G R E S H A M

COLLEGE

NEW LEARNING FOR A NEW CITY

GLOBALISATION

A Lecture by

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Globalisation

Introduction

One of the most powerful forces affecting both the City and the new learning is the global context in which both operate. Globalisation is not new, either to the City or the world of learning. Sir Thomas Gresham was a familiar with Europe's financial centres as any of today's city traders. His travels - in real terms - took him further, for longer and at greater personal risk than many of those undertaken today in the name of global trading. His travels to the Low Countries took him to the, then, centre of a global market place which stretched from the Indies in the West, through Venice and the Italian Cities to the Middle East and Asia. The trade he experienced was probably more equal - in terms of trade between continents - than the trade that occurs today with much of Asia and Africa far more equal partners than today. Even Gresham's Law (identified with Sir Thomas but probably coined by his father or uncle), that *bad money drives out good* was rooted in the debasement of currencies prompted in part by the international adventures of European monarchs.

The world of learning was in some ways more international than today with European scholarship having few national boundaries. Scholars travelled easily between centres of learning - without the help of the European Commission. They spoke a common language - Latin - and shared a common heritage. The foundation of Gresham College reflected Sir Thomas's determination to ensure that the new learning that was emerging from this interaction was available to his City. In a sense, Gresham's aim was to launch a University for Industry - four hundred years before Gordon Brown's current initiative.

Debates and Dissents

In two important articles[1][2] in the Harvard Business Review, Robert Reich, described the blurring of market and national boundaries that characterised the process of

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[1] Reich, R.B. "Who is Us?" Harvard Business Review, January to February, 1990
[2] Robert B. Reich "Who is Them?" Harvard Business Review, March to April, 1991

globalisation. At the same time he highlighted a feature of the contemporary, global market place that probably distinguishes today's global market place from past international markets.

Across the United States, you can hear call for us to revitalise our national competitiveness. But wait - who is "us"? Is it IBM, Motorola, Whirlpool and General Motors? Or is it Sony, Thomson, Philips and Honda?

The same issue can be seen in the City of London today. Does the battle for the long-term competitiveness of the City centre on the performance of Barclays, NatWest, and Morgan Grenville or will it turn on the survival and achievements of Nomura, Hong Kong and Shanghai Bank and CitiCorp. Where once the difficulties of foreign banks might have been a source of quiet pleasure - their problems are now ours.

This blurring or collapsing of boundaries between markets is driven by a mixture of technological and market forces. Technologies are leading to a phenomenon that Frances Cairncross calls The Death of Distance[3]. This is the process by which the oldest barrier to market entry - distance - is disappearing in the face of new technologies. Some of these technologies - perhaps the most important for the financial community - are communication technologies. The cost, for example of a three minute telephone call between New York and London, has dropped from around $250 (in 1990$ values) at the start of the century to less in cents today. The costs of moving people have shrunk equally quickly. The journey from London to New York by fast liner took over a week and cost at 1990$ - $50,000 - in first class. The return journey can be done a day by Concorde for less than a fifth of the price.

The effects of globalisation are not confined to inter - nation trade. Ken Ohmae argues that some of the most immediate effects of globalisation are on the nation state itself:

The nation state itself - that artefact of the eighteenth and nineteenth centuries - has begun to crumble, battered by a pent-up storm of political resentment, ethnic prejudice, tribal hatred and religious animosity[4].

In his eyes - region states such as the Bay Area in California or Hong Kong and the adjacent territories in China make more sense than historic geographic boundaries.

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[3] Cairncross, F. (1997) The Death of Distance London, Orion Business Books
[4] Ohmae, K. "Putting Global Logic First" Harvard Business Review Jan- Feb 1995

These region states get their logic as a focus for development not as new more localised political entities in a world in which "global managers (will) require genuine equi-distance of vision[5]." In this competition between region states two seemingly contradictory pressures will affect the ability of the City to prosper. The first is an intensification of competition as regions or region states battle for the shrinking number of leadership positions. Second, there will be a sharp increase in the capacity of smaller players in markets to compete in either niche markets or local markets. Both processes pose major challenges to the City at a time when the main determinants of success in this environment are;

Effective adaptation to the challenges of the new global economy

A strong indigenous base

Knowledge leadership

The Key shifts in the Global Economy are illustrated in table 2[6]

Traditional - Local / National	New - Globalised
Separation	Integration
Protection	Deregulation
Immobility	Mobility
Technological Leads	Technological Diffusion
Local Standards	World Standards
Time-Lags	Simultaneity
Unitarism	Pluralism

Most overseas operations are largely off-shoots of the parent business. Businesses are ethnocentric. A home market can easily be identified. Most of the top corporate managers come from the "home" market and its values permeate its operations. A recent study of corporate, charitable giving shows how strong this home market focus remains. Major corporations like Exxon, Coke, Eli Lillie, for example, win the bulk of their profits and turnover outside the USA. Despite that, the vast bulk of the charitable donations are firmly based in the USA. In Lillie's case within a few miles of their headquarters.

[5] Ohmae, K. "Managing in a Borderless World" Harvard Business Review, May-June 1989
[6] Clarke, T. and Clegg, S. (1998) *Changing Paradigms: The Transformation of Management Knowledge for the 21st Century* London, HarperCollins Business

The scale of international activity has grown and the pattern shifted from the narrow focus of the first industrial revolution to a much broader focus. Most of this century was the era of the international firm or the national company operating in some or many other markets. Some commentators have argues that the global economy of the second industrial revolution reached its peak before the great slump of the 1930s. The post-war international business order has never match that era for freedom of the movement of trade and low barriers to market entry.

The latest industrial revolution is seeing comparable changes. Growth in this scale and scope of operations is only part of this picture. Perhaps most important, the ethnocentricity - concentration on one set of cultural and social norms - has been shattered by the success of firms with diverse backgrounds. The language used by the Chief Executive of France's successful Rhone-Poulenc Rorer pharmaceutical corporation about his attitude to change could be used as easily in North America and Asia. Robert Cawthorne says I love change. I hate status quo. It is very hard to win in a status quo environment. In a time of change, you get winners and losers - so at least you have a chance to win." Bill Gates of MicroSoft talks constantly of "the power of change to create change" and how these changes "create opportunities." Similar themes are adopted by Sir Denys Henderson of ICI and Lee Byung Chul of Samsung.

Equally important, their values, cultures and operations of some of the most successful organisations challenge traditional approaches. The dominant business paradigm is no longer homogeneous but heterogeneous. The pattern of international trading relationships is no longer defined by the boundaries of the nation state or the enterprise. Kenichi Omae argues that the changes go to the root of what makes up an organisation and its markets.

"In a borderless world, however, it is increasingly difficult to manage functional activities across so wide a spectrum of operating environments from a single central point. Moreover, advances in digital networks and information technology allow these activities to be disaggregated on a global basis and outsourced, creating, in effect, a virtual functional network spanning the globe. Seen in this light, companies are no longer stand-alone institutions but rather oddly and often asymmetrically parts of

transnational webs of functional activity. And in a world defined by such webs, traditional notions of centralised control rapidly lose their meaning[7]*."*

Robert Reich concluded that the logic of the national interest and the logic of the (national) business interest had diverged in recent years. Companies were adopting a new global logic to advance their commercial interests. This logic did not necessarily fit with any local logic.

Think Local, Act Global

This approach can be summarised in the paradox which underlies the popular comment "think local, act global" or its equally paradoxical, corollary "think global, act local." Central to the notion of thinking local and acting global is the paradox that awareness and interest in diversity provides the dynamic for much, global business development. Successful global businesses like Unilever, General Foods, Procter and Gambol, Honda, BASF and News Corporation International build their global business up from their knowledge of local markets. They have detailed local market knowledge but encompass this within a worldwide pattern of development. Most are able to go beyond the confines of the nation state. News Corporation's success with the Sun newspaper in Eire is driven by the skill with which they distinguish it from the British version of the Sun. Procter & Gambol have learned to distinguish between hard and soft water areas within countries when framing their distribution policies.

Their global success is driven by their ability to think local and use this local attention to detail as a driver of their global strategies. Those firms that try to "buck the market" and ignore this heterogeneity soon hit problems. The public face of this think local and act global lies in the marketing and product development policies adopted by firms. The most public failures and errors from ignoring this perspective lie in marketing. There was the near disaster of which faced Japan's Sanrio Corporation with its "Little Black Sambo" dolls or Britain's Cadbury-Schweppes decision to build a $10M dollar manufacturing base in the USA but leave its chocolate formula unchanged - despite evidence that US customers preferred a different taste. When firms fail to think local, they are saying that, if the choice is between changing themselves and trying to change the tastes, culture, values or behaviour of customers, they prefer to change the latter.

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[7] Ohmae, K. *The Evolving Global Economy* Cambridge, Mass. Harvard Business School Press, 1995

Thinking local extends beyond the marketplace. It calls, for example, for a recognition that workplace behaviour and cultures vary between operations. Just because the same equipment even procedures are used, it does not mean that the same methods and approaches will work. Terms and ideas, which work in one environment to motivate and control people, will not work elsewhere. There is a tendency today to be blinded by our limited understanding of words. US and European companies adopt terms from Japanese business culture like *Kaizen*[8], *Shibui*[9], *Amae*[10] in the belief that they can extracted from their wider cultural and behaviour context. The danger of simply extracting terms and their approximate meanings was vividly illustrated in the years after the Second World War when British companies adopted the US business language with few of the underlying processes. It proved in business the truth of Mark Twain's comment that "The British and the Americans are two nations separated forever by a common language."

The Fish Eyed Corporation

Sensitivity to local conditions - culture, social conditions, norms - calls for the creation of a new kind of corporate consciousness. This consciousness is open minded and capable integrating different kinds of thinking into its ways of operations. This awareness operates in many ways and along a number of different levels. There is, for example, a need to extend the peripheral vision of the corporation. Focus remains important but the nature of focus has moved from the narrow and sharp focus of traditional businesses to the kind of focus achieved by the best fish eyed lens on a modern camera. This builds awareness of the differences, which surround the activities, which lie at the centre of our attention. It means, for example, the reward systems that might work well in Germany will not be as effective in the Czech republic. Vaclav Havel has articulated the different approach to reward that characterises Czech society.

Francis Fukuyama challenges Western assumptions about the homogeneity of Asian business thought and practice[11]. He points out, for example, how Japan's success at building large corporations contrasts sharply with the much smaller scale of private

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8 Usually defined as the search for continuous imporovement through adding value

9 Broadly used to mean working in tune with nature or natural feelings

10 The concept which underpins the "trust based" relationships that permeate Japanese business and trade relationships.

11 Fukuyama, F. *Trust* New York, Penguin

Chinese corporations. Even between Korea and Japan, structures that look and sound the same operate differently. Korean *chaebol* - the networks of enterprises that link individual businesses - were deliberately based on the Japanese *zaibatsu* or *keiretsu* (or the later *shogu shosa*). The Chinese characters for *chaebol* and *zaibatsu* are the same. Despite that, their operations are very different. In Korea, the *chaebol* account for a much larger share of gross national product while the role of the family is much strong in the firms that make up the *chaebol* and the associated networks.

Breadth of vision in global markets is not merely about seeing diversity and variation, it is about codifying those variations in ways that make sense to the corporation. Sometimes the outcomes are consistent across markets. Benetton have identified a customer niche, which exists in different forms in many countries. This niche admire the mix of total look, colour co-ordination and radicalism that is delivered through a world wide franchise operation. The franchise approach is especially effective at wedding the think local, act global approach to market development. Benetton, Body Shop, McDonalds use the franchise formula to create opportunities for locals to provide the detailed local insight, wider view that allows the parent corporation to act global. Using this approach MacDonalds can aspire to move from supplying 0.1% of all US meals to the same percentage of world meals.

The fished-eyed lens works best in this global environment if linked with acute sensors at the point of customer or operator contact. The dual focus eye of the vulture provides a useful analogy. The outer lens of the vulture's eye has wide peripheral vision. It avoids the confusion and noise that can result from taking too many images into account by learning to recognise certain signals. Signals, in the vulture's case, that suggest that all is well and health in creatures that come into view are ignored. Distress signals produce a different effect. The vulture uses an inner, sharper focus, eye to examine the nature of the opportunity created. Successful global companies operate in the same way. They scan the environment constantly. They have learned to recognise signals that indicate opportunities. They, then, turn recognition of an opportunity to action.

Part of their success lies in learning to learn from others. Inability to learn and accommodate different mindsets is the biggest barrier to success in global markets. Ethnocentricity - centring one's thinking on a particular set of values, beliefs and assumptions is no longer a sustainable position in global markets. Christopher Bartlett calls the new approach a new mind matrix - "(the ability) to view problems from both global and local perspectives, and that accepts the importance of the flexible approach.

New rules

The think local and act global paradox is tackled by recognising and adopting a new set of rules of global business practice. The most basic rule is that the global marketplace is your nearest high street. The closer the firm is to understanding the factors that make this a global marketplace the closer it is to understanding its position in other global markets. Manager's can ask what imperatives prompted Benetton from Italy, Macdonald's from the USA, Hyundai from Korea or Toyota from Japan to adopt their approaches to success in this local environment. In part, their successes reflect their commitment to breaking out of the constraints that a specific market or set of business relations impose. Many of these firms were rule breakers before they became rule makers. The challenge is to understand the explicit or implicit rules that inhibit or create opportunities.

The value of the alternative view of the paradox think local and act global - think global and act local lies in confounding ways of thinking that limit organisations to their current environment. These are not constraints that customers are willing to accept any more. Industrial buyers seek the best sources of supply regardless of location. My own work in business education demonstrated that users chose the best provider regardless of location. Buyers of senior management training from Coats Vyella, British Aerospace, the UK's National Health Service agreed that the opportunity cost of the manager's time far outweighed the cash cost of the programme. So why chose a local supplier against a superior supplier elsewhere.

The ability to compete in the global marketplace is part of the core capability of those companies seeking long term success within the new economic paradigm. It is, however, not an ability confined to firms from any specific region of the world. The new mindset almost requires an acceptance that best practice is found where it exists - not where it should exist. The second rule of the new global competitor is that your toughest challenge lies in building a global dimension to all existing capabilities. Those that can add this dimension transform their local capabilities to a global competitive edge. Benchmarking plays an important part in this. Most benchmarking approaches focus attention on the best local standard. The struggle to create a world class organisation starts with the determined effort to understand international rivals in order to benchmark performance against them.

The third rule in learning to act global is that the biggest barriers exist within the company. It is easy to slip into convenient stereotypes about rivals, build psychological barriers between management and their people or customers and try to adopt a separated approach to globalisation. A global company integrates this frame of mind across the firm - even into those activities, which seem to be domestic or isolated. This integration provides the key to resolving the paradox.

New rivals

New rivals and rivalries push the ability to adopt this perspective further up the corporate agenda. Institutional barriers to market entry were eroded by the progress made at GATT. Equally important, technological, management and financial barriers to entry have declined while the priority given to internationalisation has increased. The success and recent collapse of East Asia has highlighted the opportunities and risks which international markets offer. Pacific Rim countries as well as the giants of China and India face increasing turbulence because of the internal contradictions their external traders faced.

Partnerships in Knowledge

Established companies and economies face the twin threat of new rivals from new markets and new, entrepreneurial rivals from within their own markets. The new rivals from new markets provide both an opportunity and a threat. The opportunity they offer is access to their large and growing domestic market. The threat is rivalry in home markets. This mixture has prompted many organisations to find a new solution in redefining the nature of their enterprise. Many are breaking out of the traditional boundaries of the organisation to build strategic partnerships or alliances. These extend the capabilities and reach of the enterprise by wedding its capabilities and reach to that of their partners.

Despite the interest in alliances and partnerships, the track record of partnership based development is mixed. The alliance between Microsoft and IBM linked Microsoft's software development and marketing capabilities to IBM's institutional strength. Eventually, it became a blind alley for IBM which close more opportunities than it opened. Some people attribute this to the distinctive approach of Microsoft.

Ruthann Quinlan who was involved in Microsoft's public relations claimed that "with every negotiation Gates and Microsoft have an 'I win' mentality. I win and you lose is not a platform on which to build sustainable strategic alliances.

Strategic alliances that succeed are partnerships for success founded on an 'I win, You win'approach. The classic case of this occurred in the microprocessor industry in the 1980s. Fierce competition between Intel, National Semiconductor, Motorola, NEC and other microprocessor producer was forcing prices down to the point at which technical and market development was suffering. Faced with a lose-lose scenario, the leading producer and user companies created a series of strategic partnership such as those between Intel and IBM and Motorola and Apple. Those firms that created and maintained their alliances prospered which those that failed to create or maintain their partnerships struggled to survive.

In some markets, strategic partnerships are more the norm than the isolated corporation. Pre-war Japanese *Zaibatsu* used alliances and networks to paper over gaps in the skill and knowledge base of member companies. Post war, Japanese Shogu Shosa show some similarities although there is often a dominant member who controls access to the market. The three largest Korean enterprises - Samsung, Hyundai and Lucky-Goldstar - are *chaebol*. These are, typically, networks of autonomous enterprises that are held together by trading, production, logistics and shared ownership. Other Asian economies such as Malaya have adopted variations on this model at least in certain industry sectors. Unfortunately in many of these cases, the partnership became a barrier to change.

The next stage in strategic alliance building or partnering lies in the closer integration of operations through integrated process reengineering. This takes the principles of process re-engineering and works it through from one partner to another. This creates further opportunities to merge several jobs or tasks into one. Marks and Spencer in the UK have built much of their recent business success through alliances with suppliers and logistics companies. The integration of their design, development and information systems is creating new opportunities for improved effectiveness and enhanced customer service. Partnerships create major opportunities to develop business processes around natural orders of behaviour or action. Organisational or institution structures provide more barriers to this type or ordering than internal structures. In Britain, the National Health Service is allocating resources in partnership with its supplier and user groups along this type of natural process.

Successful partnerships have taken this focus on the "natural order" to concentrate work "where it makes most sense." The European Airbus project showed some of the worst and some of the best features of strategic partnerships. The political economy of the partnership with its powerful, national interest inhibited the use of natural ordering and total process engineering. There were, however, some outstanding examples of completing work "where it makes most sense." This was especially noticeable in areas like the design of control systems and aspects of the airframe production. The integration of business process re-engineering and strategic alliances will bridge a crucial source of competitive advantage over the next decade.

The Mosquito

Sometimes it seems that the notion of thinking local and acting global is relevant only to large firms. It is, perhaps, another feature of the giantism that characterised the last few decades of the last industrial revolution. The paradox creates special opportunities for smaller companies whose greater integration gives them a head start in linking the two concepts. Entrepreneurial concerns that break free of the inhibitions that size sometimes imposes can think local and act global more easily than their larger rivals. Anita Roddick uses the analogy of the mosquito to challenge those who think small firms cannot compete in today's markets. She asks - if you think being small means you cannot get noticed - think about a mosquito in a tent.

Mosquito management uses freedom and flexibility to break out of the limitations of size. It challenges established expectations to create a new environment. Expectation analysis is useful in tackling old assumptions. In expectations we test the expectations we believe others have against the expectations they truly hold. I got my first real taste of the value of expectations analysis when I used it in an undergraduate class. I wanted to test the expectations of the students taking the class with the expectations of faculty.

I used a fairly standard approach based on the same two questions. Students were asked what they though was expected of them and what they expected of faculty. faculty were asked the same basic questions. There were striking differences between the two sets of answers. Students thought that they were expected to be interested in the subject, creative, participative. Faculty, however, expected staff to be punctual, attentive, disciplined. Subsequent use of the same approach in public and private enterprises has found the same sharp differences in approach. Those in control have control expectations while their subordinates believe they should be creative partners in development. Effective management requires an understanding of the different expectations and some attempt to integrate the two sets of expectations.

The new pattern of global trade is hard to contain within either the structures of the nation state or the private or public organisation. The mixture of push from technology and pull from markets is proving fatal to older "bounded" structures. Firms that try to confine themselves to the limits of a specific nation state struggle to compete with that that cross borders to create, develop and build markets. This is not solely the case in sectors like Pharmaceuticals that have long needed larger international or global markets to win sufficient returns from their investments in R&D. The same pattern is seen across broad swathes of manufacturing, services and retailing. Some public services are feeling the same pressures. The speed with which newly privatise utilities in the UK have adopted a global perspective suggests that there is pent up demand for this type of structure. Partnerships and alliances are emerging in areas as diverse as health care and fisheries protection.

Whose Fish Are They Anyway

This shift towards global or international collaboration contains within it another paradox. The move towards international or regional grouping coincides with increasing economic or local economic nationalism. The paradox of simultaneous demands for economic regionalism and economic nationalism is easy to dismiss as a clash of interests between the demands of "big business" for big markets and isolationists or "little Englanders" for protection. Across the world, the macroeconomic pressures are prompting the creation of cross border collaboration. The European (Economic) Union (EU), The North American Free Trade Area (NAFTA) are merely the best publicised of the regional groupings that cover virtually all parts of the globe.

The macro economic arguments are well rehearsed. These regional blocks cut costs by eliminating the waste involved in cross border transactions, different regulations and duplication. At the same time, they create opportunities for greater investment in research and development as investments are pooled and returns earned over a larger market base. In some parts of the world, there is a deep hope that economic integration reduces the risks of conflict between nations. An inherent feature of the EU and some other economic unions is the assumption that "levelling up" will occur. This means that others will match the business, workplace and financial standards of the most advance nations. This is part of the implicit contract, which underpins the formation of economic unions. The richer more prosperous countries say, in effect, " we will help you to catch up - if you do not use your membership of the club to compete unfairly."

This implicit contract lies at the root of the tensions, which characterise the economic nationalism or localism that has emerged alongside the move towards regional aggregations. Within the more prosperous countries, there is inevitable fear that their part of the contract is easier to enforce with more tangible negatives than the contract with the poorer countries. The latter face the comparable concern that progress is not fast enough to satisfy the economic aspirations of their citizens. Beneath both of these spoken concerns are other issues. The heterogeneity of most nation state economies is a constant source of worry.

The richest economies contain sections of the population suffering from serious economic difficulties. This is as true in Germany as in the USA. This produces makes it harder to accept the diversion of "national" resources to support countries that contain sections that are richer than the poorer part of the home economy. These concerns grow almost in proportion to the success of the "catching up" process. They are sharpened every time a member of the economic group highlights their achievements in, say, inward investment. Similar problems occur with the uneven distribution of natural resources. The intense debate within Europe on "the UK's oil" has parallels in NAFTA and elsewhere.

The greater the success of the regional grouping, the greater the pressure to expand its coverage and challenge the nation state itself. The demands for wider coverage grow out of the ways economic and business activity permeates other aspects of life. The relationship between, say, education, training and development and economic performance is reasonably well documented. An economic grouping which had wide variation in standards and performance in the former is not likely to produce convergence in the latter. This creates pressures on any regional agency with responsibility for convergence to devise policies, which provide some form(s) of transnational framework for education, training and development. The expansion of this remit is as significant a threat to national identity as moves towards currency convergence.

The internal diversity within nation states creates a parallel set of challenges from economic regionalism. Groups that have sub-ordinated their interests to the national interest have less need to sustain this position within a larger grouping. Those seeking independence for Scotland, for example, argue that the "subordination" of Edinburgh to "London" has no validity when London is "subordinated" to Bruxelles. National interests are not the only groups that challenge this dominance. The existence of trade or economic courts and appeals systems often leads to erosion of the independence of the national legal system as appeals move to higher, none national courts in trades disputes, workers rights, stewardship, contracts, etc.

Welcome to My Web

The principle of subsidiarity has evolved to address some of the concerns about the "top down" erosion of national interests by regional interests. Although it goes some way towards resolving the problem, difficulties occurs especially in highly centralised nation states such as Britain. The logic of subsidiarity might mean national governments conceding some of their authority to local assemblies. Many have shown themselves reluctant to go that far. The principle of subsidiarity, however, provides some cues as the optimal approach for managers and corporations striving to resolve the paradox of the coincidence of economic nationalism and economic regionalism.

Organisational structures are capable of being operationally disaggregated while being held together more strongly by improved planning, information and control systems. A specific activity can be transferred to local control or outsourced with little loss in control or the ability to manage inputs, processes or outputs. This allows the firm to acknowledge the diversity in production, logistic or marketing conditions while sustaining a cohesive business structure. The notion of the web base business is highly relevant to this approach. It changes notion of the web from something that traps a prey to a network that survives because those at the centre are highly sensitive to actions across the web.

The most important area of corporate sensitivity in resolving the national/regional paradox is cultural sensitivity. Anglo-Saxon approaches to management generally assume both the universality of business techniques and their separateness. The principle of universality gets its greatest endorsement from developments like scientific management, operations research and mass production. The notion of separateness is symbolised by the efforts to separate business and economic life from other aspects of society. The business schools in North America symbolise this by their separation from other aspects of university life notably engineering. In the UK, the process goes further. Serious commentators argue that business and education do not mix and training, for example, has little role in universities. Both these features are in sharp contrast to the traditions of uniqueness and integration that characterise German, Japanese and Korean approaches.

The same issues of universality and separateness provide cues to the ways managers and organisations can tackle to local/regional paradox. The answer lies in finding ways to provide and use greater local autonomy. The acid test of this local autonomy does not lie inside the firm but in the ways it integrates its work with others - notably business partners. Tom Peters highlights this when he describes the reluctance of firms to share strategic information with partners. In his comments of the "propensity of managers to share strategic information with their customers. Almost one-quarter of respondents (23%) say they never share such information. Only one quarter share often (26%) and just 7% always. The remainder report sharing sometimes[12]." These figures provide an overall view of the ways respondents across the worldview their partnerships. The aggregate figures disguise wide variations in behaviour between nations and firms. The most successful firms are those that share and integrate most.

This confirms research carried out in Europe on the most successful innovators in industrial markets. This work examined the industrial innovations in the largest European economies. It plotted firms along the two axes. Stage at which clients and customers were involved in innovation and intensity of innovation. Intense innovation was measured in terms of the number of people and functions involved in customer collaboration. Where the link was confided to sales and purchasing it was low intensity. When the links extended to design, engineering, production, marketing and finance, it was high intensity.

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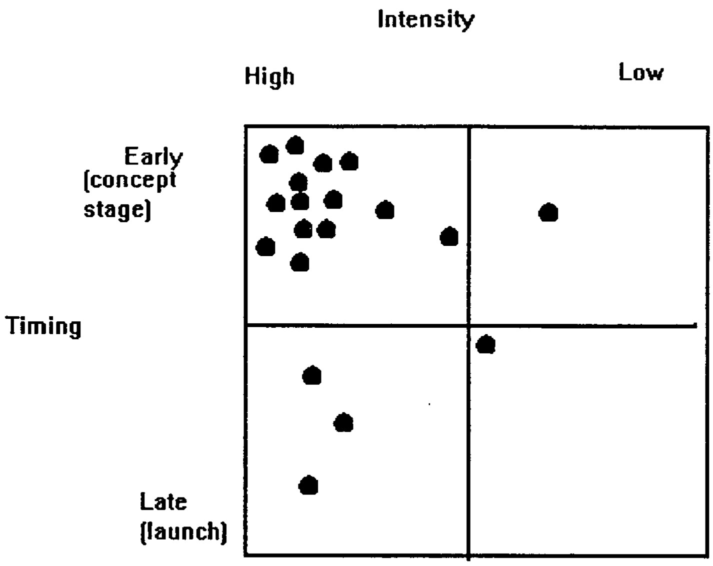
[12] Peters, T. "The Boundaries of Business: Partners - The Rhetoric and The Reality" in Ohmae, K. *The Evolving Global Economy* Cambridge, Mass. Harvard Business School Press, 1995



Successes were concentrated in the early and extensive quadrant. These results highlight the ways in which barriers are breaking down between corporations in the new global environment.

The pressure for outsourcing further erodes the lines between organisations, their managers and their partners. The pressure for outsourcing comes from a mixture of desire of organisations to concentrate their work on those activities they know and scope for minimising their overheads by pushing activities outside. The sharp contrasts between the scale of US and Japanese firms reinforces the image that the latter get much of their flexibility from concentrating their efforts on areas of genuine competitive advantage. In 1995, for example, Mitsubishi overtook General Motors as the largest firm in the world in terms of sales turnover. It achieve this with a labour force of 65,000 people in contrast to General Motors' 650,000 plus. Outsourcing works best when the lines of communication between suppliers and users are short.

This suggests that the best outsourcing decisions are made close to the point of production, purchase or use. Instead, the dominant trend in outsourcing decision making is from the centre. This produces major diseconomies especially in international trading partnerships where lack of ownership produces lack of involvement and poor or late communication.

Partnerships based on local ownership or subsidiarity are more capable of delivering the hidden benefits of alliances and partnerships identified by writers like Francis Bidault and Thomas Cummings. These benefits can extend the gains beyond the formal "goals" to improved performance across both enterprises. When Bekaert of Belgium and Bridgestone of Japan set up their joint venture the goals were specific - for Bekaert, a local partner to support its entry to the Japanese market, for Bridgestone access to new technology. The creation of an early and extensive programme of collaboration produced a range of unexpected benefits that eventually led to dramatic improvements in productivity. Asprillia, the Italian motorcycle producers, and BMW produced the same synergy when they created a strategic partnership in motorcycle frame design and development. One of the best-documented examples of early and extensive alliances exceeding expectation occurred with the development of the Renault Espace from a partnership between Matra Automobile and Renault.

The pattern of development that seems to work best highlights the value of adopting an intercompany, reengineering approach, which is grounded on local ownership and control. This ensures that joint operations are fully integrated to ensure reengineering around the "natural order" of operations. Barriers between business and activities inhibit the potential gains. Some of the greatest barriers reflect the peripheralisation of alliances. Unless the best people see that working on alliances matters in their career development, this work will remain at the periphery of the business. Effective alliances improve the peripheral vision of the business. Improved peripheral vision and an emphasis on subsidiarity means that firms can resolve the paradox of local, economic nationalism and regionalism. This provides platform for creating a climate in which the business mindset exists which can think local while acting global.

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GRESHAM COLLEGE

Policy & Objectives

An independently funded educational institution, Gresham College exists

- to continue the free public lectures which have been given for 400 years, and to reinterpret the 'new learning' of Sir Thomas Gresham's day in contemporary terms;

- to engage in study, teaching and research, particularly in those disciplines represented by the Gresham Professors;

- to foster academic consideration of contemporary problems;

- to challenge those who live or work in the City of London to engage in intellectual debate on those subjects in which the City has a proper concern; and to provide a window on the City for learned societies, both national and international.

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