

Ideas:

The final frontier in the race for the world



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Danish B2B-multinationals form the backbone of the nation's economy. That international demand for Danish goods and services is falling away short term is not surprising. The world is in recession. However, perhaps the real long-term challenge for Danish exporters is a basic shift in the balance of power in global commerce.

From an agency's perspective, knowing how best to support international clients begins by understanding the changing nature of globalisation and the challenges this presents to Western multinationals.

Rising in the East

Whenever someone tells you the world has changed forever, it's usually worth hesitating. Yet looking beyond the short-term distortion of recession, it is clear that international business has shifted fundamentally – the engines of globalisation are starting to run in reverse.

The agents of international commerce – trade liberalisation, the Internet, labour mobility and the free flow of ideas – have generally eased the flow of goods and production from West to East. In many ways, it's been more a story of co-operation than rivalry. However, the next wave of globalisation will be marked by fierce competition with extremely capable multinationals from developing nations.

As purchasing power in developing nations has risen,

the current battle is for tapping growth in emerging economies. Many of the "new" BRIC multinationals (Tata Steel, Lenovo, Gazprom) are already hugely successful in their home market, where local conditions (cheap labour, relaxed legislation, softer pricing, protectionist policies and good connections) favour them.

However, these emerging giants have made it very clear that they will not stop at local domination – they want the world. The time has come, in the words of the Boston Consulting Group, to compete with everyone from everywhere for everything. "Globality" is upon us.

Setting in the West

This trend is already well underway. There are now 62 BRIC-based companies in the Fortune 500 ranking of the world's biggest businesses. The current recession has dampened growth in Asia, but the change is real enough and destined to continue.

Many Danish international businesses have been feeling the heat in export markets for some time. It's clear that the Western multinational must reform and shake off legacy thinking about globalisation being a one-way street. To date many companies have responded by trying to be even more cost-efficient, but this plays into the hands of low-cost competition.

Eastern multinationals have succeeded to some extent by copying Western counterparts, only doing things cheaper, faster and smarter.

To compete in Thomas L. Friedman's "Flat" world, Danish exporters similarly have to play to their strengths. This more than anything means a return to innovation leadership. In the race for the world, ideas are the final competitive frontier.

A new dawn

To compete in innovation rather than efficiency, the global enterprise must reform another entrenched tendency – the commoditisation of ideas. The professionalization of

management could equally be termed the standardisation of business.

The rise of management as a discipline in its own right has been a mixed blessing. Good management is responsible for creating a lot of value, and businesses today are more transparent, organised, accountable and efficient than ever before. They are, however, not necessarily more profitable or innovative in relative terms.

Management is the ultimate in generalism. At its heart is the philosophy of taking generic business processes and cutting away "waste".

If generic business is what you know, then generic business is what you'll practice. So it's no surprise that over the past quarter of a century private sector growth has been obsessively driven by acquisition, rationalisation and divestment. Very little growth is driven by radical product innovation.

This isn't surprising if you consider that the average life expectancy of a US CEO is three years. Over this time span it is far easier to create returns through cost-cutting or customer acquisition than through product development.

Competition on merit

While this is understandable, it is not sustainable. You cannot buy all the competitors and you cannot save your way to success. At some point you need to compete on merit. Do you have an offering that is genuinely more attractive than your competitors? Enter "Special Offer" stage left.

Cutbacks in research and development are compensated for by price undercutting, that is: Running on higher volumes and lower margins. The result all too often is further cuts in development leading to a fall in quality and further profit erosion. Pretty soon, what started as a temporary promotion, has led to a fundamental devaluation of your brand.

This is the price of short-termism, and its consequences can be dire. In many ways, the current economic slow-

down, triggered by a collapse of the financial system, is a reflection of these tendencies. In the case of the banking sector, no one can accuse them of lacking innovation – although fabrication might be a more accurate description. Yet the underlying movement of substituting fundamental value with synthetic opportunism is much the same.

Good management and creativity can of course go hand in hand. After all, at its core business is fundamentally about innovation and marketing. Danish B2B global marketers need to maintain leadership in the former and develop far greater expertise in the latter.

The case for reputation

Making the Danish B2B-multinational organisationally more competitive is only half the battle. This must be accompanied by a far more serious and sustained commitment to building strong global business brands.

In actual fact, Danish international B2B-marketers are well on the road to making the structural changes needed to be more flexible and cost-efficient while leading in areas of knowledge, creativity and social responsibility. Yet they lag far behind their consumer counterparts in terms of developing distinct, internationally recognised brands.

This is not surprising since the B2B marketer's dependency on brand communications has never been particularly high. Tangible product differences and personal sales have driven growth. This is not enough in the next phase of "bi-directional" globalisation.

Looking at the central challenges facing B2B-exporters today – oversupply, price competition, low awareness, technology parity, talent shortages – shows that circumstances have changed radically.

Just as with consumer goods, B2B-marketers are faced with a situation where demand has to be generated; differentiators have to be created; products have to be desired. The case for interna-

tional B2B companies to invest in establishing stronger global reputations has never been stronger.

The agency's role

In the spartan short-term future, the focus will be on doing more with less. In this context customer loyalty is a key focal point and digital communications an important channel. Concentrating resources on the most profitable segments, regions and customers is common sense tactics in the coming period.

Nevertheless, this must be supplemented at a strategic level by a long-term commitment to brand creation. Denmark's corporate giants must steer the global agenda in their favour. There's every reason to believe that sustainability and innovation could be defining themes as globalisation matures. Whether Danish companies are recognised as leaders in these fields is as much about perception as reality.

What clients need from agencies is more action, fewer words. When it comes to the leap from branding theory to branding practice, agencies must deliver what agencies have always delivered – irresistible ideas. Ideas that can integrate across all media and geographies. Ideas that put Danish businesses on the world map. Ideas that drive efficacy in an age of viewer empowerment. In brand creation, just as in product innovation, there is no substitute for original thinking.

A final thought

It is clear that the competitive nature of globalisation is shifting. Danish companies need to look to the future. Yet perhaps the answer lies in the past.

After all, whenever someone tells you the world has changed forever, it's usually worth hesitating. Ideas may be the final competitive frontier when it comes to the race for the world. Yet it's worth considering what the first competitive frontier was at the dawn of the industrial age. It was, of course, ideas. ■

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