

REPOSITIONING NEW ENGLAND COMPANIES ON THE GLOBAL STAGE

Press release

On March 20th 1997 at a meeting organized by the Sloan School Alumni Club of Boston, at the Tang Center of Sloan School MIT, Partha S Ghosh (Graduate degrees from MIT Engineering and Management Schools in 1977) a renowned international management consultant (with clients in Asia, Europe and the US) presented his views on how New England companies could play a strategic role in the development of the global economy. His presentation based on his extensive analyses of national and global trends, and personal problem solving experience on complex strategic issues- proposed a new paradigm of growth, which New England companies are uniquely positioned to leverage. His talk focused on four key points:

1. The new S curve: Living with extremes
2. 21st century requirements for corporate and socio economic governance
3. Advantage "North East US"
4. New Paradigm strategies: Innovating use of wisdom

The new S curve: Living with extremes: As far as the first point is concerned, he pointed out that the world following the first two "S curves" is now middle of a "historic flux" jumping into the third "S curve"; the first triggered by steam engine facilitated the industrial revolution, the second triggered by better understanding of atomic physics and applied mathematics triggered the information revolution, and now we are entering the third "S curve" which is very different in character, which requires "management of wisdom" (multiple disciplines) in a borderless environment.

He clearly distinguished the character of the new S curve in comparison of the previous S-curves; he indicated previous S curves essentially helped development and stream lining of physical and visible economic and business concepts, while the new S curve will require creative conceptualization of totally new economic & business activities, which are often virtual, and imagination driven: he sighted for instance DreamWorks is a representative model of the nature of businesses to come. CEOs' and government leaders' capabilities to envision new types of economic activities by bringing together disciplines and technologies which on the surface appear unrelated, are what will make the difference. Lateral thinking and symbiosis of unrelated skills will be at the core of the successful businesses.

21st century requirements for corporate and socio economic governance: On his second point, he talked about the key factors of success the companies will need to manage to be able to survive the 21st century competition. He underscored three fundamental

requirements (i) “real time globalization”, (ii) ROE management, and (iii) global resourcing. He used the term “E” to signify not the conventional word “*equity*” but more important three Es: “*Experience, Expression, Emotions*”; companies who will be able to maximize use of individuals’ expressions, experience and emotion in an innovative fashion and at the same time (in WTO environment) source skills and create opportunities in a global scale, will be the winners of the future. He observed only a few companies like Nestle, perhaps Levers, have been able to develop this capability.

In explaining “real time globalization” Dr. Ghosh emphasized the need for companies to move away from the traditional water-fall and TRIAD(NA, EU, East Asia) models and move into “time-zone” model, which will require corporates to look at each society as home base and use their innovation processes in each of the local conditions to evolve new product concepts, as opposed to transferring the solution of one society to other.

Advantage “North East US”: Moving to this third point he indicated that North East US particularly Massachusetts enjoys a unique advantage:

- Experience with all the three S curves
- Net work of knowledge centers (e.g. Harvards, MITs and several prestigious centers of learning and knowledge)
- Global community & already existing network worldwide(alumni of the top dozen universities in the region)
- Relatively lower costs with productivity factored in (compared to Tokyo, Hong Kong, London, New York and San Francisco)
- Relatively less prone to natural calamities
- Better access to capital & financial expertise

He suggested that Massachusetts be viewed as the Switzerland of the world and the state should aspire to host at least ten percent of the Fortune 500 companies during the first quarter of the 21st century. The real issue is how should the State governments (the six states) along with Industry and the Universities create the new “network of opportunities” and participate in them in an innovative fashion? He highlighted that as during the beginning of the 20th century, the productivity of labor doubled (in a span of twenty years) to speed up industrialization in the US, he believes the current challenge is one of doubling “*innovation productivity*” of white collar workers; he proposes that companies in New England like Raytheon, Digital, Data General, Genzyme, & Gillette

along with financial institutions should launch special programs with universities like MIT, to work on “innovation productivity”. He also cautioned that failure to keep up with velocity of innovation could lead to disappearance of companies, that should need to be avoided at all cost.

North East US has all the key building blocks to create the 21st century model. Mr. Ghosh provided several practical and yet creative approaches which companies like Reebok, Polaroid, Digital, Computervision might consider to adopt to get back to their best days, and to inspire companies in the region to become truly world class. He also appreciated Bose’s, Gillette’s & Thermo Electons’s performance and indicated how through new games strategies they could truly become inspiring models of innovative enterprise. He particularly emphasized the need of new game strategies for companies like Polaroid, Digital as the new wave of digitization and imaging technologies could fundamentally reconstruct value propositions and delivery chains.

Finally talking on “new paradigm strategies” he emphasized that business leaders in “globalized non tariff environment” should not abandon industries just because they might be matured in one environment; instead industries should be continually re-scoped so that the experience base within companies could be utilized for higher value added role. Companies will need to learn how to “*recycle knowledge*” and manage “global resourcing”. He provided a framework, which could be used to reconstruct businesses with high ROEs (*E= Experience, Expression and Emotions*) with longer range leadership instincts.

He indicated if the invisible part (*the 3E assets of an organization*) of the balance sheet is made alive, the p/e ratios of companies could increase significantly; organizations instead of shedding experience in name of restructuring and/or re-engineering should intelligently re-scope businesses by creatively utilizing, “experience and wisdom” corporate for expanded possibilities. He indicated many innovations in places like MIT which cannot find seed beds in mature industries in the US, might well find excellent nurseries in emerging economies.

Technologies such as new energy systems, solar powered cars, intelligence in household equipments, fuel cells, agro bio technologies are the ones which might not be welcome here, could find excellent reception and spur major economic growth in the emerging economies. With help of several case examples he demonstrated how companies in New England from software & systems to sporting goods. Entertainment to educations, defense to drugs, construction & engineering to computers, communications & electronics, could significantly increase their value propositions in society in the new WTO environment.

Mr. Ghosh suggested that the **Massachusetts Governor's office** in conjunction with industry and academia should consider building on the proposals to develop a long-term strategy for the North East US for creating a vibrant 21st century economy.

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MIT, Sloan School Alumni Club of Boston