

# GLOBAL PARADOX

## The Bigger The World Economy, The More Powerful Its Smallest Players

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### MAIN IDEA

The global paradox is that as the world economy expands, the smallest elements (right down to the individual) will become ever more important and significant.

The global paradox is a framework for developing an insight into the world as it is today and how it is moving towards tomorrow. From this perspective:

1. New political and business standards are evolving which are based on the expectations of tribal or local practices.
2. Tourism is the direct result of the communications revolution, and is responsible for driving the biggest industry in the world.
3. The economic viability of any country is directly related to the extent to which leaders provide an opportunity for the small parts to contribute to the whole.
4. The facilitation of entrepreneurship is the key requirement of leadership (both business and political) in the future.
5. With the present state of the world, there are now more opportunities than at any other time in history.

### 1. GLOBAL PARADOX

The larger the world economy becomes, the more powerful become the smallest countries.

### 2. POWERING THE PARADOX: TELECOMMUNICATIONS

Telecommunications is the driving force of the creation of the expanding world economy. This is the infrastructure around which entire industries are restructuring.

### 3. TRAVEL: THE WORLD'S LARGEST INDUSTRY

Tourism is today the world's largest industry, with an annual turnover in excess of US\$3,400 billion per year.

### 4. NEW RULES OF CONDUCT FOR THE 21ST CENTURY

The fact that global television coverage highlights any unacceptable behavior occurring in any part of the world throws a new light on society's rules for conduct. In particular, new standards of ethics are emerging which emphasize the need for individuals to live according to their own value systems more rigorously than ever before.

### 5. THE CHINESE COMMONWEALTH

China, the world's last remaining communist country, has the potential to become the world's largest market economy simply by virtue of the number of people living in that country. In fact, if China continues to maintain its present economic momentum, by the year 2000 it will be the world's biggest economy.

The emergence of China will long be considered the most important economic event of the latter part of the 20th century.

### 6. ASIA AND LATIN AMERICA

The future economic vitality of any country can be determined by the degree to which government is prepared to stand back and let the parts contribute to the whole. By this criteria, the balance of the 1990s and beyond will see the economies of Asia and Latin America boom as never before.

## 1. GLOBAL PARADOX

### Main Idea

The larger the world economy becomes, the more powerful become the smallest countries.

### Supporting Ideas

In the past, the Group of Seven countries (U.S.A., Japan, Italy, Canada, United Kingdom, France and Germany) held all the most important economic assets. In effect, the fear of the Soviet Union allowed these countries to dominate world economic events.

However, with the fall of communism and the advance of technology, there has been a strong move towards the formation of smaller countries which are politically independent but linked economically in strategic alliances with other countries. This is a trend which will accelerate in the future.

The same concept is happening in business. Large companies are now restyling themselves into networks of entrepreneurs in linked but autonomous units. At the present time, Fortune 500 companies account for only 10% of the U.S. economy. The other 90% is generated through small and medium-size companies. (More than 50% of all U.S. exports are created by companies with less than 19 employees. By contrast, only 7% of exports are created by companies with more than 500 employees).

As economic integration moves along these lines, the small units become proportionately more important. The advantages of being able to do business once held exclusively by the major companies are now becoming available to the smallest one-man operations. The consequence of this is that as the world economy expands, small- and mid-sized companies will dominate.

Small companies lever their advantages through entering into strategic alliances with suitable partners. This can give the small, responsive operator huge advantages over the big companies.

Other factors which are fueling the growth of small companies are:

1. The removal of trade barriers means small companies can effectively compete with the largest companies in the world.
2. Computer and telecommunication advances have leveled the playing field quite significantly. Small companies can be state-of-the-art.
3. The deregulation of financial markets gives small and medium companies access to capital they never had before.
4. Consumer tastes are converging through television. This creates demand for more choice, opening up niche markets around the world.
5. Small companies can achieve quality standards as high as the majors.
6. Working for a large bureaucracy no longer holds the prestige it once did. Many of the best and most skilled people in any field are starting their own operations.

In the midst of a huge rush towards globalism, tribalism is becoming increasingly important as a ballast for all the changes. That is, people are becoming more and more proud of their heritage and keen to preserve it, even though the business environment is becoming indistinguishable from one country to the next.

The United Nations was founded with 51 countries in 1945. By 1990, 161 countries belonged to the U.N. Three years later, the U.N. had grown to 186 countries. There is now underway a trend towards breaking large, artificial country boundaries of the past down into tribal groups. Computers make management of a country easier than at any other time in history, and more and more countries will be created. (Russia, alone, could eventually result in the creation of 67 autonomous republics or countries.)

In the same context, democracy is becoming easier and easier to put into action. In the past, the concept of electing a representative to vote on our behalf was a practical requirement. Today, however, the technology exists for everyone to exercise their own opinion about any issue. The concept of a representative is receding, and may eventually become redundant. That is, everyone represents themselves as issues can be debated and voted on more efficiently than at any other time in history.

The best metaphor for the country of the future is a computer network with every individual connected. Every person will have an equal access to essential information, a mechanism for voting on issues that crop up and the ability to share data. In this environment, politics will emerge as an engine of individualism - that is, people will be free to contribute ideas, enthusiasm and energy towards whatever concepts they believe are important.

Computer networks are being created every day with the ability to change the way an entire nation acts. The best known network, the Internet, began in the late 1970s. If the present rate of growth is maintained, approx. 1.5 billion people should be connected to the Internet by 2001.

Yet the Internet is actually a network of networks. At present, 11,000 networks make up the Internet. Conceivably, a country could be formed of people who have no other association with other people except they belong to the Internet. This is a fascinating concept that challenges every concept of a country traditionally adhered to, but opens up an incredible variety of choices for the future.

### Key Thoughts

*"We are not a global business. We are a collection of local businesses with intense global coordination."*

— Percy Barnevik, CEO, ABB Asea Brown Boveri

*"We are trying to get the small-company benefits of quickness in time to market, decision-making and the elimination of bureaucratic activities."*

— Paul Allaire, Chairman, Xerox

*"The challenge for us at IBM is how to incorporate small-company attributes - nimbleness, speed and customer responsiveness - with the advantages of size, like breadth of investment in research and development."*

— Louis Gerstner, CEO, IBM

*"Politics is the art of preventing people from taking part in affairs which properly concern them."*

— Paul Valery, French poet and critic

*"As new computer systems decentralize control and empower people all along the information chain, they dissolve conventions of ownership, design, manufacturing, executive style and national identity."*

— George Gilder, Harvard Business Review

*"It is now possible to produce a product anywhere, using resources from anywhere, by a company located anywhere, to be sold anywhere."*

— Milton Friedman

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