency risks as well as benefits.
4. It means your cost and efficiency will need to be globally competitive, often having suppliers and employees off shore in locations you could not imagine.
5. Your customers will be global.
6. Your brand will have to translate into many languages and something globally meaningful.
7. Your relationship management skills will need to be much better than the U.S. airlines that we tolerate today.
8. Your products will need to be competitive across multiple customer segments.
9. Your innovation processes will need to design products and services for multiple markets.
10. Your sales engine cost structure will need to profitably sell high-value products in mature markets and low-value products in emerging markets.
11. Your organization will look like the UN, but will need to be performance driven.
12. Your IT will be the glue that holds your organization together and helps it deliver value.

If you are ready for all of the above, you are ready to execute strategy successfully in a flat world. Let's go do it!