NEW TRENDS: What does a company need to land in a new market place?

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Annotation
Companies are facing “megachallenges” that require them to fundamentally rethink their strategies and tactics. These challenges are: demographic shifts, threat of financial system collapse, extreme weather caused by climate change and increasing limits on resources are both having an unprecedented impact, threatening corporate profits and global prosperity. Demographics are changing: the populations of emerging-economy nations, in contrast to the West, skew toward the young. New generations raised with new technological capabilities begin to fill positions of power. India’s middle class is now bigger than the entire U.S. population. Young people see opportunities and are hungry to go after them. Combination of more-educated people and less restricted flow of knowledge will yield continued growth and increasing productivity. To manage them all parts of society - government and public institutions, the private sector, and citizens, must act in concert. Business with its financial and material resources and unique innovativeness and talent, must lead and is capable to lead the way. The very geography of capitalism is shifting. The fact that it’s taking root in different soil, capitalism itself will grow into something new. Connectivity is not quarterly or physical, instead it is continual and virtual. Global companies are sensing networks.

They pick up the latest market trends and learn what works for the organization and for the society. The aim of this paper is to explore how capitalism shifted, which is the new structure, made up by different resources and new rules. Therefore the “new rules” will be presented along the paper, together with “new business trends”, several case studies and an emphasis on the microeconomic approach to help boosting competitiveness among Czech companies, and other global and national companies around the world. Methodology of the research is based on the summery of the “Standing on the sun” combined with several Harvard Business Review Articles and Giddens, the sociologist “theory of structuration” that analyzes the duality between structure and agency. In this case, the structure of capitalism. Agents influence the system and at the same time the system influences them. Findings: New strategies that will create more resilient companies. that can manage, and profit from, extreme volatility. New trends and rules will help companies need to address society’s largest challenges and create a more prosperous world for all.

Key words
Competitiveness-new rules for capitalism-innovation- connectivity- microeconomic approach-brand resilience-

Introduction
In 2000, the U.S. GDP was about eight times that of China, but by 2008 the ratio had shrunk to about four times: $ 14 trillion versus $ 4.3 trillion. Jim O’Neil, Goldman Sachs chief economist, has estimated that China could lead the GDP league by 2027.

Goldman Sachs analysis claims that roughly 2.4 billion income earners globally will attain a middle class status in the decade 2010-2020.

Capitalism does have a center of gravity. It is wherever the most wealth creation is taking place. The center of the action is gradually drifting to the emerging economies: Brazil, India, China and Russia. Capitalism is taking new ways to succeed in the capitalist system will change, too. Firms will rise and fall according to how well they have tracked the shifting theory. We are facing new economic realities: many forms of value can be shared without limit; tools and processes can spread almost instantly, at a minimal marginal cost, physical capital may be more anchor than asset, human and capital resources can be accessed around the world.

“Marx read his Darwin but he missed it. Capitalism doesn’t self-destruct; it adapts4”. Growth had become “wiser” and “more harmonious”.

There will be necessary for companies and countries to learn the new rules needed to be implemented to the new capitalism structure.

Structures (consisting of rules and resources involving human action) are created, maintained and changed through actions. At the same time, actions are given meaningful form only through the background of the structure.

The agency, reproduces the social structure and leads to social change. Though according to Giddens it is impossible to say what changes what, the structure of agent first, since the line of causality runs in both directions. As Churchill observed: “first we shape our buildings; thereafter they shape us”5.

Capitalism itself is changing. As capitalism takes new forms, success in the capitalist system will change, too.

Main core

The new type and structure for the current capitalism style is presented at the book “Standing in the sun”. An approach that reconciles capitalism rules with traditional, communitarian values.

Viewed from General Electric-GE- healthcare’s headquarters in London, the “MACi” machine the team created might not look like progress. In fact delivers less, not more, information to the user than the company’s older, premium devices.

Though this endeavor reflects that GE’s managerial habits of mind are being challenged. The mind-set shifted to develop a product in-house. The center of gravity has shifted. From the perspective of a rural Indian practitioner, it is a triumph. With the dramatic cost reduction, a major barrier to more widespread diagnosis and care has been removed. It offers basic diagnostic information for about $500 or Rs. 25000, making it a feasible investment for a rural practitioner. For patients the cost will go down to Rs. 9, the cost of a bottle of water. The device is portable and battery operated, with each three-hour charge good for five hundred Electrocardiograms. The machine’s simple interface makes it suitable for users with minimal training. It is built to survive a dusty ride on the back of a scooter.

This example shows how the number 1 rule for working and performing in the new capitalism style was implemented. The authors: Meyer and Kirby6, state that the Number 1 rule to be applied is to “Learn to see results in color”. This means that the new formulation should be: measure the real value sought by stakeholders. The old formulation instead used to be: measure financial returns to shareholders.

Under the new formulation they have increased activity in measuring intangible and nonfinancial well-being. In this case they have broadening its consideration – machine for poor people GE- a strategic opportunity beyond the question of what yields the highest number in a net-present-value calculation.

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In fact, the colleagues’ motivations grow enormously when they were creating transformational solutions for their own hometowns. “It is a big driving factor behind many people’s work in the engineering team”, “in country-for country”.

In the past, under the old formulation the company has made a science of producing shareholder value. They were not into investing in “still-small markets” with uncertain ROI prospects when there are plenty of other surer and more short-term opportunities out there. Their goal and commitment have been paying off since sales for GE’s health care unit in India rose 20% in 2010 to $300 million, and $5 million years for 2015. The GE, India team, “Healthy-imagination investments”, had stressed the more fundamental return they were seeking: “better health for more people, by lowering cost, increasing quality, and creating better access”. Their commitment to this nonfinancial goal seems sincere. Moreover it had been orchestrated and implemented with passion and vision. Two key ingredients for a successful project.

As quoted, “when you open up the Crayola box, don’t use only the greens”.

Agents of the systems are responsible for developing more substantial strategies for all the stakeholders involved in the society.

As Giddens10 explains any co-ordination of a social system across time and space necessarily involves a definite combination of two types of resources: 1- allocative resources (related to raw materials, material power sources, instruments of production, technology) and 2- Authoritative resources (organization of social time-space, organization and relation of human beings in mutual association and organization of life changes). In fact, Capitalism is what capitalist do11. Also, capitalism is a set of rules12. Rules of competition and innovation will change.

Since, allocative resources have changed, therefore, the authoritative resources, managerial team-also needs to evolve.

There is a connection between Giddens, structuration theory and the one proposed by Economist Romer. He tries to explain how the system of capitalism evolves based on two main forces: 1- changes in technologies and 2-rules. These changes come as a result of fresh ideas that come in two ways (techno and rules). He states “technologies are just two ways to rearrange physical objects to make them more valuable to us” and “rules” are just ways to structure the interactions that people have with each other, to get the most value out of those interactions”. Ideas in both kinds are easily spread, especially in this information age. The constant quest to gain value on both fronts propels civilization forward.

From, “Standing on the sun”, it’s clear that the future of capitalism is not a story of competing economic models ultimately producing a winner. It’s an ongoing interbreeding of economic models, the result of which is perpetually diverse and continually adapting set of arrangements for trade. The other 4 rules, for the new capitalism style are:

**Rule number: 2- Internalized externalities.** Own your impact, the negative and the positive one.

For example: Adidas and Nike are into the process of dying clothes without using any water. Both companies have identified technologies for that goal.

Kimberly Clark heretical question was: “Do paper towel and toilet paper rolls really need cardboard tubes?” As part of its $100 million Scott Naturals brand, the company has since developed tubeless rolls. The innovation that results from heretical questions builds more-resilient companies.

GE came out with a portable electrocardiograph for the Indian and Chinese markets, and then sold it in the United States for 80% less than similar products.

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Companies that revert more affordable products that consume fewer resources can compete more effectively in all global markets. Toshiba has set goals to improve product energy efficiency 10-fold by 2050, cutting global carbon emissions 80% to 90% by midcentury.

**Rule number 3: Enjoy the evolution. Create new value through meaningful innovation.** Because society, equipped with robust feedback and selection forces, with ultimately choose innovation as the energy source that, like sunlight leads to all growth.

As an example, the energy source, such as a group of companies: Apple, BMW, Deustche, Bahn, Nestle, P&G, Unilever and Walmart that aim to be powered entirely by renewable energy. Ikea also for 2020 and Lego for 2016.

On his side, Johnson & Johnson allocates $40 million annually to energy and greenhouse-gas-reduction projects.

**Rule number 4: Give it away until you charge for it.** Pursue collaborative gains through invisible handshakes. For example, In Brazil, Embraer, the aircraft manufacturer is taking on responsibility in improving public education, not typical of the old capitalism model.

Embraer spends $3.6 million a year on the secondary school it runs near its San Jose dos Campos facility.

**Rule number 5: Operate for benefits.** Accept that every enterprise produces a mix of financial and other value types, and design your model to optimize it.

Another example is the initiative taken by pharmaceutical giants: GlaxoSmithKline, Merck and Norvartis to carry out basic research on proteins relevant to drug discovery. They even plan to place the results in public domain with no restriction. The rationale is that by collectively investing in building an industry commons, these companies benefit everyone by the accelerating of new knowledge creation. One the other side, these companies have realized the tendency of weaker properties rights. Still, they had left the fierce competition aside, instead putting emphasis on innovating.

Firms must embrace a new vision by fighting short-termism, basing goals on science, and pursuing radical innovation. They must place a value on natural capital (such as clean air and water) and redefine how they measure ROI; and they must engage in new forms of collaboration with governments, NGOs, peers and competitors and customers.

These strategies will create more resilient companies that can manage, and profit from, extreme volatility. They will also help companies address society’s largest challenges and create a more prosperous world for all.

**New rules-New resources= New capitalist structure**

**Competition, still very much part of the system, will yield to collaboration. In this new environment, business, government and NGO’s will no longer be adversaries.** Marketplace rivals will cooperate rather than compete to produce “what the world wants”, before others do.

The primacy of a world dominated by markets rather than traditional communities is fading out. Along with the gains of liberal economic and political policies, came the losses as well. Among them are the loss of a sense of place, of social and psychological stability and traditional remedies to face life’s vicissitudes.

Nowadays a more “holistic”, “integrative” approach had been challenging the core and ferocious capitalist ideas promising a relief from the anxiety and threats of the modern life.

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Different business models are needed it

Mobile technologies are fueling the trend of more creative businesses. Trends (environmental, social, political, economic or technological) affect how people perceive the world and shape what they expect from products and services. Therefore, **trends present firms with unique opportunities for growth.**

Vodafone, the world second largest provider of mobile services (after China Mobile limited) wanted to venture into the Indian market, and gain profits of about $50 per month per user, but consumers would pay less than 10% of that. Definitely the same business model could not serve well in that part of the world.

Vodafone, jumped into the conclusion that the market could not be served profitable, simply because their traditional business type model didn’t work. But a homegrown firm, named Bharti Airtel was able to foresee an opportunity. Smartly, Bharti became the first mobile company to outsource everything except marketing and sales. It obtained network operation services from Ericsson, business infrastructure from IBM, and transmission towers from an independent company that build infrastructure for all mobile competitors. They eliminate the cost of billing and customer support by offering pre-paid phones and by partnering with other companies. Remarkably, Bharti was able to serve in 2010, 131 customers compared with 427 million for Vodapone across thirty-one countries, with only one-tenth the capital investment of Western providers. Bharti came up with a innovative, a adaptive strategy that allowed the form to conquer a new territory of customers and needs.

Other interesting project, less substantial but trendy and “healthy” in some ways is the one implemented by Nike.

Nike company, the largest share of running shoes sold in United States teamed up with Apple to launch Nike +: a digital sports kit comprising a sensor that attaches the running shoe and a wireless receiver that connects to the person’s Ipod. More than 2.5 million kits have been sold (from 2006 to 2010). The company made good profits considering that the sports kits retail for $30 and the shoes for an average of $80. For a Nike + customer the Nike brand is no longer about just the product attached to his or her feet; its about the total exercise experience, including the community. By this strategy the company transcends its category, creating a new one, more meaningful for their target.

Tesco, on another side, the third-largest retailer in the world, introduced its Greener Living Program, which demonstrates the company’s commitment to protecting the environment by involving customers in ways that produce tangible results. For example, Tesco customers can rent company-sponsored plots for gardening and coops for raising egg-laying chickens, and can accumulate points for such activities as reusing bags, recycling cans and printer cartridges, and buying home-insulation materials. These green points can be redeemed for cash. By implementing this strategy, Tesco has augmented its business with these activities.

Nike + and Tesco examples represent two of three broad innovation strategies that firms can embrace to address powerful trends. They can 1- infuse aspects of the trend into their existing category to augment their products or services (Tesco). They can combine aspects of the trend with attributes of their category to produce radical offerings that transcend their traditional category and create a new one (as Nike did). Or they can counteract negatively perceived effects of the trend by developing products and services that reaffirm their category’s distinctive values. The one with the higher impact is the one that transcends the category since it combines aspects of the product’s existing value proposition with attributes that address their aspirations, attitudes, and behaviors. These traits mostly arise from a trend that can create a novel experience, one that may land the company in an entirely new market space\textsuperscript{16}.

As we have seen, also audacity and imagination are necessary to satisfy customer’s aspirations and needs.

\textsuperscript{16} Ofek, E; Wathieu, L. “Are you ignoring trends” Harvard Business Review. July-August 2010
Agent and power
To act means to intervene in the world. To be an agent\textsuperscript{17} is to be able to deploy (in the flow of daily life) a range of causal powers, including that of influencing those deployed by others. He declares that: “an agent ceases to be such if he or she loses the capability to “make a difference”, that is to exercise some sort of power. In fact this is a very powerful statement inviting people to “act” to generate waves of change.

As we can see action logically involves power in the sense of transformative capacity\textsuperscript{18}. Giddens presents the dual structure in the power relations: 1- resources: are structured properties of social systems, used and reproduced by knowledgeable agents in the course of interactions; though power is not itself a resource. Resources are media through which power is exercised and where social reproduction is conducted.

Changing perspectives
Changing the concept of the center will change our perspective of what is important and as a consequence how to design our goals and strategies. Copernicus saw that taking Earth out of the center of the system helped clarify the behavior of the planets. In “Standing on the sun” the authors stated that removing financial profit financial profit maximization from the center of capitalism will achieve two important goals: 1- Corporate social responsibility, venture philanthropy, sustainability are recognized to have a logic consistent with capitalism. Consequently, 2- society will be able provide the feedback and constraints needed to pursue the goals of all stakeholders, rather just to those financiers.

New leading company equation
All these changes have converged in the new Dupont equation\textsuperscript{19}:
The objective of business should broaden beyond ROI. There is no longer need to make the most of financial investments; there is more money available than can be productively invested. Mutual helping is even more vital in an era of knowledge work, when positive business outcomes depend on creativity in often very complex projects.

So this is the equation proposed: the contribution of growth is given by the value of an innovation and by the number of people affected by each innovation and the frequency with which innovation occurs.
Change in value created/time = change in value from the average innovation/person * persons/innovation * innovation/time = Growth

The example below illustrates a new business model inspired by the new equation. It is clear that this business objective have gone beyond the ROI, it have been mainly commited to save people’s lives in an effective way.
The “Dial 1298 for ambulance” business was created by an indu lady who lived and worked in the U.S. for a few years. She said “I never thought I could create in the U.S. because everything is already there. Maybe I can do something better in India, because India has so many opportunities”.
Inspired by the 9-1-1 ambulance service, she recreated one for Mumbai. The entrepreneur had created the conditions and stimulated the environment for emergence.
The main strategy was partnering with other organizations, since they didn’t have enough funds nor expertise. It was different from the western-capitalist style accustomed to keeping its sectors neatly compartmentalized.
In this case, the entrepreneur founded a non-profit foundation to obtain donations to fund the purchase of the vehicles. Then the foundation provided the services of these ambulances to the company, charging only for the hours of actual use. Lacking the operational expertise to run an ambulance


service, they partnered with the London Ambulance service to learn the know-how. Moreover, India lacked a pool of emergency medical workers, so Dial 1298 persuaded educational institutions to start training them.

Overall a great idea, orchestrating different sectors together had enabled a brilliant service at lower investments than in a more developed economy. Collaborative help comes to the fore, lending perspective, experience, and expertise that improve the quality and execution of ideas.

**Competitive Economy - Microeconomic approach**

As we have seen from the several examples presented along the paper, several companies have been playing a main role shaping the economy and generating new trends.

The essential role that firms play in the economy is highly prioritized by the microeconomic approach. Why? Due to one of the main determinants of prosperity in a nation is to have a competitive economy. Therefore it is necessary to have high productivity levels, meaning how effectively nations use their capital and resources.

In order to achieve a competitive economy the government and society can implement different tools. One is the macroeconomic approach, the top-down. In this case authorities influence market at a macro level that impact the subjects of the economy. The other approach, the microeconomic one, is the down-up. Focuses on creation of competitive and equal condition on markets should give an advantage to all subjects on the market. It creates pressure on innovations and productivity that improves competitiveness and prosperity for regions and nations. As explained, the “new rules of capitalism” place innovation in the core. The Harvard Business School-Institute for Strategy and Competitiveness (ISC) states that the active creation of wealth and prosperity is the key role of entrepreneurs, companies and organizations.

The micro level aims to create a more competitive and innovative environment such as: professionalizing public administration, modernizing education, better patent protection, competition among medical insurance companies, etc.

On the other side, the macro approach prioritizes better fiscal policy, infrastructure, development health care, education, among other social needs.

The macro approach advocates for an active role of the government over the one of the companies and entrepreneurs.

Since, the Czech Republic gets most of their funds from the EU, the competitiveness approach is more aligned with the one of the EU. The EU represents a tool for cohesion and social policy. The emphasis is on the equality of region, meaning that each region is specialized in similar fields and as a consequence there is lower competitiveness.

The competitive environment can be measurable as a Global competitive index as the World Economic Forum shows and can also be ranked how easy it is to do business in a country, a report from the World Bank. In 2011 Singapore came up the number one easiest country to do business, UK: number 4, US: number 5 and CZ number 63 (showed improvement from 2010 that was number 82).

Total amount of money allocated for the CZ for 2007-2014 is circa 25 billion of EUR., 4% has been allocated for operational programs. There is a new competitive strategy requires macro and micro interventions. Focusing on the micro level will generate a competitive environment. Companies will develop better skills and embrace innovation. As a result a better quality of business environment enables companies to reach a higher-level of productivity and innovation. Another possibility proposed by ISC is developing clusters – they include governmental and other institutions such as Universities, think-tanks, and trade associations. The cluster strength directly impacts regional performance and competitiveness. Even though different countries of the EU have different regulations the cluster concept, where all sectors interact is key for economic development. There is a link between cluster-

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20 Kula. “Competitiveness of regions from Microeconomic point of view”. 2013
system theory and the one proposed on “Standing on the sun”, that encourages different sectors, private and non-private to generate synergies, partnering for a higher organizational growth. Better businesses need new connectivity, diversity, and recombination of new ideas.

As Walter Wriston, one of the head of Citicorp Corporation mentioned in “The twilight of sovereignty” is that corporations would become more powerful than nations.

Conclusions
Capitalism is a set of rules. Those rules of competition and innovation have changed. Capitalism is also what capitalist do at the same time, these choices of behavior are shaped by rules at every level- social mores, regulations, tax incentives, plans, compensations- and they coevolve with one another.

As happened during industrialization, power is shifting across geographies, classes and cohorts. Economic power shifts to younger, faster-growing emerging economies and as information technology creates a kind of globalization never seen before. This is a information driven economy, from resource driven economy, rent economy. Information is an inexhaustible resource so the flow can’t be restricted.

Growth had become “wiser” and “more harmonious”.
In this World economy: less competition, more innovation. It is about less individual or companies, more about groups and ecologies. It is about less concentration of power and wealth, more about sustainable social systems.

Connectivity is not quarterly or physical, instead it is continual and virtual. Global companies are sensing networks, not only picking up the latest market trends but also learning internally what works.
Capitalism’s CEO is ubiquitous. Universally accessible, throughout social media, so power is not so concentrated on the higher rank person. Since there is a decline of trust in all types of organizations, especially in CEOs and state officials, more trusted are peers and regular employees. They raise their voices through social, online and traditional media.

Trust is easy to lose yet difficult to regain so the path to be trusted again by the general public could be thorny. Employees are the first ambassadors of the reputation of each company and their opinions are getting more attention.

Within these new trends, Ceo’s have to become strong leaders. In order to become plausible and credible it is necessary to communicate consistently, transparently and delivering quality products and services.

5 New Rules that govern the new capitalist structure

1- Emerging markets without the habit of black and white vision.

2- Externilized externalities. Management is the taming of the manageable, and the realm of externalities is the frontier of the manageable.
Set of centering rings emanating from a point of impact. The closest ring consists of closest impacts that in the past could not be measured but today can be. Next ring: take action. Third ring: effects are indirect of the company’s operations so it is not possible to measure them accurately. The firm’s responsibility is to be part of the solution. There really won’t be a place for firms to hide from their externalities as capitalism adapts to ubiquitous, universally accessible measurement. Example, Chemists at Shell are not responsible for all of chemical impact, but by virtue of being chemists they can advance the field of green chemistry. They can also raise awareness to the problem so that others with expertise will be drawn to help.

3- **Focus on creating new value through meaningful innovation.** No more focus on monopoly, zero-sum game. A company should prioritize the innovation that leads to the greatest value. From the winner-take-all, natural monopoly to a global company that creates a planet-scale learning system.

GE Healthcare in India: “in most of the world we fight a market share battle”...“so really the battle is about how do I get a point from a competitor”\(^{25}\) but when it comes to India, that next % of share is really not a lot of money, because the markets are smaller. If we want to be three times bigger in the next 5 years it is not going to come from just gaining share points\(^{26}\).

3.1 Innovation depends on collaboration. The old capitalism, bogged down by lawyers and zero-sum negotiations, slows down the process, collaborative innovation speeds it up.

3.2 Collaboration needs trust. In today’s information society\(^{27}\), our day-to-day experience is based on the trust of several information sources, which are often distant and mediated (Virilio, 2001).

3.3 Helping culture. Example IDEO’s culture of helping\(^{28}\). Company renowned for its creative output. The firm encourages frequent collaboration among colleagues by a dense network of mutual assistance. Those most helpful are the most trustworthy and accessible, rather than the most technically competent.

4- **Give it away until you charge for it.** Create more value for more stakeholders, from combative behavior to collaborative behavior. Firms that want to be part of fruitful collaboration will start behaving generously. As a result, will attract generous partners.

5- **Operate for benefit.** Every enterprise produces a mix of financial and other value types, and design your model to optimize it. Whereas before it was compartmentalized any support of social goals from the for-profit work of the enterprise.

Instead of seeing competition as their purpose and salvation, firms will need to focus on innovation. Focusing creatively on customers and their ecology will lead to success.

**Mutual helping is even more vital in an era of knowledge work, when positive business outcomes depend on creativity in often very complex projects.**

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\(^{27}\)Kollmannova. CEO and Businesses are losing trust: Comparison of EU, USA, Czech, and Slovak Republic. Pag. 9